

**Department of State
Division of Publications**

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Sequence Number: 01-27-18
Rule ID(s): 6688
File Date: 1/30/18
Effective Date: 4/30/18

Rulemaking Hearing Rule(s) Filing Form

Rulemaking Hearing Rules are rules filed after and as a result of a rulemaking hearing (Tenn. Code Ann. § 4-5-205).

Pursuant to Tenn. Code Ann. § 4-5-229, any new fee or fee increase promulgated by state agency rule shall take effect on July 1, following the expiration of the ninety (90) day period as provided in § 4-5-207. This section shall not apply to rules that implement new fees or fee increases that are promulgated as emergency rules pursuant to § 4-5-208(a) and to subsequent rules that make permanent such emergency rules, as amended during the rulemaking process. In addition, this section shall not apply to state agencies that did not, during the preceding two (2) fiscal years, collect fees in an amount sufficient to pay the cost of operating the board, commission or entity in accordance with § 4-29-121(b).

Agency/Board/Commission:	Department of State
Division:	Charitable Solicitations, Fantasy Sports, and Gaming
Contact Person:	Mona Hart
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Revision Type (check all that apply):

- Amendment
 New
 Repeal

Rule(s) (ALL chapters and rules contained in filing must be listed here. If needed, copy and paste additional tables to accommodate multiple chapters. Please make sure that ALL new rule and repealed rule numbers are listed in the chart below. Please enter only ONE Rule Number/Rule Title per row)

Chapter Number	Chapter Title
1360-03-05	Rules Related to the Fantasy Sports Act
Rule Number	Rule Title
1360-03-05-.02	Definitions
1360-03-05-.04	Renewal Application for Licensure
1360-03-05-.05	Approval of Licensure
1360-03-05-.06	Registration of Players/Know Your Customer Requirements
1360-03-05-.07	Player Account Activity
1360-03-05-.08	Player Funds and Required Reserve
1360-03-05-.11	Annual Reporting and Audits

Place substance of rules and other info here. Please be sure to include a detailed explanation of the changes being made to the listed rule(s). Statutory authority must be given for each rule change. For information on formatting rules go to http://sos-tn-gov-files.s3.amazonaws.com/forms/Rulemaking%20Guidelines_September2016.pdf.

Amendment to Chapter 1360-03-05
Rules Related to the Fantasy Sports Act

Paragraph (5) subparagraph (c) of Rule 1360-03-05-.02 Definitions is amended by deleting the language and punctuation “, visible for a sufficient duration, and does not necessitate scrolling” and by substituting instead the language “and is visible for a sufficient duration” so that, as amended paragraph (5) subparagraph (c) shall read as follows:

- (c) Requires that the disclosure is repeated if necessary and is visible for a sufficient duration.

Authority: T.C.A. §§ 47-18-1601, 47-18-1602, and 47-18-1612.

Paragraph (9) Rule 1360-03-05-.02 Definitions is amended by inserting the language “application” following the language “smart phone” so that, as amended paragraph (9) shall read as follows:

- (9) “Fantasy sports contest platform” means any online method by which access to a fantasy sports contest is provided, including, but not limited to a website, smart phone application, or other application providing access to a fantasy sports contest.

Authority: T.C.A. §§ 47-18-1601, 47-18-1602, and 47-18-1612.

Paragraph (1) of Rule 1360-03-05-.04 Renewal Application for Licensure is amended by inserting the language and punctuation “in accordance with T.C.A. § 47-18-1608(d) and Rule 1360-03-05-.05,” before the language “in a form available” so that, as amended paragraph (1) shall read as follows:

- (1) Any person seeking to renew its application to be a licensed fantasy sports operator shall submit a renewal application, in accordance with T.C.A. § 47-18-1608(d) and Rule 1360-03-05-.05, in a form available from the Secretary of State, no later than forty-five (45) days prior to the expiration of the prior year’s license, containing the following information:
 - (a) All information required in an initial application, as set forth in Rule 1360-03-05-.03 except for the following:
 - 1. Identity History Summary from the Federal Bureau of Investigation for individuals who have previously submitted criminal background reports as part of the application process and who have not self-disclosed any new criminal history; and
 - 2. Financial statements required by Rule 1360-03-05-.03(1)(m)(4).

