

PUBLIC PROTECTION CABINET
Kentucky Horse Racing Commission
(New Administrative Regulation)

809 KAR 10:001. General provisions.

RELATES TO: KRS Chapter 230

STATUTORY AUTHORITY: KRS 230.260(16), 230.210

NECESSITY, FUNCTION, AND CONFORMITY: KRS 230.260(16) requires the commission to promulgate administrative regulations to establish standards for the conduct of sports wagering. This administrative regulation establishes definitions of various terms used throughout the commission's sports wagering administrative regulations.

Section 1. Definitions.

(1) "Abnormal wagering activity" means wagering activity exhibited by one (1) or more patrons and considered by a licensee to be an indicator of suspicious or illegal wagering activity.

(2) "Account holder" means an individual for whom the licensee has opened a sports wagering account.

(3) "Act" means 2023 Ky. Acts Ch. 147, of the Kentucky Revised Statutes, the Kentucky Sports Wagering Act of 2023.

(4) "Adjusted gross revenue" is defined by KRS 138.552.

(5) "Affiliate" means a person that, owns, controls, manages, or is operationally interdependent with a licensee.

(6) "Amateur youth sporting event" is defined by KRS 230.210.

(7) "Applicant" means a person that applies with the racing commission to be an authorized licensee.

(8) "Cancelled wager" means a sports wager that was valid at the time it was made but has since been invalidated in a manner acceptable by the commission due to an event or action that prevents its completion.

(9) "Card" means the list of sporting events and types of wager from which a patron can make selections for a given pool.

(10) "Cash" means U.S. currency.

(11) "Cash equivalent" means an asset convertible to cash for use in connection with authorized sports wagering, as follows:

(a) Traveler's checks;

(b) Foreign currency and coin;

(c) Certified checks, cashier's checks, and money orders;

(d) Personal checks and drafts;

(e) Digital, crypto, and virtual currencies;

(f) Online and mobile payment systems that support online money transfers; and

(g) Electronic devices with prepaid access, as defined by 31 C.F.R. Section 1010.100(ww).

(12) "Confidential information" means:

(a) The amount of money credited to, debited from, withdrawn from, or present in any particular sports wagering account;

(b) The amount of money wagered by a particular patron on any event or series of events;

(c) The unique sports wagering account ID or username and authentication credentials that identify the particular account holder;

(d) The identities of particular sporting events or types of wagers on which the patron is wagering or has wagered; and

- (e) Unless otherwise authorized by the patron, the name, address, and other information in possession of the licensee that would identify the patron to anyone other than the racing commission or the licensee.
- (13) "Communications technology" means the methods used and the components employed to facilitate the transmission of information, such as electronic communications, and transmission and reception systems based on wire, cable, radio, microwave, light, optics, or computer data networks or any similar electronic agent, such as the internet and intranets.
- (14) "Critical employee" means any employee whose duties directly impact the integrity of sports wagering in the Commonwealth, including:
- (a) An individual who has the capability of affecting the outcome of sports wagering through deployment of code to production for any critical components of a sports wagering system;
 - (b) An individual who can deploy code to production and directly supervises individuals who have the capability of affecting the outcome of sports wagering in Kentucky through deployment of code to production for other than read-only or the equivalent access to any critical components of a sports wagering system;
 - (c) An individual who directly manages a licensee or who directly supervises an individual who directly manages a licensee; or
 - (d) An individual who has the capability to directly affect the outcome of a sports wager or a payout to a patron.
- (15) "Data source" means a supplier that sells league or event data, participant, or team statistics necessary to enable sports wagering.
- (16) "Department" means Department of Revenue.
- (17) "Electronic sports, e-sports, and competitive video game events" or "electronic sporting events" means leagues, competitive circuits, tournaments, or similar competitions where individuals or teams play video games, typically for spectators, either in-person or online, for the purpose of prizes, money, or entertainment.
- (18) "Electronic sporting event operator" means a person or entity which sanctions, regulates, or organizes an electronic sporting event.
- (19) "Geofence" is defined by KRS 230.210.
- (20) "GLI-CMP Guide" means the Gaming Laboratories International, GLI-CMP: Change Management Program Guide, Version 1.0, Published May 6, 2020.
- (21) "GLI-33 Standards" means the Gaming Laboratories International, GLI-33: Standards for Event Wagering Systems, Version. 1.1, and its appendices, Revised May 14, 2019.
- (22) "Integrity monitoring" means the monitoring of sports wagering to identify abnormal or suspicious wagering activities from a match-fixing and sporting corruption standpoint.
- (23) "Internal controls," "minimum internal control standards," or "control standards" means a system of internal procedures, as well as administrative and accounting controls related to the integrity of sports wagering. This type of system shall include wagering rules and shall be required by the racing commission as a condition to sports wagering, pursuant to the license conditions issued by the racing commission pursuant to KRS 230.290(3).
- (24) "Layoff wager" means a wager placed by a licensee with another licensee for the purpose of offsetting sports wagers.
- (25) "Licensed premises" is defined in KRS 230.210.
- (26) "Licensed facility for sports wagering" is defined in KRS 230.210
- (27) "Licensee" means the holder of a sports wagering operator's license or a service provider license, as applicable.
- (28) "License holder" means any person who holds a sports wagering operator's license, a service provider license, or an occupational license.

