

**RULES  
OF  
THE TENNESSEE SPORTS WAGERING COUNCIL**

**CHAPTER 1350-01  
SPORTS GAMING LICENSE STANDARDS**

**TABLE OF CONTENTS**

1350-01-.01	Purpose, Authority, and Applicability	1350-01-.09	Parlay and Proposition Wagers
1350-01-.02	Definitions	1350-01-.10	Global Risk Management
1350-01-.03	General Rules	1350-01-.11	Executive Director for the Sports Wagering Council
1350-01-.04	Licensing and Registration		
1350-01-.05	Application Process	1350-01-.12	Renewal of License or Registration
1350-01-.06	Approval or Denial of an Initial Application	1350-01-.13	Change of Control
		1350-01-.14	Grounds for Revocation of License or Registration
1350-01-.07	Maintenance of License or Registration		
1350-01-.08	Sports Gaming Accounts		

**1350-01-.01 PURPOSE, AUTHORITY, AND APPLICABILITY.**

- (1) This Chapter 1350-01 and Rules within this control number as promulgated by the Sports Wagering Council establish the Rules and standards that apply to the licensing requirements and conditions for sports gaming in Tennessee. This Chapter and Rules following are hereby declared necessary to uphold and maintain the integrity of sports wagering in Tennessee and to protect the public interest. The purpose of these Rules is to implement the Tennessee Sports Gaming Act, originating under 2019 Public Acts, chapter 507, codified at T.C.A. §§ 4-51-301, *et seq.*, and as amended. 2021 Public Acts, chapter 593 amended the act and transferred its provisions to Tennessee Code Annotated, title 4, chapter 49. (the “Sports Gaming Act”). The Sports Gaming Act contains express provisions authorizing the promulgation of these Rules, as cited herein. Pursuant to 2021 Public Acts, chapter 593, the licensing, regulation, rulemaking power, and enforcement of the Sports Gaming Act shifts from the Board of the Tennessee Education Lottery Corporation (TEL) to the Tennessee Sports Wagering Council as of January 1, 2022, with these Rules. These Rules are intended to transition the regulation of this program by replacing the existing Rules promulgated by the TEL Board without lapse by carrying forward or amending the standards found in the TEL Board’s Chapter 15, Sports Gaming License Rules, Regulations and Standards. Under Section 32 of Public Chapter 593, TEL’s Chapter 15 will remain in full force and effect as the relevant standards until the first effective date of these Rules, January 1, 2022, including any version promulgated by emergency rulemaking procedures. Capitalized terms appearing herein shall have the meaning set forth in Rule 1350-01-.02, or as defined by the Sports Gaming Act. Headings of any Rule are descriptive only, and the subject matter may be addressed by multiple Rules.
  - (a) Additional Transition Provisions. The Council maintains its authority, in the role of continuing the regulatory framework under the Sports Gaming Act, to determine whether, under any previously applicable Rules of the TEL, a given action was permitted or prohibited at the time it occurred, or a given requirement applied, even if subsequently altered, as these findings may be pertinent to remedies or qualifications for Licensure or Registration as governed by the Council.
  - (b) Severability Intent. If any provision of any Rule of this Council, or application of the provision of any Rule of this Council to any Person or circumstance, is held invalid, the remainder of the Rules, and the application of the provision to Persons or circumstances other than those to which it is held invalid, shall not be affected.
- (2) All Licensees, Applicants, and Registrants shall become familiar with and adhere to these Rules. In the event of a conflict between the Sports Gaming Act, and these Rules, the Sports Gaming Act will govern.

(Rule 1350-01-.01, continued)