Authority: T.C.A. §§ 47-18-1601, 47-18-1608, and 47-18-1612.

Paragraph (2) of Rule 1360-03-05-.05 Approval of Licensure is amended by deleting the paragraph in its entirety and by substituting instead the following so that, as amended paragraph (2) shall read as follows:

- (2) Each license shall expire on the last day of the twelfth month following its issuance and shall become invalid on that date unless renewed.

Authority: T.C.A. §§ 47-18-1601, 47-18-1608, and 47-18-1612.

Paragraph (3) of Rule 1360-03-05-.06 Registration of Players/Know Your Customer Requirements is amended by deleting the paragraph in its entirety and by substituting instead the following so that, as amended paragraph (3) shall read as follows:

- (3) Single account.

- (a) A fantasy sports operator shall limit each player to one active and continuously used account in accordance with T.C.A. § 47-18-1603(b)(7)(C). Fantasy sports operators shall implement rules and clearly and conspicuously 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.
- (b) The fantasy sports operator may allow a fantasy sports player that establishes or seeks to establish more than one username or more than one account, for one time only, to retain one account provided that the fantasy sports operator investigates and makes a good faith determination that the fantasy sports player's conduct was not intended to obtain a competitive advantage. A player who has established more than one username or account will not be entitled to retain any winnings earned from any account during the time period that more than one username or account is active.
- (c) If a fantasy sports player is allowed to retain one account in accordance with subdivision (b) above and subsequently establishes or attempts to establish another account, the fantasy sports operator, upon discovery of the duplicative account or attempt, must terminate the player's account and prohibit that player from establishing or seeking to establish a new account for a period of two years.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, and 47-18-1612.

Paragraph (4) of Rule 1360-03-05-.06 Registration of Players/Know Your Customer Requirements is amended by deleting the paragraph in its entirety and by substituting instead the following so that, as amended paragraph (4) shall read as follows:

- (4) Identify verification. A fantasy sports operator shall use commercially and technologically reasonable means to independently verify the identity of the individual making a deposit or a withdrawal. Third party entities may be used to verify the identity of a player.
 - (a) If a fantasy sports operator determines that the information provided by a player to make a deposit or process a withdrawal is inaccurate or incapable of verification, or violates its policies and procedures, the fantasy sports operator shall, within ten days, require the submission of additional information that can be used to verify the identity of the player.
 - (b) If such information is not provided or does not result in verification of the player's identity, the fantasy sports operator shall:
 1. Immediately suspend the player's account and not allow the player to participate in any further fantasy sports contests;
 2. Retain any winnings attributable to the player;
 3. Refund the balance of deposits made to the account to the source of such deposit or by issuance of a check; and
 4. Deactivate the account.
 - (c) Prior to verification of the player's identity in accordance with this rule, the player shall not be permitted to make deposits or withdraw funds from his or her account.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, and 47-18-1612.

Paragraph (1) of Rule 1360-03-05-.07 Player Account Activity is amended by inserting the language "new" between the language "No" and the language "player" in the first sentence of paragraph (1) so that, as amended paragraph (1) shall read as follows:

- (1) Amount of Monthly Deposits. No new player shall be permitted to deposit more than two thousand five hundred dollars (\$2,500), of cash or a cash equivalent, per month with a fantasy sports operator unless

the player demonstrates that he or she should be entitled to increase its monthly deposit limits in accordance with these rules and the published rules of the fantasy sports operator.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, and 47-18-1612.

Paragraph (1) subparagraph (a) of Rule 1360-03-05-.08 Player Funds and Required Reserve is amended by inserting the language "from one player account" following the language "transfer funds" and is further amended by inserting the language "account through its fantasy sports contest platform" following the language "any other player" so that, as amended paragraph (1) subparagraph (a) shall read as follows:

- (a) A fantasy sports operator shall not allow a player to transfer funds from one player account to any other player account through its fantasy sports contest platform.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, 47-18-1605, and 47-18-1612.