- (29) "Mobile sports wagering" means the conduct of sports wagering through or by means of Web sites, mobile applications, or other off-site technology approved by the commission.
- (30) "Multi-factor authentication" means a type of authentication which uses two (2) or more of the following to verify a person's identity:
- (a) Information known only to the person (e.g., a password, pattern or answers to challenge questions);
 - (b) An item possessed by a person (e.g., an electronic token, physical token or an identification card); or
 - (c) A person's biometric data (e.g., fingerprints, facial or voice recognition).
- (31) "Operator licensee" or "sports wagering operator" means a Kentucky racing association licensed to conduct sports wagering pursuant to KRS 230.805.
- (32) "Person" is defined by KRS 230.210.
- (33) "Personal identifying information" means any sensitive information that could potentially be used to identify a particular patron, such as a legal name, date of birth, place of birth, social security number (or equivalent government identification number), driver's license number, passport number, residential address, phone number, email address, debit instrument number, credit card number, or bank account number.
- (34) "Patron" means a person who wagers on sporting events.
- (35) "Pool" means an offering where patrons may make selections of outcomes on a set number of sporting events and types of wager on a card in order to enter for a chance to win all or a portion of the prize pool.
- (36) "Prize pool" means the prizing available for an individual tournament, contest, or pool.
- (37) "Prohibited patron" means:
- (a) Any underage person;
 - (b) Any individual wagering while not in the authorized geographic boundaries within the Commonwealth of Kentucky;
 - (c) Any individual wagering on behalf of another;
 - (d) Any restricted patron wagering in violation of their restrictions;
 - (e) Any voluntarily or involuntarily excluded person; or
 - (f) Any individual wagering in violation of commonwealth, local, or federal law.
- (38) "Race and sports book" means the area designated by the licensee and approved by the commission that is utilized as the primary location for displaying sporting events and offering sports wagering on the licensed premises.
- (39) "Racing commission" is defined by KRS 230.210.
- (40) "Rake" means the fee that is deducted by a licensee from entry fees paid by patrons who participate in a tournament, contest, or pool.
- (41) "Rake adjustment" means an adjustment made by a licensee to account for any shortfall in connection with a tournament, contest, or pool.
- (42) "Restricted patron" means any patron restricted by KRS 230.820 or 230.823 and close family members of the persons included in KRS 230.823, who are defined as parents, children, grandparents, and siblings.
- (43) "Self-exclusion list" means a list of individuals who voluntarily excluded themselves from establishing or maintaining a sports wagering account with a licensee.
- (44) "Sensitive information" means personal identifying information, transactional wagering data, authentication credentials, and other data that shall be handled in a secure manner such as PINs and passwords, and secure seeds and keys used in encryption.
- (45) "Service provider" is defined by KRS 230.210.
- (46) "Shared liquidity pool" means a tournament, contest, or pool offering in Kentucky and at least one other jurisdiction where patrons may make selections of outcomes on a

set number of sporting events and types of wager on a card in order to enter for a chance to win all or a portion of the prize pool.

(47) "Sporting event" is defined by KRS 230.210.

(48) "Sports governing body" is defined by KRS 230.210.

(49) "Sports wagering" is defined by KRS 230.210.

(50) "Sports wagering account" or "account" means an account established by an account holder for use in sports wagering with a specific identifiable record of deposits, wagers, and withdrawals.

(51) "Sports wagering device" is defined by KRS 230.210.

(52) "Sports wagering kiosk" means a sports wagering device within a licensed facility for sports wagering that, at a minimum, may be used for the submission of wagers placed by a patron directly and may be used for redemption of applicable awards or prizes.

(53) "Sports wagering service provider" or "service provider" is defined by KRS 230.210.

(54) "Sports wagering system" means the hardware, software, firmware, communications technology, other equipment, as well as procedures implemented in order to allow patron participation in sports wagering, and, if supported, the corresponding equipment related to the display of the wager outcomes, and other similar information necessary to facilitate patron participation.