- (3) Confidentiality of Certain Records and Information Not to Be Reported Publicly. The Council exercises its authority under T.C.A. § 4-49-110 to designate by Rule the type of information deemed to be confidential financial or proprietary information that is not subject to any reporting requirements under the Sports Gaming Act to the public, and to continue to designate such information as obtained by TEL under its authority in similar fashion to the TEL. Such information may include any information relating to the application, licensure, compliance, and investigatory processes described within these Rules and provided to or obtained by the TEL or its Board, the Council or any employees of the Council, including, but not limited to the following:
- (a) Information previously maintained by the TEL or its Board pursuant to the Tennessee Sports Gaming Act or Rules promulgated thereunder;
  - (b) Information maintained by the Council pursuant to the Tennessee Sports Gaming Act or Rules promulgated thereunder;
  - (c) The finances, earnings, revenue, promotional activity, or Gross Handle of any Applicant, Licensee, or Registrant;
  - (d) Information related to the internal controls of a Sports Gaming Operator, included but not limited to the operational controls described in Chapter 1350-03 of these Rules related to data security, risk management, fraud, AML and Unusual and Suspicious activity, prevention of access by Prohibited Participants, third-party systems, information systems and audit;
  - (e) Independent assessments prepared for a Licensee or Registrant;
  - (f) Non-public information regarding a Licensee or Registrant's existing or anticipated contractual or business relationships;
  - (g) Any information related to the personal or financial investigation of any Applicant, Licensee, or Registrant, including criminal record or other background information from any source;
  - (h) Information provided to the Council, TEL or its Board by a governmental agency or informant or upon assurance by the Council, TEL or its Board that the information will be treated as confidential, in order to maintain the integrity of sports wagering in this state and to protect the public interest;
  - (i) Information and data received by the Council regarding Unusual or Suspicious Wagering Activity; and
  - (j) Information obtained during the pendency of a private or public investigation into any suspected or reported violation of the Sports Gaming Act; and

that are of the type required to carry out regulatory, taxing and disciplinary enforcement provisions of the Sports Gaming Act, but not required to be publicly reported by the Council or TEL to the Legislature or the public under the Sports Gaming Act.

Accordingly due to their character as trade secrets, private, personal, proprietary, technological, or protected financial information of individuals or business entities, criminal record or background information or the government's derivative investigatory or legal materials pertaining to said Applicants, Licensees or Registrants, the information described in this paragraph (3) is deemed confidential by these Rules. Such confidentiality is not waived if the information and data are shared or have been shared with an authorized agent of any

(Rule 1350-01-.01, continued)

agency of the United States government; any state or any political subdivision of a state; or the government of any foreign country in connection with its regulatory, investigative, or enforcement authority, regardless whether such information is shared or has been shared either before or after being provided or communicated to an agent or employee of the Council, the TEL or member of its Board. The enumeration of these categories is without prejudice to identification of additional protections under state or federal law for information and records, or to the Council's use of such information to fulfill its regulatory enforcement provisions in legal proceedings.

Notwithstanding the foregoing, the Council and TEL may disclose whether an Applicant has or had previously submitted an application for a License or Registration and any Applicant, Licensee, or Registrant waives any liability of the State of Tennessee, the TEL, its Board, or the Sports Wagering Council, or any representatives, agents, or employees thereof for any damages resulting from the disclosure or publication in any matter, except if made willfully and unlawfully.

**Authority:** T.C.A. §§ 4-49-102, 4-49-104, 4-49-106, 4-49-110, 4-49-112, 4-49-115, and 10-7-504; 2019 Tenn. Pub. Acts, Ch. 507; 2021 Tenn. Pub. Acts, Ch. 593; and 2023 Tenn. Pub. Acts, Ch. 450.

**Administrative History:** Emergency rules filed December 22, 2021 to become effective January 1, 2022; effective through June 30, 2022. New rules filed March 22, 2022; effective June 20, 2022. Emergency rules filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Amendments filed September 15, 2023; effective December 14, 2023.

#### **1350-01-.02 DEFINITIONS.**

As used in this Chapter, and other Chapters promulgated by the Council, unless the context otherwise requires:

- (1) "ACH" means Automated Clearing House, which is a network that connects all banking and financial institutions within the United States.
- (2) "AML" means anti-money laundering.
- (3) "Applicant" means an individual, group of individuals, or entity that applies for a License or Vendor Registration.
- (4) "Bettor," "Patron," or "Player" means a Person who is:
  - (a) Twenty-one (21) years of age or older;
  - (b) Physically present in the state of Tennessee when placing a Wager;
  - (c) Not prohibited from placing a Wager under the Sports Gaming Act, T.C.A. § 4-49-112; and
  - (d) Not a Prohibited Participant.
- (5) "Board" or "TEL Board" means Board of Directors of the Tennessee Education Lottery Corporation.
- (6) "Bond" means a bond held in escrow for the purpose of maintaining adequate reserves to account for losses suffered by a Licensee and owed to Bettors and which cannot be released without consent of the Council.
- (7) "Cancelled Wager" means a Wager that was legal and appropriate when originally placed by the Bettor, but some event, circumstance or occurrence prevents the Wager from being

(Rule 1350-01-.02, continued)

unequivocally determined in accordance with the Licensee's approved House Rules or Internal Control Standards.