Paragraph (1) subparagraph (b) of Rule 1360-03-05-.08 Player Funds and Required Reserve is amended by deleting the language and punctuation "account, whether such account is opened or closed" and by substituting instead the language "active account" in the first sentence of paragraph (1) and is further amended by inserting the language and punctuation "If an identity-verified player seeks to make a withdrawal from a deactivated or otherwise inactive account, the fantasy sports operator shall follow its policies and procedures for processing such withdrawal requests in a commercially reasonable time." between the language and punctuation "investigation of the account." and the language "For purposes of" so that, as amended paragraph (1) subparagraph (b) shall read as follows:

- (b) After a player's identity has been verified, a player must be allowed to withdraw funds maintained in his or her active account. Such requests must be honored within five (5) business days of the request, unless the fantasy sports operator believes in good faith that the player engaged in either fraudulent conduct or other conduct that would put the fantasy sports operator in violation of the law, in which case the fantasy sports operator may decline to honor the request for withdrawal for a reasonable investigatory period until its investigation is resolved, provided that it gives notice to the player of the nature of the investigation of the account. If an identity-verified player seeks to make a withdrawal from a deactivated or otherwise inactive account, the fantasy sports operator shall follow its policies and procedures for processing such withdrawal requests in a commercially reasonable time. For purposes of this provision, a request for withdrawal will be considered honored if it is processed by the fantasy sports operator notwithstanding a delay by a payment processor, credit card issuer, or the custodian of a financial account.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, 47-18-1605, and 47-18-1612.

Paragraph (1) of Rule 1360-03-05-.08 Player Funds and Required Reserve is amended by inserting a space line between subparagraph (b) and subparagraph (c).

Authority: T.C.A. §§ 47-18-1601 and 47-18-1612.

Paragraph (2) subparagraph (a) of Rule 1360-03-05-.08 Player Funds and Required Reserve is amended by inserting the language and punctuation "payment processor reserves and receivables," between the language and punctuation "equivalents," and the language "an irrevocable" so that, as amended, paragraph (2) subparagraph (a) shall read as follows:

- (a) Reserve. A fantasy sports operator may maintain a reserve in the form of cash, cash equivalents, payment processor reserves and receivables, an irrevocable letter of credit, a bond, or a combination thereof to protect player funds.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, 47-18-1605, and 47-18-1612.

Paragraph (2) subparagraph (a) part 2 subpart (i) of Rule 1360-03-05-.08 Player Funds and Required Reserve is amended by deleting the language "and held in trust" so that, as amended, paragraph (2) subparagraph (a) part 2 subpart (i) shall read as follows:

- (i) The reserve is established for the benefit and protection of authorized players to the extent the fantasy sports operator holds money in player accounts for players.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, 47-18-1605, and 47-18-1612.

Paragraph (2) subparagraph (b) part 2 subpart (i) of Rule 1360-03-05-.08 Player Funds and Required Reserve is amended by deleting the language “and held in trust” so that, as amended, paragraph (2) subparagraph (b) part 2 subpart (i) shall read as follows:

- (i) The segregated account is established for the benefit and protection of authorized players.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, 47-18-1605, and 47-18-1612.

Paragraph (2) of Rule 1360-03-05-.11 Annual Reporting and Audits is amended by deleting the word “fourth” and by substituting instead the word “seventh” so that, as amended, paragraph (2) shall read as follows:

- (2) Audit Reports. No later than the first day of the seventh month following the close of the fantasy sports operator’s fiscal year in which the fantasy sports operator was licensed, the fantasy sports operator shall submit a full and complete copy of the audit prepared pursuant to T.C.A. § 47-18-1604. This audit shall include two components, a financial audit and a compliance audit as described below.

Authority: T.C.A. §§ 47-18-1601, 47-18-1604, and 47-18-1612.

Paragraph (2) subparagraph (b) of Rule 1360-03-05-.11 Annual Reporting and Audits is amended by inserting the language and punctuation “certified public accountant,” between the language “prepared by a” and the language “testing laboratory” and is further amended by inserting the language and punctuation “,or other professional service provider” following the language “testing laboratory” so that, as amended, paragraph (2) subparagraph (b) shall read as follows:

- (b) Compliance audit. The fantasy sports operator shall submit a performance audit, prepared by a certified public accountant, testing laboratory, or other professional service provider recognized by the Secretary of State to verify compliance with the operational aspects of the Fantasy Sports Act, including those set forth in T.C.A. § 47-18-1605, and to verify the integrity of the computer operating systems used to operate the fantasy sports contests.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, 47-18-1604, and 47-18-1612.

