

**PUBLIC PROTECTION CABINET**  
**Kentucky Horse Racing Commission**  
**(Amended After Comments)**

**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(a) The amount of money credited to, debited from, withdrawn from, or present in any particular sports wagering account;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 **in a decision-making or managerial role**, 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, ~~for a~~ service provider license, **or an occupational 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.}~~

~~(28)~~ ~~(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.

~~(29)~~ ~~(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).

~~(30)~~ ~~(31)~~ "Operator licensee" or "sports wagering operator" or means a Kentucky racing association licensed to conduct sports wagering pursuant to KRS 230.805.

~~(31)~~ ~~(32)~~ "Person" is defined by KRS 230.210.

~~(32)~~ ~~(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.

~~(33)~~ ~~(34)~~ "Patron" means a person who wagers on sporting events.

~~(34)~~ ~~(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.

~~(35)~~ ~~(36)~~ "Prize pool" means the prizing available for an individual tournament, contest, or pool.

~~(36)~~ ~~(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~~commonwealth~~, local, or federal law.

~~(37)~~ ~~(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.

~~(38)~~ ~~(39)~~ "Racing commission" is defined by KRS 230.210.

~~(39)~~ ~~(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.

~~(40)~~ ~~(41)~~ "Rake adjustment" means an adjustment made by a licensee to account for any shortfall in connection with a tournament, contest, or pool.

~~(41)~~ ~~(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.~~

~~(42)~~ ~~(43)~~ "Self-exclusion list" means a list of individuals who voluntarily excluded themselves from establishing or maintaining a sports wagering account with a licensee.

~~(43)~~ ~~(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.

~~(44)~~ ~~(45)~~ "Service provider" is defined by KRS 230.210.

~~(45)~~ ~~(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.

~~(46)~~ ~~((47))~~ "Sporting event" is defined by KRS 230.210.

~~(47)~~ ~~((48))~~ "Sports governing body" is defined by KRS 230.210.

~~(48)~~ ~~((49))~~ "Sports wagering" is defined by KRS 230.210.

~~(49)~~ ~~((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.

~~(50)~~ ~~((51))~~ "Sports wagering device" is defined by KRS 230.210.

~~(51)~~ ~~((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.

~~(52)~~ ~~((53))~~ "Sports wagering service provider" or "service provider" is defined by KRS 230.210.

~~(53)~~ ~~((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.

~~(54)~~ ~~((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.

~~(55)~~ ~~((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.

~~(56)~~ ~~((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.

~~(57)~~ ~~((58))~~ "Surveillance operation room(s)" means the secured area(s) where surveillance takes place or where active surveillance equipment is located.

~~(58)~~ ~~((59))~~ "Surveillance system" means a system of video cameras, monitors, recorders, video printers, switches, selectors, and other equipment used for surveillance.

~~(59)~~ ~~((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.

~~(60)~~ ~~((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.

~~(61)~~ ~~((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.

~~(62)~~ ~~((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.

~~(63)~~ ~~((64))~~ "Underage person" means any person under eighteen (18) years of age.

~~(64)~~ ~~((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.

~~(65)~~ ~~((66))~~ "Voluntarily excluded person" means any individual whose name is included, at their own request, on a self-exclusion list.

~~(66)~~ ~~((67))~~ "Wager" or "sports wager" means a sum of money or representation of value that is risked on a sporting event~~(an occurrence)~~ for which the outcome is uncertain.

~~(67)~~ ~~((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.

~~(68)~~ ~~((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.

~~(69)~~ ~~((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.

(3) This material may also be obtained at the commission's Web site at <http://khrc.ky.gov>.

*JENNIFER WOLSING, General Counsel*  
*For JONATHAN RABINOWITZ, Chair*  
*RAY PERRY, Secretary*

APPROVED BY AGENCY: November 15, 2023

FILED WITH LRC: November 15, 2023 at 11:15 a.m.

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## REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

**Contact Person: Jennifer Wolsing**

**(1) Provide a brief summary of:**

**(a) What this administrative regulation does:**

This regulation establishes definitions for terms used in 809 KAR Chapter 10.

**(b) The necessity of this administrative regulation:**

This regulation is necessary to ensure that various terms in 809 KAR Chapter 10 are properly and precisely defined.