- (8) "Cash Basis" means an accounting method whereby Wagers are recognized during the period they are placed, and where the date of the event being Wagered upon is irrelevant.
- (9) "Cashless Wagering System" or "CWS" means a host system whereby a Player maintains an electronic account on the host database that allows play through the use of a combination of two or more of the following for login: username, password, or personal identification number (PIN).
- (10) "Cheating" means, *inter alia*, improving the chances of winning or of altering the outcome of a Wager, Sports Gaming System, or Sporting Event by deception, interference, or manipulation or use of Material Non-Public Information or through use of any equipment, including software pertaining to or used in relation to the equipment, used for or in connection with a Wager, Sports Gaming System, or the Sporting Event on which Wagers are placed or are invited, including attempts and conspiracy to cheat.
- (11) "Council" means Tennessee Sports Wagering Council.
- (12) "Event Number" means a set of alpha and/or numeric characters that correspond to a Sporting Event or an Event ancillary to a Sporting Event.
- (13) "Executive Director" means the individual hired by the Council to serve as Executive Director, as provided by T.C.A. § 4-49-105(a), to direct and oversee the day-to-day operations and management of sports gaming on behalf of the Council under the Sports Gaming Act and the Council's Rules.
- (14) "Federal Excise Tax" means the net taxes upon Wagers paid to the United States Treasury by Licensees for Wagering transactions authorized by Tennessee law.
- (15) "Geolocation Service" means a technology service used by an Operator to identify real-world geographic location(s) of an Internet or mobile connected remote wagering device, application or website.
- (16) "Global Risk Management" means management, consultation, instruction, or transmission of information relating to Interactive Sports Gaming by a Licensee or Registrant who also holds a license to conduct sports gaming in another Permissible Jurisdiction. The term includes: the management of risks associated with Interactive Sports Gaming involving a Sporting Event or any other Event for which a Wager may be accepted; the setting or changing of Bets or Wagers, cutoff times for Bets or Wagers, acceptance or rejection of Bets or Wagers, pooling or laying off of Bets or Wagers, lines, point spreads, odds or other activity relating to Betting or Wagering.
- (17) "Good Standing" means that an individual or entity is currently in compliance with the provisions of the Sports Gaming Act and these Rules, and has not, during the preceding six-month period of Licensure or Registration, been assessed an administrative fine or civil penalty by the Council, or been subject to the revocation, suspension, or nonrenewal of its License or Registration by the Council.
- (18) "Gross Handle" means the total amount of Gross Wagers less Cancelled or Voided Wagers received by the Licensee over a specified period of time.
- (19) "Gross Wager" means (A) all cash and Promotional Wagers received by Licensees from Bettors as Wagers; and (B) includes all Wagers placed with cash, cash equivalents, promotional items, and all other media by which a Bettor is allowed to place a Wager.

(Rule 1350-01-.02, continued)

- (20) “Immediately” shall mean 48 hours or less, regardless of whether that 48-hour time period falls within a business day.
- (21) “Immediately Notify” or “Immediately Report” means to notify or report to the Executive Director within 48 hours of a Licensee or Registrant becoming aware of an event, circumstance, action or omission that gives rise to a duty to immediately notify or report to the Council under the Sports Gaming Act or these Rules.
- (22) “Independent Testing Laboratory” means an impartial entity that conducts testing and analysis of an Operator’s Sports Gaming System to assess its compliance with applicable standards and requirements as specified by these Rules.
- (23) “Institutional Investor” means (a) a bank as defined in Section 3(a)(6) of the Federal Securities Exchange Act; (b) an insurance company as defined in Section 2(a)(17) of the Investment Company Act of 1940, as amended; (c) an investment company registered under Section 8 of the Investment Company Act of 1940, as amended; (d) an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, as amended; (e) collective trust funds as defined in Section 3(c)(11) of the Investment Company Act of 1940, amended; (f) an employee benefit plan or pension fund that is subject to the Employee Retirement Income Security Act of 1974, as amended, excluding an employee benefit plan or pension fund sponsored by a publicly traded corporation affiliated with a Licensee; (g) a state or federal government pension plan; (h) a group comprised entirely of Persons specified in (a) through (g); or (i) such other Persons as the Council may determine for reasons consistent with the public policies of the State of Tennessee.
- (24) “Integrity Monitoring Provider” means an independent third party that assists Licensees with the identification and reporting of Unusual or Suspicious Wagering activity.
- (25) “Integrity Monitoring System” means a system of policies and procedures approved by the Council through which a Licensee identifies and reports Unusual or Suspicious activity.
- (26) “Interactive Sports Gaming” means placing a Wager on a Sporting Event via the Internet, on a mobile device, or other telecommunications platform.
- (27) “Internal Control Standards” mean the internal procedures, administration, and accounting controls designed by the Licensee to conduct sports gaming operations.
- (28) “Key Personnel” means individuals who have the power to exercise Significant Influence Over Sports Wagering in this state and who are associated with the Applicant for Licensure or Registration as:
  - (a) A principal owner of more than five percent (5%) of the Applicant;
  - (b) A partner of the Applicant, voting member on the board of directors of the Applicant, or an officer of the Applicant, as those terms are defined in title 48 or 61, as applicable; or
  - (c) An employee of the Applicant who principally oversees wagering activity, risk management, platform management, or integrity monitoring.
- (29) “Know Your Customer” or “KYC” means a software or service that is used to verify the validity of a Patron’s age and identity.
- (30) “Layoff Wager” means a Wager placed by a Sports Gaming Operator with another Sports Gaming Operator for the purpose of offsetting Player Wagers.

