

Technical Amendment
July 1, 2024

809 KAR 1:003. Occupational licenses.

RELATES TO: KRS Chapter 230

STATUTORY AUTHORITY: 230.260(16), 230.310(2)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 230.260(16) requires the corporation to promulgate administrative regulations to establish standards for the conduct of sports wagering. KRS 230.310(2) requires the corporation to license applicants for occupations related to sports wagering, particularly those who have the capacity to affect the outcome of sports wagering and their supervisors. This administrative regulation establishes occupational licensing application procedures and requirements for individuals involved in the conduct and management of sports wagering in the Commonwealth.

Section 1. Definitions.

- (1) "Annual license" means the occupational license issued by the corporation after a thorough review of an application, valid for the calendar year for which it is applied.
- (2) "Applicant" means a person who applies for an occupational license.
- (3) "Background check" means a review of an applicant's criminal, financial, and personal history conducted by the corporation.
- (4) "Critical component" means any sub-system for which failure or compromise can lead to loss of player entitlements, government revenue, or unauthorized access to data used for generating reports for the regulatory body.
- (5) "Fees" mean the administrative charges levied by the corporation for the processing, issuance, and renewal of occupational licenses.
- (6) "Licensee" means any individual or entity that has been granted an occupational license by the corporation.
- (7) "Occupational license" means the categories of licenses established by the corporation pursuant to Section 6 of this administrative regulation, for participants in sports wagering pursuant to KRS 230.210.
- (8) "Race and sportsbook employee license" means a category of occupational license, which is required for all individuals listed in Section 6 of this administrative regulation.
- (9) "Temporary license" means a provisional license granted by the corporation during the process of evaluating an application for a permanent license.

Section 2. General Requirements for Applications.

- (1) Eligibility: Any individual or entity desiring to participate professionally in sports wagering activities in the Commonwealth shall apply to the corporation for an occupational license as categorized in Section 6 of this administrative regulation. This type of license shall be required for certain persons working in a licensed facility for sports wagering, supervisors of individuals who can influence the outcome of sports wagering, and specific individuals who have the capability to affect the outcome of sports wagering through the deployment of code and other persons required under this KAR Title 809.
- (2) Submission timeframe. Applications for licenses shall be submitted annually. Licenses granted shall remain active only for the calendar year for which they have been applied.
- (3) Legal compliance. All applicants shall demonstrate compliance with all laws, KAR Titles 809 and 810, and any other regulatory, state, federal, or taxing authority.
- (4) Lack of material misrepresentation. All information provided on the application form shall be accurate and complete. Material misrepresentation on the application may result

in immediate suspension, revocation, denial of the license, imposition of fines by the corporation, or a combination of license action and fines.

(5) Minimum age. The minimum age requirement for an occupational license in sports wagering shall be eighteen (18) years.

(6) Transparency in entities. If an entity consisting of multiple individuals applies for a license, the entity shall fully disclose the identities and the type of ownership held by all controlling individuals. This information shall include the degree and type of ownership held by each individual in the entity.

(7) Categories of licenses. Different roles within the sports wagering industry may require distinct categories of licenses as established in Section 6 of this administrative regulation.

Section 3. Application Fees.

(1) All required application fees established under this section shall be submitted to the corporation in the form of cash, a certified check, ACH payment, or cashier's check made payable to the corporation.

(2) The following fees shall accompany applications for the following categories of occupational license:

(a) Race and Sportsbook Employee License: \$150;

(b) Information Services Provider: \$5,000; and

(c) Key Employee: \$1,500.

(3) All occupational licenses shall be renewed annually. The renewal fee for each category shall be the same as the initial licensing fee.

(4) If additional costs become necessary to investigate an applicant for a license, the corporation may assess an additional investigation fee based on actual costs. Failure to submit an additional requested payment shall result in suspension of the processing of the license application and may result in denial of the license. The investigative fee shall be based on actual costs and time expended for the investigation. If any portion of the investigative fee remains after the investigation is concluded, the remaining portion shall be returned to the applicant or licensee.

(5) Except as established in subsection (4) of this section, all fees are non-refundable, regardless of whether the application is approved, denied, withdrawn, or if the license is surrendered or revoked.