Paragraph (2) subparagraph (b) part 2 of Rule 1360-03-05-.11 Annual Reporting and Audits is amended by deleting the language “or testing laboratory” and is further amended by deleting the language “gaming laboratory” wherever it appears and by substituting instead the language “professional service provider” so that, as amended, paragraph (2) subparagraph (b) part 2 shall read as follows:

- 2. A fantasy sports operator can seek recognition of an alternative professional service provider for use in completing the compliance audit by submitting a written request to the Secretary of State. The Secretary of State will review the qualifications and experience of the professional service provider and determine whether to recognize that entity as an approved provider.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, 47-18-1604, and 47-18-1612.

* If a roll-call vote was necessary, the vote by the Agency on these rulemaking hearing rules was as follows:

Board Member	Aye	No	Abstain	Absent	Signature (if required)

I certify that this is an accurate and complete copy of rulemaking hearing rules, lawfully promulgated and adopted on 12/28/2017 (mm/dd/yyyy), and is in compliance with the provisions of T.C.A. § 4-5-222.

I further certify the following:

Notice of Rulemaking Hearing filed with the Department of State on: 11/09/17

Rulemaking Hearing(s) Conducted on: (add more dates). 12/28/17

Date: 12/28/17

Signature: [Handwritten Signature]

Name of Officer: MONA HART

Title of Officer: DIRECTOR OF CHARITABLE SOLICITATIONS
FANTASY SPORTS AND GAMING

Subscribed and sworn to before me on: December 28, 2017

Notary Public Signature: [Handwritten Signature]

My commission expires on: 11-5-2019



Agency/Board/Commission: Department of State

Rule Chapter Number(s): 1360-03-05

All rulemaking hearing rules provided for herein have been examined by the Attorney General and Reporter of the State of Tennessee and are approved as to legality pursuant to the provisions of the Administrative Procedures Act, Tennessee Code Annotated, Title 4, Chapter 5.

[Handwritten Signature]

Herbert H. Slatery III
Attorney General and Reporter

1/26/2018
Date

Department of State Use Only

Filed with the Department of State on: 1/30/18

Effective on: 4/30/18

[Handwritten Signature]

Tre Hargett
Secretary of State

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SECRETARY OF STATE
SOLICITATIONS

One copy of a document that satisfies T.C.A. § 4-5-222 must accompany the filing.

Public Comments.

There were no comments received during the open comment period.

Regulatory Flexibility Addendum

Pursuant to T.C.A. §§ 4-5-401 through 4-5-404, prior to initiating the rule making process, all agencies shall conduct a review of whether a proposed rule or rule affects small business.

- (1) The types of small business and an identification and estimate of the number of small businesses subject to the proposed rule that would bear the cost of, or directly benefit from the proposed rule.

There are no small businesses affected by this proposed rule.

- (2) The projected reporting, recordkeeping, and other administrative costs required for compliance with the proposed rule, including the type of professional skills necessary for preparation of the report or record.

There are no added costs since there are no small businesses affected by this proposed rule.

- (3) A statement of the probable effect on impacted small businesses and consumers.

There are no small businesses impacted by this proposed rule, so there is no effect.

- (4) A description of any less burdensome, less intrusive or less costly alternative methods of achieving the purpose and objectives of the proposed rule that may exist, and to what extent the alternative means might be less burdensome to small business.

There are no small businesses affected by this proposed rule.

- (5) A comparison of the proposed rule with any federal or state counterparts.

There are no small businesses affected by this proposed rule.

- (6) Analysis of the effect of the possible exemption of small businesses from all or any part of the requirements contained in the proposed rule.

There are no small businesses affected by this proposed rule.

Impact on Local Governments

Pursuant to T.C.A. §§ 4-5-220 and 4-5-228 "any rule proposed to be promulgated shall state in a simple declarative sentence, without additional comments on the merits of the policy of the rules or regulation, whether the rule or regulation may have a projected impact on local governments." (See Public Chapter Number 1070 (<http://publications.tnsosfiles.com/acts/106/pub/pc1070.pdf>) of the 2010 Session of the General Assembly)

The proposed rules will not impact local government.