(Rule 1350-01-.02, continued)

- (31) “License” means the authority to engage in Interactive Sports Gaming operations granted by the TEL prior to January 1, 2022; or the Council, pursuant to the Sports Gaming Act under T.C.A. § 4-49-117.
- (32) “Licensee” means a Sports Gaming Operator approved by the TEL prior to January 1, 2022, or the Council, and operating pursuant to a License granted by the Council or the TEL under T.C.A. § 4-49-117.
- (33) “Material Non-Public Information” means information that has not been disseminated publicly concerning an athlete, contestant, prospective contestant, or athletic team, including, without limitation, confidential or non-public information related to the availability or plans for an athlete, team or contestant to participate in a Sporting Event, medical conditions or treatment, physical or mental health or conditioning, physical therapy or recovery, discipline, sanctions, academic status, education records, eligibility, playbooks, signals, schemes, techniques, game plans, practices, strategies, assessments, systems, drills, or recordings of practices or other athletic activities.
- (34) “MICS” means the Minimum Internal Control Standards established by the Council, pursuant to T.C.A. § 4-49-110.
- (35) “Minor” means a Person who is less than twenty-one (21) years of age.
- (36) “Mobile Applications” means any interactive platform for use through the Internet or other telecommunications platform, accessed via a mobile device, or computer, which has been approved by the Council for operation of Interactive Sports Gaming by a Sports Gaming Operator.
- (37) “Money Line Wager” means a Wager on the outcome of a Sporting Event outright, with fixed odds in relation to the dollar amount wagered.
- (38) “Multi-Factor Authentication” means an authentication procedure that uses two or more of the following factors to verify a Player’s identity:
  - (a) Something known only to the Player (e.g., static password, personal identification number, or answers to challenge questions);
  - (b) Something possessed only by the Player (e.g., digital or physical security token or one-time password provided to the Player);
  - (c) Something inherent to the Player (e.g., the Player’s biometric data, such as fingerprint or facial recognition); or
  - (d) Any other factors approved by the Council.
- (39) “Obvious Error” means either a human or technical error that results in a Licensee offering Wagers at terms, prices, or odds that are materially different from the general market or clearly incorrect given the chance of the event happening at the time the Wager was accepted.
- (40) “Odds-making” means the calculation, setting or adjustment of odds on the outcome of a Sporting Event or any component thereof.
- (41) “Official League Data” means statistics, results, outcomes, and other data related to a Sporting Event obtained pursuant to an agreement between the Sports Gaming Operator and the relevant governing body of a sport or sports league, organization, or association whose corporate headquarters are based in the United States, or an entity expressly authorized by such governing body to provide such information to Licensees for purposes of live betting.