Section 4. Applications.

(1) Application procedures shall be as established in paragraphs (a) through (f) of this subsection.

(a) An application shall be deemed filed when the corporation has received the completed application forms, including the information that the corporation has required.

(b) Applicants shall submit the application online at <https://khrc.ky.gov/> or in hard copy to: The Kentucky Horse Racing Corporation, 4047 Iron Works Parkway, Lexington, Kentucky 40511.

(c) An applicant shall be under a continuing duty to disclose any changes in the information submitted to the corporation.

(d) Any change in information required for licensing shall be submitted in writing and filed at the corporation office: 4047 Iron Works Parkway, Lexington, Kentucky 40511, within thirty (30) days of the change, unless it is information established in paragraph (e) of this subsection.

(e) Alternatively, any change in information may be reported online at KHRC.SportsWagering@ky.gov.

(f) The applicant shall report changes in information in writing within five (5) days of the occurrence for:

1. Criminal charges;

2. Criminal convictions;
 3. License denials and license suspensions of ten (10) days or more;
 4. License revocations or fines of \$500 or more in other jurisdictions;
 5. Racing related disciplinary charges pending in other jurisdictions; and
 6. Withdrawal, with or without prejudice, of a license application by the licensee in any jurisdiction.
- (2) An applicant for a race and sportsbook employee license or an information services provider license shall include with its application, an agreement or statement of intent indicating that a licensed operator or service provider shall utilize the applicant for the provision of goods and services. For 2023 only, the agreement or statement of intent supporting the applicant's claims may come from a person applying for an operator or service provider license.
- (3) The application forms shall be accompanied and supplemented by documents and information required by the corporation. Failure to supply the information requested within five (5) days after the request has been made by the corporation shall constitute grounds for delaying consideration of the application.
- (4) Renewal applications for licenses may be submitted and may be renewed upon the filing and approval of an application for renewal. Renewal applications for occupational licenses shall be received by the corporation sixty (60) days before the expiration of the current license. Renewal applicants who fail to submit their completed applications when due shall not be considered to have made a timely and sufficient application for renewal.

Section 5. Temporary Licenses.

- (1) The corporation shall issue a temporary license in accordance with KRS 230.805.
- (2) The corporation may issue the applicant a temporary license if the application and a criminal history check completed by the corporation reveals that the applicant:
- (a) Has not been charged or convicted of a felony under state or federal law;
 - (b) Has not been charged or convicted of a misdemeanor related to gaming; and
 - (c) Otherwise meets the statutory criteria established in KRS Chapter 230.
- (3) A temporary license issued under this section shall include, at a minimum:
- (a) The applicant's name and business address;
 - (b) A temporary license number assigned by the corporation;
 - (c) Signature of the president, the corporation chair, or their designee;
 - (d) The date the temporary license was issued;
 - (e) The date the temporary license will expire; and
 - (f) A reference to any conditions placed on the temporary license.
- (4) If the corporation grants an annual license to a temporary license holder, the temporary license shall automatically expire upon the start date of the annual license.
- (5) A temporary license shall not be transferred without prior approval by the corporation based on the sufficiency of the information submitted to determine the proposed transferee's suitability and the history, if any, of the proposed transferee or its parent company of offering sports wagering or other gaming in other jurisdictions.
- (6) Failure to advise the corporation that the applicant has failed to begin or has ceased providing a licensee with goods and services shall be grounds for the corporation to withdraw the temporary license and deny licensure in the future.

Section 6. Categories of Occupational Licenses.