Additional Information Required by Joint Government Operations Committee

All agencies, upon filing a rule, must also submit the following pursuant to T.C.A. § 4-5-226(i)(1).

- (A)** A brief summary of the rule and a description of all relevant changes in previous regulations effectuated by such rule;

The proposed rules provide more technologically appropriate language as it relates to the operation of fantasy sports contests and allow alternative types of providers for the production of required audits.

- (B)** A citation to and brief description of any federal law or regulation or any state law or regulation mandating promulgation of such rule or establishing guidelines relevant thereto;

Tenn. Code Ann. § 47-18-1612 authorizes the Secretary of State to promulgate rules related to the Fantasy Sports Act, codified in Tenn. Code Ann. § 47-18-16101 *et seq.*

- (C)** Identification of persons, organizations, corporations or governmental entities most directly affected by this rule, and whether those persons, organizations, corporations or governmental entities urge adoption or rejection of this rule;

Fantasy sports operators are most directly affected by this rule and the operators support the adoption of this rule.

- (D)** Identification of any opinions of the attorney general and reporter or any judicial ruling that directly relates to the rule or the necessity to promulgate the rule;

N/A

- (E)** An estimate of the probable increase or decrease in state and local government revenues and expenditures, if any, resulting from the promulgation of this rule, and assumptions and reasoning upon which the estimate is based. An agency shall not state that the fiscal impact is minimal if the fiscal impact is more than two percent (2%) of the agency's annual budget or five hundred thousand dollars (\$500,000), whichever is less;

The proposed rules will have neither an increase nor a decrease in state and local government revenues and expenditures. The fiscal impact is minimal.

- (F)** Identification of the appropriate agency representative or representatives, possessing substantial knowledge and understanding of the rule;

Mona Hart, Director of Charitable Solicitations, Fantasy Sports, and Gaming; Drew Lewis, Fantasy Sports Compliance Analyst

- (G)** Identification of the appropriate agency representative or representatives who will explain the rule at a scheduled meeting of the committees;

Mona Hart, Director of Charitable Solicitations, Fantasy Sports, and Gaming

- (H)** Office address, telephone number, and email address of the agency representative or representatives who will explain the rule at a scheduled meeting of the committees; and

Mona Hart, Director of Charitable Solicitations, Fantasy Sports, and Gaming, 312 Rosa L. Parks Ave., 8th Floor, Tennessee Tower, Nashville, Tennessee, 37243; 615-741-2555; mona.hart@tn.gov

- (I)** Any additional information relevant to the rule proposed for continuation that the committee requests.

N/A

Amendment to Chapter 1360-03-05
Rules Related to the Fantasy Sports Act

Paragraph (5) subparagraph (c) of Rule 1360-03-05-.02 Definitions is amended by deleting the language and punctuation ", visible for a sufficient duration, and does not necessitate scrolling" and by substituting instead the language "and is visible for a sufficient duration" so that, as amended paragraph (5) subparagraph (c) shall read as follows:

- (c) Requires that the disclosure is repeated if necessary, ~~visible for a sufficient duration, and does not necessitate scrolling~~ and is visible for a sufficient duration.

Authority: T.C.A. §§ 47-18-1601, 47-18-1602, and 47-18-1612.

Paragraph (9) Rule 1360-03-05-.02 Definitions is amended by inserting the language "application" following the language "smart phone" so that, as amended paragraph (9) shall read as follows:

- (9) "Fantasy sports contest platform" means any online method by which access to a fantasy sports contest is provided, including, but not limited to a website, smart phone application, or other application providing access to a fantasy sports contest.

Authority: T.C.A. §§ 47-18-1601, 47-18-1602, and 47-18-1612.

Paragraph (1) of Rule 1360-03-05-.04 Renewal Application for Licensure is amended by inserting the language and punctuation "in accordance with T.C.A. § 47-18-1608(d) and Rule 1360-03-05-.05," before the language "in a form available" so that, as amended paragraph (1) shall read as follows:

- (1) Any person seeking to renew its application to be a licensed fantasy sports operator shall submit a renewal application, in accordance with T.C.A. § 47-18-1608(d) and Rule 1360-03-05-.05, in a form available from the Secretary of State, no later than forty-five (45) days prior to the expiration of the prior year's license, containing the following information:

- (a) All information required in an initial application, as set forth in Rule 1360-03-05-.03 except for the following:
 - 1. Identity History Summary from the Federal Bureau of Investigation for individuals who have previously submitted criminal background reports as part of the application process and who have not self-disclosed any new criminal history; and
 - 2. Financial statements required by Rule 1360-03-05-.03(1)(m)(4).