(Rule 1350-01-.02, continued)

- (42) "Online Sports Wagering Platform Software" means an integrated software system utilized by a Licensee to conduct its online sports wagering operations and through which sports wagering transactions occur.
- (43) "Parlay Wager" means a single wager that incorporates two (2) or more individual Bets for purposes of earning a higher payout if each Bet incorporated within the Wager wins.
- (44) "Patron Account Management Services or Software" or "PAM" means a technology service used by a Licensee to create, manage, and track a Patron's online Sports Gaming Account and history.
- (45) "Patron Session" means a period of time when a Player is logged on to a Sports Gaming System.
- (46) "Payment Processing Service" means a third-party technology system or software used to verify, facilitate, or authorize payment transactions, including any transfer of funds to or from Players.
- (47) "Permissible Jurisdiction" means any jurisdiction in which Global Risk Management or the Betting or Wagering on a Sporting Event is lawful or not otherwise expressly prohibited under the laws of that jurisdiction.
- (48) "Person" means an individual, group of individuals, trust, or business entity.
- (49) "Personally Identifiable Information (PII)" means any information connected to a Player that can be used to uncover the Player's identity, including, but not limited to, a Player's SSN, name, date of birth, email address, residential address, or phone number.
- (50) "Prohibited Participant" means any individual: (1) who is prohibited from wagering pursuant to the Sports Gaming Act, T.C.A. § 4-49-112; (2) who is on any self-exclusion list or Council exclusion list; (3) whose participation may undermine the integrity of the wagering or the Sporting Event; (4) who is excluded from wagering for any other good cause; or (5) any Person who makes or attempts to make a Wager as an agent or proxy on behalf of another.
- (51) "Prohibited Wager" means an attempted or placed Wager on any Sporting Event or occurrence which is not permitted under the Sports Gaming Act or that the Council (and formerly the TEL Board while its Rules were in effect) has prohibited by Rule.
- (52) "Promotional Credit" means free plays, deposit matches, odds boosts, risk-free Bets, and any other bonus that a Sports Wagering Operator offers or gives to a Player as an incentive to Wager.
- (53) "Promotional Payout" means a payout by a Licensee to a Bettor in a form that cannot be immediately withdrawn by the Bettor as cash.
- (54) "Promotional Wager" means a Wager placed by a Licensee using a bonus or other non-cash item.
- (55) "Proposition Wager" means a Wager made regarding the occurrence or nonoccurrence of an event or circumstance during a Sporting Event that is not the final outcome of the Sporting Event. A Proposition Wager does not include the final outcome of the Sporting Event.
- (56) "Registrant" means a Person who holds a registration issued under T.C.A. § 4-49-131.

(Rule 1350-01-.02, continued)

- (57) "Registration" means approval from the Council to serve as a Vendor for Interactive Sports Gaming in the State of Tennessee, or, prior to January 1, 2022, approval from the TEL to serve as a Supplier or Vendor, as those terms were defined in any previous Rules of the TEL.
- (58) "Resettled Wager" means a Wager that was originally settled incorrectly by a Licensee due to a statistical correction, technical error, or human error.
- (59) "Responsible Gaming Plan" means a Licensee's policies, procedures, and processes for responsibly conducting Interactive Sports Gaming in the State of Tennessee.
- (60) "Risk Management" means the management of risks associated with Wagering, including but not limited to a combination of one or more of the following: the setting or changing of odds, cutoff times for Wagers, acceptance or rejection of Wagers, laying off of Wagers, and other similar activity relating to Wagering.
- (61) "Significant Influence Over Sports Wagering" means the authority to make decisions regarding the daily operations of a Licensee or Registrant in Tennessee related to Wagering activity, Risk Management, Platform Management, Integrity Monitoring, or other similar essential functions related to sports Wagering, as determined in the sole discretion of the Council.
- (62) "Sporting Event" or "Event" means any professional sporting or athletic event, including motorsports and e-sports, any collegiate sporting or athletic event, or Olympic sporting or athletic event sanctioned by a national or international organization or association, as authorized by the Council pursuant to these Rules. Sporting Event does not include horse-racing.
- (63) "Sportsbook Risk Management or Odds-making Services" means the services used by a Licensee to identify, assess, and limit the risks associated with sports betting operations, including Odds-making Services used by a Licensee to accurately price wagering markets and to avoid overexposure to a particular Sporting Event outcome.
- (64) "Sports Data Feed" or "Sports Data Software" means a technology system or software that provides statistical information used by Operators related to the various aspects of Sporting Events. Sports data may include, but is not limited to, scores, player and team performance metrics, game outcomes, player profiles, and historical records.
- (65) "Sports Gaming Account" means an account established by a Licensee for an individual Patron to use for Interactive Sports Gaming.
- (66) "Sports Gaming Act" means the Tennessee Sports Gaming Act, originally codified at T.C.A. §§ 4-51-301, *et seq.*, as amended from time to time. Pursuant to Pub. Ch. 593 (2021), the provisions of the Sports Gaming Act are transferred to T.C.A. §§ 4-49-101, *et seq.*, effective January 1, 2022.
- (67) "Sports Gaming Operator" means a Licensee authorized under the Sports Gaming Act and these Rules to offer and operate Interactive Sports Gaming.
- (68) "Sports Gaming System" means any combination of hardware, software, data networks, and communications used to manage, administer, or control sports wagering that comprise the system used for the purpose of offering Interactive Sports Gaming by electronic means, including, but not limited to Mobile Applications or Internet sites accessed via a mobile device or computer.
- (69) "Sports Gaming System Operational Assessment" means an assessment performed by an independent testing laboratory that assesses the Sports Gaming System's compliance with the Sports Gaming System Requirements set forth in these Rules.