(55) "Sports wagering ticket" or "ticket" means a printed record, or digital representation thereof, issued by a sports wagering system that contains information pertaining to a sports wager.

(56) "Sports wagering voucher" or "voucher" means a printed record, or digital representation thereof, issued by a sports wagering system that may be used to fund a sports wager or may be redeemable for cash.

(57) "Sufficient clarity" means the capacity of a surveillance system to record images at a minimum of twenty (20) frames per second or equivalent recording speed, or other recording speed approved by the commission, and at a resolution determined by the racing commission to clearly identify the intended activity, person, object, or location.

(58) "Surveillance operation room(s)" means the secured area(s) where surveillance takes place or where active surveillance equipment is located.

(59) "Surveillance system" means a system of video cameras, monitors, recorders, video printers, switches, selectors, and other equipment used for surveillance.

(60) "Suspicious or illegal wagering activity" means abnormal wagering activity that cannot be explained and is indicative of any prohibited activity or conduct that may corrupt the outcome of an event, including the following:

(a) Match-fixing;

(b) The manipulation of an event;

(c) Misuse of inside information;

(d) A potential breach of a sports governing body's or equivalent's internal rules or code of conduct pertaining to sports wagering; or

(e) Any other conduct that corrupts the outcome of an event.

(61) "Supplier" means a person who provides services, goods, software, or other components necessary for the creation of sports wagering markets and determination of sports wager outcomes, to any licensee involved in the acceptance of sports wagers, such as: providers of data feeds and odds services, internet platform providers, risk management providers, integrity monitoring providers.

(62) "Ticket writer station" means a sports wagering device that at a minimum will be used by a ticket writer for the execution or formalization of wagers placed on behalf of a patron.

(63) "Type of wager" means the form of a wager offered by a licensee, such as single game bets, teaser bets, parlays, over-under bets, money line bets, pools, in-game wagering, in-play bets, proposition bets, and straight bets.

- (64) "Underage person" means any person under eighteen (18) years of age.
- (65) "Void wager" or "voided wager" means a sports wager that was not valid at the time it was placed or a sports wager that was valid at the time it was placed but has since become invalid as defined in 809 KAR 10:002, Section 8.
- (66) "Voluntarily excluded person" means any individual whose name is included, at their own request, on a self-exclusion list.
- (67) "Wager" or "sports wager" means a sum of money or representation of value that is risked on an occurrence for which the outcome is uncertain.
- (68) "Wagering windows" means teller windows dedicated to the receipt and processing of sports wagers and pari-mutuel wagers on horse racing in the race and sports book location of a licensed facility for sports wagering.
- (69) "Web site or mobile application" means a Web site or application on a mobile phone or other device through which an individual is able to place a sports wager.
- (70) "Winnings" means the total cash value of all property or sums, such as the currency or instruments of monetary value paid to a patron by a licensee as a direct result of a winning sports wager.

Section 2. Incorporation by Reference.

- (1) The following material is incorporated by reference:
- (a) "Gaming Laboratories International, GLI-33: Standards for Event Wagering Systems, Version 1.1, and its appendices, May 14, 2019 Revision Date", KHRC 10-001-1, 06/2023; and
- (b) "Gaming Laboratories International, GLI-CMP: Change Management Program Guide, Version 1.0, Published May 6, 2020", KHRC 10-001-02, 06/2023.
- (2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Kentucky Horse Racing Commission, 4063 Iron Works Parkway, Building B, Lexington, Kentucky 40511, Monday through Friday, 8 a.m. to 4:30 p.m. This material may also be obtained at the commission's Web site at <http://khrc.ky.gov>.

JONATHAN RABINOWITZ, Chair
RAY PERRY, Secretary

APPROVED BY AGENCY: July 10, 2023

FILED WITH LRC: July 10, 2023 at 4:00 p.m.

PUBLIC HEARING AND COMMENT PERIOD: A public hearing on this administrative regulation shall be held on September 22, 2023, at 9:00 a.m. at the Kentucky Horse Racing Commission, 4063 Iron Works Parkway, Building B, Lexington, Kentucky 40511. Individuals interested in being heard at this hearing shall notify this agency in writing by five workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing was received by that date, the hearing may be cancelled. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through September 30, 2023. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON: Jennifer Wolsing, General Counsel, Kentucky Horse Racing Commission, 4063 Iron Works Parkway, Building B, Lexington, Kentucky 40511, phone (859) 246-2040, fax (859) 246-2039, email jennifer.wolsing@ky.gov.