Authority: T.C.A. §§ 47-18-1601, 47-18-1608, and 47-18-1612.

Paragraph (2) of Rule 1360-03-05-.05 Approval of Licensure is amended by deleting the paragraph in its entirety and by substituting instead the following so that, as amended paragraph (2) shall read as follows:

- (2) ~~Each license shall be valid for a period of one (1) year following the date of notification of approval by the Secretary of State. Each license shall expire on the last day of the twelfth month following its issuance and shall become invalid on that date unless renewed.~~

Authority: T.C.A. §§ 47-18-1601, 47-18-1608, and 47-18-1612.

Paragraph (3) of Rule 1360-03-05-.06 Registration of Players/Know Your Customer Requirements is amended by deleting the paragraph in its entirety and by substituting instead the following so that, as amended paragraph (3) shall read as follows:

~~(3) Single account. A fantasy sports operator shall limit each player to one active and continuously used account. Fantasy sports operators shall implement rules and clearly and conspicuously 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. Such procedures may allow a fantasy sports player that establishes or seeks to establish more than one username or more than one account, for one time only, to retain one account provided that the fantasy sports operator investigates and makes a good faith determination that the fantasy sports player's conduct was not intended to obtain a competitive advantage. A player who has established more than one username or account will not be entitled to retain any winnings earned from any account during the time period that more than one username or account is active. A fantasy sports operator must require that any subsequent action by a player of establishing or seeking to establish more than one username or more than one account will result in the fantasy sports operator prohibiting that player from establishing another future account with that fantasy sports operator within a period of two years.~~

(3) Single account.

(a) A fantasy sports operator shall limit each player to one active and continuously used account in accordance with T.C.A. § 47-18-1603(b)(7)(C). Fantasy sports operators shall implement rules and clearly and conspicuously 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.

(b) The fantasy sports operator may allow a fantasy sports player that establishes or seeks to establish more than one username or more than one account, for one time only, to retain one account provided that the fantasy sports operator investigates and makes a good faith determination that the fantasy sports player's conduct was not intended to obtain a competitive advantage. A player who has established more than one username or account will not be entitled to retain any winnings earned from any account during the time period that more than one username or account is active.

(c) If a fantasy sports player is allowed to retain one account in accordance with subdivision (b) above and subsequently establishes or attempts to establish another account, the fantasy sports operator, upon discovery of the duplicative account or attempt, must terminate the player's account and prohibit that player from establishing or seeking to establish a new account for a period of two years.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, and 47-18-1612.

Paragraph (4) of Rule 1360-03-05-.06 Registration of Players/Know Your Customer Requirements is amended by deleting the paragraph in its entirety and by substituting instead the following so that, as amended paragraph (4) shall read as follows:

~~(4) Identify verification. A fantasy sports operator shall use commercially and technologically reasonable means to independently verify the identity of the individual making a deposit or a withdrawal. Third party entities may be used to verify the identity of a player.~~

~~(a) If a fantasy sports operator determines that the information provided by a player to make a deposit or process a withdrawal is inaccurate or incapable of verification, or violates its policies and procedures, the fantasy sports operator shall, within ten days, require the submission of additional information that can be used to verify the identity of the player. If such information is not provided or does not result in verification of the player's identity, the fantasy sports operator shall:~~

~~1. Immediately suspend the player's account and not allow the player to participate in any further fantasy sports contests;~~