(Rule 1350-01-.02, continued)

- (70) "Sports Gaming System Technology Integrity and Security Assessment" means an assessment performed by an independent testing laboratory that assesses the Sports Gaming Systems technological integrity and security requirements set forth in these Rules.
- (71) "Suspicious Wagering Activity" means wagering activity in violation of the Sports Gaming Act or these Rules; that is made or attempted to be made by an agent or proxy (i.e., messenger betting); or that is indicative of match-fixing, the manipulation of an event, misuse of inside information, sports corruption, or other prohibited activity.
- (72) "TEL" means the Tennessee Education Lottery Corporation.
- (73) "Ticket" means a printed record issued, or an electronic record maintained, by the Sports Gaming System that evidences a Wager.
- (74) "Unusual Wagering Activity" means abnormal wagering activity exhibited by Players and deemed by a Licensee or the Council as a potential indicator of Suspicious Wagering Activity. Unusual Wagering Activity may include, but is not limited to, the size of a Player's Wager or increased wagering volume on a particular Event or Wager type.
- (75) "Vendor" means a person who:
  - (a) Provides one (1) or more of the following:
    - 1. Geolocation Services;
    - 2. Online Sports Wagering Platform Software;
    - 3. Patron Account Management services/software;
    - 4. Sportsbook Risk Management or Odds-making services or software;
    - 5. Sports Data Feeds or Software, including Official League Data feeds and software;
    - 6. "Know Your Customer" or "KYC" software or services; or
    - 7. Payment Processing Services;
  - (b) Serves as an Independent Testing Laboratory to assess interactive sports wagering platforms, integrity, or security;
  - (c) Has direct interface or interaction with patron accounts or interactive sports wagering platforms, as determined by the Council;
  - (d) Receives payment or compensation based on a revenue sharing agreement in which the Vendor receives a percentage of the adjusted gross income of the Licensee; or
  - (e) Provides similar services that are material to conducting interactive sports wagering, as determined by the Council; and
  - (f) "Vendor" does not include marketing affiliates who are compensated by a method other than a revenue sharing agreement.
- (76) "Voided Wager" means a Wager that a Licensee voids after acceptance because the Wager is determined by the Licensee, the Council, or the Executive Director to be prohibited under the Tennessee Sports Gaming Act, rules promulgated by the Council, other state laws, or

(Rule 1350-01-.02, continued)

prohibited or otherwise invalid pursuant to the Licensee's approved House Rules or Internal Control Standards.

- (77) "Voucher" means a printed wagering instrument, or digital representation thereof, used in a Cashless Wagering System that has a fixed dollar wagering value and is redeemable for cash or cash equivalents as approved by the Council.
- (78) "Wager" or "Bet" means a sum of money or thing of value that is risked by a Bettor on the unknown outcome of one (1) or more Sporting Events, including, but not limited to, the form of fixed-odds betting, a future bet, live betting, a money line bet, pari-mutuel betting, parlay bet, pools, proposition bets, spread bet, or in any other form or manner as authorized by Rule of the Council. Wager or Bet shall exclude any sum of money or thing of value risked on an unknown outcome pursuant to the Fantasy Sports Act, T.C.A. §§ 4-49-201, *et seq.*
- (79) "Written Notice" means delivery by mail, overnight courier service, or e-mail.