- (1) Race and sportsbook employee licenses.
- (a) Race and sportsbook employee license holders shall include the following categories of people, except as otherwise established in this section:
1. Individuals who work directly in a licensed facility for sports wagering regarding the sports wagering aspect of the facility, including sports wagering:
 - a. Customer service representatives;

- b. Ticket writers;
 - c. Supervisors;
 - d. Security personnel; and
 - e. Facility management;
 - 2. Individuals directly supervising other employees in any licensed Kentucky sports wagering business who have the capability of affecting the outcome of sports wagering;
 - 3. Employees in any licensed Kentucky sports wagering business who have the capability to affect the outcome of sports wagering through the deployment of code to production for any critical component of a sports wagering system; and
 - 4. Employees whose duties are performed in the licensed facility for sports wagering that involve money obtained as a result of sports wagering, including the handling of tickets, money, or performing accounting and auditing functions.
- (b) The following people shall hold a race and sportsbook employee license, even if they do not work directly in a licensed facility for sports wagering regarding the sports wagering aspect of the facility:
- 1. Audit manager;
 - 2. Chief of security;
 - 3. Chief of surveillance;
 - 4. Chief financial officer or controller;
 - 5. General manager;
 - 6. Support operations manager;
 - 7. Change management employees; and
 - 8. Compliance employee supervisors;
 - 9. Information technology professionals responsible for maintaining the technology infrastructure of the sports wagering system; and
 - 10. Any other employee of an operator or service provider whose duties:
 - a. Are performed in the licensed facility for sports wagering and whose duties affect sports wagering;
 - b. Affect the flow of money obtained as a direct result of sports wagering operations; or
 - c. Include accounting and auditing functions and whose duties relate to money obtained as a result of sports wagering.
- (c) An employee seeking a race and sportsbook employee license shall submit a completed Race and Sportsbook Employee Application Form, KHRGC 01-003-03, to the corporation's Lexington office or online at <https://khrc.ky.gov/Sportsbetting/newappwelcome>.
- (2) Information services provider licenses.
- (a) All business entities that provide information services to sports wagering licensees in Kentucky shall obtain an information services license, such as sports wagering:
- 1. Oddsmakers or traders;
 - 2. Data source;
 - 3. Risk management;
 - 4. Player account management; and
 - 5. Platform providers, including geolocation technology, Know Your Customer, or Sports Wagering Equipment Manufacturer.
- (b) To apply for an information services provider license, an applicant shall submit a completed Information Services License Application Form, KHRGC 01-003-01, to the corporation's Lexington office or online at <https://khrc.ky.gov/Sportsbetting/newappwelcome>.
- (3) Key employee licenses.

(a) Each person applying for a license under this administrative regulation that is not an individual shall designate an individual with decision-making authority for its day-to-day operations to apply for a key employee license.

(b) Additionally, a licensed sports wagering business operating in Kentucky shall designate a supervisor for the following areas to apply for a key employee license:

1. Compliance;
2. Trading;
3. Customer Service;
4. Finance and Audit;
5. Risk and Payments; and
6. Information Technology.

(c) An applicant seeking a key employee license shall submit a completed and notarized Multi Jurisdictional Key Employee License Form, KHRGC 01-003-02, along with photo identification, to the corporation's Lexington office or online at <https://khrc.ky.gov/Sportsbetting/newappwelcome>.

Section 7. Waiver for Race and Sports Book Employee License or Key Employee License.

(1) At any time, an applicant may submit a written request for a waiver to be exempt from licensure to prevent dual licensing for one (1) individual across multiple disciplines. This waiver shall be submitted to the corporation's office in Lexington, Kentucky on form Race & Sportsbook and Key Employee License Waiver Application Form, KHRGC 01-003-04 or online at <https://khrc.ky.gov/Sportsbetting/newappwelcome>.

(2) The written request for waiver shall include at least the following information:

- (a) The name and contact information of the waiver applicant;
- (b) All gaming licenses issued to the waiver applicant;
- (c) All horse racing licenses issued to the waiver applicant; and
- (d) The waiver applicant's current position and job description.

(3) Upon receipt of a waiver request, the corporation may grant or deny a waiver, upon consideration of at least the:

- (a) Nature of the employee's duties; and
- (b) Best interests and integrity of horse racing, pari-mutuel wagering, and sports wagering.

Section 8. Background Checks. After an applicant files a license application, the corporation may:

- (1) Investigate the criminal background, employment history, and gaming history record of the applicant;
- (2) Verify information provided by the applicant; or
- (3) Engage in research and interviews to determine the applicant's character and qualifications.

Section 9. License Denial, Revocation, or Suspension.