- ~~2. Retain any winnings attributable to the player;~~
 - ~~3. Refund the balance of deposits made to the account to the source of such deposit or by issuance of a check; and~~
 - ~~4. Deactivate the account.~~
- ~~(b) Prior to verification of the player's identity in accordance with this rule, the player shall not be permitted to make deposits or withdraw funds from his or her account.~~
- (4) Identify verification. A fantasy sports operator shall use commercially and technologically reasonable means to independently verify the identity of the individual making a deposit or a withdrawal. Third party entities may be used to verify the identity of a player.
- (a) If a fantasy sports operator determines that the information provided by a player to make a deposit or process a withdrawal is inaccurate or incapable of verification, or violates its policies and procedures, the fantasy sports operator shall, within ten days, require the submission of additional information that can be used to verify the identity of the player.
- (b) If such information is not provided or does not result in verification of the player's identity, the fantasy sports operator shall:
1. Immediately suspend the player's account and not allow the player to participate in any further fantasy sports contests;
 2. Retain any winnings attributable to the player;
 3. Refund the balance of deposits made to the account to the source of such deposit or by issuance of a check; and
 4. Deactivate the account.
- (c) Prior to verification of the player's identity in accordance with this rule, the player shall not be permitted to make deposits or withdraw funds from his or her account.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, and 47-18-1612.

Paragraph (1) of Rule 1360-03-05-.07 Player Account Activity is amended by inserting the language "new" between the language "No" and the language "player" in the first sentence of paragraph (1) so that, as amended paragraph (1) shall read as follows:

- (1) Amount of Monthly Deposits. No new player shall be permitted to deposit more than two thousand five hundred dollars (\$2,500), of cash or a cash equivalent, per month with a fantasy sports operator unless the player demonstrates that he or she should be entitled to increase its monthly deposit limits in accordance with these rules and the published rules of the fantasy sports operator.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, and 47-18-1612.

Paragraph (1) subparagraph (a) of Rule 1360-03-05-.08 Player Funds and Required Reserve is amended by inserting the language "from one player account" following the language "transfer funds" and is further amended by inserting the language "account through its fantasy sports contest platform" following the language "any other player" so that, as amended paragraph (1) subparagraph (a) shall read as follows:

- (a) A fantasy sports operator shall not allow a player to transfer funds from one player account to any other player account through its fantasy sports contest platform.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, 47-18-1605, and 47-18-1612.

Paragraph (1) subparagraph (b) of Rule 1360-03-05-.08 Player Funds and Required Reserve is amended by deleting the language and punctuation "account, whether such account is opened or closed" and by substituting instead the language "active account" in the first sentence of paragraph (1) and is further amended by inserting the language and punctuation "If an identity-verified player seeks to make a withdrawal from a deactivated or otherwise inactive account, the fantasy sports operator shall follow its policies and procedures for processing such withdrawal requests in a commercially reasonable time." between the language and punctuation "investigation of the account." and the language "For purposes of" so that, as amended paragraph (1) subparagraph (b) shall read as follows:

- b) After a player's identity has been verified, a player must be allowed to withdraw funds maintained in his or her ~~account, whether such account is opened or closed~~ active account. Such requests must be honored within five (5) business days of the request, unless the fantasy sports operator believes in good faith that the player engaged in either fraudulent conduct or other conduct that would put the fantasy sports operator in violation of the law, in which case the fantasy sports operator may decline to honor the request for withdrawal for a reasonable investigatory period until its investigation is resolved, provided that it gives notice to the player of the nature of the investigation of the account. If an identity-verified player seeks to make a withdrawal from a deactivated or otherwise inactive account, the fantasy sports operator shall follow its policies and procedures for processing such withdrawal requests in a commercially reasonable time. For purposes of this provision, a request for withdrawal will be considered honored if it is processed by the fantasy sports operator notwithstanding a delay by a payment processor, credit card issuer, or the custodian of a financial account.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, 47-18-1605, and 47-18-1612.

Paragraph (1) of Rule 1360-03-05-.08 Player Funds and Required Reserve is amended by inserting a space line between subparagraph (b) and subparagraph (c).

- (b) After a player's identity has been verified, a player must be allowed to withdraw funds maintained in his or her active account. Such requests must be honored within five (5) business days of the request, unless the fantasy sports operator believes in good faith that the player engaged in either fraudulent conduct or other conduct that would put the fantasy sports operator in violation of the law, in which case the fantasy sports operator may decline to honor the request for withdrawal for a reasonable investigatory period until its investigation is resolved, provided that it gives notice to the player of the nature of the investigation of the account. If an identity-verified player seeks to make a withdrawal from a deactivated or otherwise inactive account, the fantasy sports operator shall follow its policies and procedures for processing such withdrawal requests in a commercially reasonable time. For purposes of this provision, a request for withdrawal will be considered honored if it is processed by the fantasy sports operator notwithstanding a delay by a payment processor, credit card issuer, or the custodian of a financial account.
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- (c) A fantasy sports operator shall not allow a player's account to be overdrawn unless caused by payment processing issues outside of the control of the fantasy sports operator.