**Authority:** T.C.A. §§ 4-49-101, 4-49-102, 4-49-104, 4-49-105, 4-49-106, 4-49-110, 4-49-112, 4-49-115, 4-49-115(f), 4-49-131, and 4-49-201; 2019 Tenn. Pub. Acts, Ch. 507; 2021 Tenn. Pub. Acts, Ch. 593; 2023 Tenn. Pub. Acts, Ch. 143; and 2023 Tenn. Pub. Acts, Ch. 450. **Administrative History:** Emergency rules filed December 22, 2021 to become effective January 1, 2022; effective through June 30, 2022. New rules filed March 22, 2022; effective June 20, 2022. Emergency rules filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Amendments filed September 15, 2023; effective December 14, 2023.

### 1350-01-.03 GENERAL RULES.

- (1) In order to accept a Wager in the State of Tennessee, a Sports Gaming Operator must obtain a License from the Council. In order to serve as a Vendor for Interactive Sports Gaming, Registration with the Council must be made in advance. Upon being awarded a License or being registered as a Registrant, each Licensee and Registrant agrees that it shall comply with all terms, conditions, obligations, and requirements set forth in the Sports Gaming Act and the Council's Rules, as they may be amended from time to time, as well as all other local, state, and federal laws, rules, and regulations.
- (2) Each Licensee and Registrant shall agree to indemnify and to hold harmless the Council, the TEL, and the TEL Board, against any and all actions, claims, and demands of whatever kind or nature that the Council or TEL may incur by reason of or in consequence of permitting them or having permitted them to operate as a Licensee or Registrant under the Sports Gaming Act.
- (3) The Council shall not be required to issue a License to, or approve Registration for, an Applicant unless and until it is satisfied that the Applicant meets the requirements for a License or Registration in all aspects of Interactive Sports Gaming in Tennessee.
- (4) Wagers may only be placed via the Internet, mobile device, or computer through Sports Gaming Systems operated by Licensees only within the geographic boundaries of the State of Tennessee.
- (5) The server or other equipment used to accept Wagers shall be located within the boundaries of the State of Tennessee.
- (6) Sports Gaming Operators may not directly or indirectly operate or supply kiosks, service stations, terminals, mobile devices, computers, or other devices or equipment for the purpose of Players establishing or accessing Sports Gaming Accounts at any physical location within the State of Tennessee.

(Rule 1350-01-.03, continued)

- (7) Players must be affirmatively identified by the Sports Gaming Operator as being 21 years of age or older and physically present in the State of Tennessee at the time the Wager is placed.
- (8) Sports Gaming Operators shall submit Written Notice to the Council at least 72 hours in advance of offering to the public an Event or the opportunity to place a Wager on an Event that has not previously been deemed a Sporting Event by the Council. This notice must include (a) the name of the sports governing body in charge of administering the Event and (b) a description of the policies and procedures regarding the Event and Wagering integrity.
- (9) A Sports Gaming Operator shall not permit a Wager to be placed on the following:
  - (a) Injuries, penalties, or other such occurrences, the Wager on which would be contrary to public policy, unfair to consumers, or deemed to violate Article XI, Section 5 of the Constitution of Tennessee;
  - (b) Individual actions, events, statistics, occurrences, or non-occurrences to be determined during a collegiate sporting event, including, without limitation, in-game Proposition Wagers on the performance or non-performance of a team or individual participant during a collegiate sporting event; and
  - (c) Amateur sports events, including all high school and youth league sports events, except for sports events that are approved by the Council, in which Persons under age 18 make up a minority of the participants.
- (10) All Licensees and Registrants shall assist the Council with safeguarding the integrity of Interactive Sports Gaming.
  - (a) Sports Gaming Operators shall maintain membership in an independent integrity monitoring association or business which shall be approved by the Executive Director prior to Licensure or Registration.
  - (b) All Licensees and Registrants shall cooperate with investigations conducted by the Council, law enforcement, other government agencies, and integrity-related investigations by sports governing bodies, regarding any aspect of sports wagering in the state. At the request of the Council, sports governing bodies, or law enforcement agencies for the purpose described herein, Licensees shall provide or facilitate the provision of account-level betting information and data files relating to Persons placing Wagers.
  - (c) All Licensees shall Immediately Report to the Council any information required pursuant to Rule 1350-01-.07(11)(h).
- (11) Registry of Ineligible Bettors
  - (a) The Council shall post on its website the categories set forth in T.C.A. § 4-49-112(a) of Persons who are ineligible to place a Wager in this state.
  - (b) A Licensee's knowing acceptance of Wagers from Persons or categories of Persons set forth in T.C.A. § 4-49-112(a) shall be grounds for disciplinary action.