**(c) How this administrative regulation conforms to the content of the authorizing statutes:**

KRS 230.260 requires the commission to promulgate administrative regulations to establish standards for the conduct of sports wagering. This regulation sets forth the defined terms that are used in the regulations in 809 KAR Chapter 10.

**(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes:**

This regulation fulfills the commission's statutory mandate to prescribe the conditions under which sports wagering is conducted in the Commonwealth by defining terms used in 809 KAR Chapter 10.

**(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:**

**(a) How the amendment will change this existing administrative regulation:**

N/A. This is a new regulation.

**(b) The necessity of the amendment to this administrative regulation:**

N/A. This is a new regulation.

**(c) How the amendment conforms to the content of the authorizing statutes:**

N/A. This is a new regulation.

**(d) How the amendment will assist in the effective administration of the statutes:**

N/A. This is a new regulation.

**(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation:**

This regulation affects the licensed tracks that apply for and receive a license to conduct sports wagering in the Commonwealth. There are currently nine (9) licensed tracks operating in the Commonwealth. Each track is allowed to contract with up to three (3) service providers. Therefore, up to 27 service providers may be affected by the definitions in this regulation. Additionally, there are an unknown number of entities and persons who may apply for and receive an occupational license for sports wagering, who may also be affected by the definitions in this regulation.

**(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:**

**(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment:**

This amendment establishes definitions only. The regulated entities do not have to take actions to comply with definitions.

**(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3):**

There will be no costs for compliance with this definitional regulation.

**(c) As a result of compliance, what benefits will accrue to the entities identified in question (3):**

This amendment establishes definitions only. The regulated entities do not have to take actions to comply with definitions.

**(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:**

**(a) Initially:**

There will be no initial administrative cost to implement this administrative regulation.

**(b) On a continuing basis:**

There will be no continuing cost to implement this administrative regulation.

**(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation:**

No funding is necessary to implement and enforce this administrative regulation.

**(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment:**

No increase in fees or funding will be necessary to implement this administrative regulation.

**(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees:**

This administrative regulation does not establish any new fees or increase any current fees.

**(9) TIERING: Is tiering applied?**

Tiering is not applied, because this administrative regulation will apply to all similarly situated entities in an equal manner.

## FISCAL NOTE

**(1) What units, parts, or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation?**

The Kentucky Horse Racing Commission will be affected by this administrative regulation.

**(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation.**

KRS 230.260(16) authorizes the action taken by this regulation.

**(3) Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect.**

**(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year?**

This definitional regulation will not generate revenue during the first year.

**(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years?**

This definitional regulation will not generate revenue during subsequent years.

**(c) How much will it cost to administer this program for the first year?**

It is estimated that the commission will spend approximately \$2.4 million in the first year to implement sports wagering in Kentucky.

**(d) How much will it cost to administer this program for subsequent years?**

It is further estimated that the commission will spend approximately \$1.2 million annually to continue regulating sports wagering in Kentucky in subsequent years.

**Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.**

**Revenues (+/-):Neutral.**

**Expenditures (+/-):Neutral.**

**Other Explanation:**

None.

**(4) Estimate the effect of this administrative regulation on the expenditures and cost savings of regulated entities for the first full year the administrative regulation is to be in effect.**

**(a) How much cost savings will this administrative regulation generate for the regulated entities for the first year?**

This definitional regulation will not generate any cost savings for regulated entities for the first year.

**(b) How much cost savings will this administrative regulation generate for the regulated entities for subsequent years?**

This definitional regulation will not generate any cost savings for regulated entities for subsequent years.

**(c) How much will it cost the regulated entities for the first year?**

There will be no cost to the regulated entities for the first year.

**(d) How much will it cost the regulated entities for subsequent years?**

There will be no cost to the regulated entities for subsequent years.

**Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.**

**Cost Savings (+/-):**Neutral.

**Expenditures (+/-):**Neutral.

**Other Explanation:**

N/A

**(5) Explain whether this administrative regulation will have a major economic impact, as defined below.**

"Major economic impact" means an overall negative or adverse economic impact from an administrative regulation of five hundred thousand dollars (\$500,000) or more on state or local government or regulated entities, in aggregate, as determined by the promulgating administrative bodies. [KRS 13A.010(13)] This regulation is not anticipated to have a major economic impact on Kentucky for the reasons stated above.