Authority: T.C.A. §§ 47-18-1601 and 47-18-1612.

Paragraph (2) subparagraph (a) of Rule 1360-03-05-.08 Player Funds and Required Reserve is amended by inserting the language and punctuation "payment processor reserves and receivables," between the language and punctuation "equivalents," and the language "an irrevocable" so that, as amended, paragraph (2) subparagraph (a) shall read as follows:

- (a) Reserve. A fantasy sports operator may maintain a reserve in the form of cash, cash equivalents, payment processor reserves and receivables, an irrevocable letter of credit, a bond, or a combination thereof to protect player funds.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, 47-18-1605, and 47-18-1612.

Paragraph (2) subparagraph (a) part 2 subpart (i) of Rule 1360-03-05-.08 Player Funds and Required Reserve is amended by deleting the language “and held in trust” so that, as amended, paragraph (2) subparagraph (a) part 2 subpart (i) shall read as follows:

- (i) The reserve is established ~~and held in trust~~ for the benefit and protection of authorized players to the extent the fantasy sports operator holds money in player accounts for players.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, 47-18-1605, and 47-18-1612.

Paragraph (2) subparagraph (b) part 2 subpart (i) of Rule 1360-03-05-.08 Player Funds and Required Reserve is amended by deleting the language “and held in trust” so that, as amended, paragraph (2) subparagraph (b) part 2 subpart (i) shall read as follows:

- (i) The segregated account is established ~~and held in trust~~ for the benefit and protection of authorized players.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, 47-18-1605, and 47-18-1612.

Paragraph (2) of Rule 1360-03-05-.11 Annual Reporting and Audits is amended by deleting the word “fourth” and by substituting instead the word “seventh” so that, as amended, paragraph (2) shall read as follows:

- (2) Audit Reports. No later than the first day of the ~~fourth~~ seventh month following the close of the fantasy sports operator’s fiscal year in which the fantasy sports operator was licensed, the fantasy sports operator shall submit a full and complete copy of the audit prepared pursuant to T.C.A. § 47-18-1604. This audit shall include two components, a financial audit and a compliance audit as described below.

Authority: T.C.A. §§ 47-18-1601, 47-18-1604, and 47-18-1612.

Paragraph (2) subparagraph (b) of Rule 1360-03-05-.11 Annual Reporting and Audits is amended by inserting the language and punctuation “certified public accountant,” between the language “prepared by a” and the language “testing laboratory” and is further amended by inserting the language and punctuation “, or other professional service provider” following the language “testing laboratory” so that, as amended, paragraph (2) subparagraph (b) shall read as follows:

- (b) Compliance audit. The fantasy sports operator shall submit a performance audit, prepared by a certified public accountant, testing laboratory, or other professional service provider recognized by the Secretary of State to verify compliance with the operational aspects of the Fantasy Sports Act, including those set forth in T.C.A. § 47-18-1605, and to verify the integrity of the computer operating systems used to operate the fantasy sports contests.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, 47-18-1604, and 47-18-1612.

Paragraph (2) subparagraph (b) part 2 of Rule 1360-03-05-.11 Annual Reporting and Audits is amended by deleting the language “or testing laboratory” and is further amended by deleting the language “gaming laboratory” wherever it appears and by substituting instead the language “professional service provider”

so that, as amended, paragraph (2) subparagraph (b) part 2 shall read as follows:

2. A fantasy sports operator ~~or testing laboratory~~ can seek recognition of an alternative ~~gaming laboratory~~ professional service provider for use in completing the compliance audit by submitting a written request to the Secretary of State. The Secretary of State will review the qualifications and experience of the ~~gaming laboratory~~ professional service provider and determine whether to recognize that entity as an approved provider.

Authority: T.C.A. §§ 47-18-1601, 47-18-1603, 47-18-1604, and 47-18-1612.