(1) The corporation or its designee shall deny, suspend, or revoke a license, or otherwise penalize in accordance with KRS 230.310, 230.260, or 230.814 a sports wagering licensee, for any of the following reasons:

- (a) Lack of suitability as established in KRS Chapter 230;
- (b) Adverse effect on public interest, failure to uphold the integrity of the regulatory activities, or engagement in conduct that is otherwise against the best interest of sports wagering, pari-mutuel wagering, or horse racing;
- (c) Any criminal conviction, pending charges, or violation of regulatory laws in any jurisdiction;
- (d) Previous license denial, suspension, or revocation by any authority of any state or federal jurisdiction;

- (e) Material misrepresentation, falsification, or omission of information in a license application;
 - (f) Violation or attempt to manipulate outcomes of regulated activities, such as sports wagering, pari-mutuel wager, or horse racing, in any jurisdiction;
 - (g) Financial irresponsibility or engagement in actions against the best interest of the regulated activities;
 - (h) Failure to comply with rulings, orders, or requirements of the corporation, such as failure to cooperate with a corporation investigation;
 - (i) Misconduct or disorderly behavior on regulated grounds; or
 - (j) Possession of prohibited substances or devices, or employment of unlicensed personnel.
- (2) A license suspension, revocation, or denial shall be reported in writing to the applicant by the corporation or its designee.
- (3) Licensees or applicants may appeal the suspension, revocation, or denial. An appeal shall be in accordance with KRS Chapters 13B and 230.

Section 10. Reciprocity. If a person's license has been denied, suspended, or revoked in another jurisdiction, the corporation may require reinstatement of the license in that jurisdiction before a license is granted by the corporation.

Section 11. Changes in Application Information.

- (1) Any changes in the information provided by the licensee or applicant required for obtaining or maintaining a license shall be reported to the corporation in writing as established in subsections (2) and (3) of this section.
- (2) Changes in information that are not established in subsection (3) shall be reported to the corporation within thirty (30) days of the change occurring.
- (3) The licensee or applicant shall report the following changes in information to the corporation in writing within five (5) days:
- (a) The licensee or applicant is charged with criminal activity related to sports wagering;
 - (b) The licensee or applicant is convicted of a crime related to sports wagering;
 - (c) The licensee or applicant's sports wagering license is denied or suspended for ten (10) days or more in any jurisdiction; and
 - (d) The licensee or applicant's sports wagering license is revoked or they are fined \$500 or more in other jurisdictions.

Section 12. License Identification and Display.

- (1) For each issued license, the corporation shall provide an identification badge to individuals or a certificate of licensure to entities.
- (2) All individuals working in a licensed facility for sports wagering shall wear an identification badge.
- (3) Operators or service providers shall disable the work badge of any person whose license has been revoked or suspended.
- (4) Each identification badge or license shall contain essential details, including the licensee's name, license number, date of issuance, and expiration date.
- (5) Individual licensees shall wear their identification badges visibly at all times during their working hours in any licensed facility for sports wagering.
- (6) If a licensee fails to display his or her badge or license as required, the commission may impose penalties based on individual circumstances, such as the reason the person failed to display his or her badge or license and the number of prior violations. Penalties may include fines, suspension, revocation of the license, or a combination of license action and fines.

(7) Loss, theft, or damage of an identification badge or license shall be reported to the commission immediately. The commission shall provide a process for obtaining replacement badges or licenses under these circumstances.

(8) Any attempt to falsify, alter, or misuse an identification badge or license shall be considered a severe violation and may result in immediate revocation of the license and potential legal action.

Section 13. Incorporation by Reference.

(1) The following material is incorporated by reference:

(a) "Information Services License Application Form", KHRGC 01-003-01, 06/2023;

(b) "Multi Jurisdictional Key Employee License Form", KHRGC 01-003-02, 11/2023;

(c) "Race and Sportsbook Employee Application Form", KHRGC 01-003-03, 11/2023;
and

(d) "Race & Sportsbook and Key Employee License Waiver Application Form", KHRGC 01-003-04, 06/2023.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Kentucky Horse Racing and Gaming Corporation, 4047 Iron Works Parkway, 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>.

(50 Ky.R. 535, 1320, 1500; eff. 4-2-2024; TAm eff. 7-1-2024.)

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