(12) Layoff Wagers

A Licensee may accept a Layoff Wager from another Licensee that conforms with all federal and state law requirements. A Sports Gaming Operator placing a Layoff Wager shall inform the Sports Gaming Operator that the Layoff Wager is being made by or on behalf of a Sports

(Rule 1350-01-.03, continued)

Gaming Operator and disclose its identity to the licensed Sports Gaming Operator accepting the Layoff Wager.

(13) Post-Service Restrictions

- (a) The following Persons may not apply for a License or register as a Vendor, or represent any Licensee or Registrant, prospective Licensee or Registrant before the Council:

1. Any member or employee of the Council, during the term of their employment by, or membership on, the Council, and for a period of two (2) years thereafter.
2. Any member of the Board during 2020–21, or Person employed by TEL during 2020–21 or as of the effective date of these Rules, through December 31, 2023.

For purposes of this Rule, “represent” shall mean to appear before or communicate with the Council on behalf of any Licensee, Registrant, or prospective Licensee or Registrant.

- (b) No Person identified in Rule 1350-01-.03(13)(a) may be employed in Tennessee by any Licensee for a period of two (2) years following their employment by, or membership on, the TEL, Board, or Council.

**Authority:** T.C.A. §§ 4-49-101, 4-49-102, 4-49-105, 4-49-106, 4-49-110, 4-49-111, 4-49-112, 4-49-114, 4-49-115, 4-49-115(f), 4-49-116, 4-49-117, 4-49-125, 4-49-126, 4-49-127, and 4-49-128; and 2023 Tenn. Pub. Acts, Ch. 450. **Administrative History:** Emergency rules filed December 22, 2021 to become effective January 1, 2022; effective through June 30, 2022. New rules filed March 22, 2022; effective June 20, 2022. Emergency rules filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Amendments filed September 15, 2023; effective December 14, 2023.

**1350-01-.04 LICENSING AND REGISTRATION.**

The Council shall grant the following type of License or approve the following types of Registration:

(1) Sports Gaming Operator License

- (a) A Person who offers Interactive Sports Gaming to the public shall be considered a Sports Gaming Operator and shall be required to obtain a Sports Gaming Operator License.
- (b) For the first year of licensure, the annual licensing fee shall be seven hundred fifty thousand dollars (\$750,000), as described in Rule 1350-01-.05 (Application Process). For the second or subsequent year of licensure, the annual licensing fee, as described in Rule 1350-01-.12 (Renewal of License), shall be:
1. For Licensees receiving one hundred million dollars (\$100,000,000) or more in Gross Wagers in the immediately preceding twelve-month period, seven hundred fifty thousand dollars (\$750,000); and
  2. For Licensees receiving less than one hundred million dollars (\$100,000,000) in Gross Wagers in the immediately preceding twelve-month period, three hundred seventy-five thousand dollars (\$375,000).
- (c) Applicants seeking to obtain a License shall complete the (i) Business Entity Disclosure Form; (ii) any supplement thereto prepared by the Council; and (iii) any additional forms required or requested by the Council. Current versions of the forms will be made available on the Council’s website.

(Rule 1350-01-.04, continued)

- (d) Key Personnel of the Applicant seeking to obtain a License, and any other individual associated with the Applicant in the sole and absolute discretion of the Council shall complete the (i) Multijurisdictional Casino/Gaming License Personal History Disclosure Form; (ii) any supplement thereto prepared by the Council; and (iii) any additional forms, documents, or information requested by the Council. All current versions of the forms will be made available on the Council's website.
  - (e) An Institutional Investor may seek a waiver to own up to 25% of an Applicant for investment purposes only. An Institutional Investor shall not be required to complete the forms identified in subparagraph (d) above. The Council may request any relevant information from the Institutional Investor to assist with its determination of whether a waiver shall be granted.
  - (f) Applicants for a License that also perform functions or services identified as Vendor activities are required to obtain only a License. A Vendor Registration does not authorize such Registrants to perform, provide, or engage in activities requiring a License.
- (2) Vendor Registration
- (a) Vendors shall be required to register with the Council as a Vendor.
  - (b) A Vendor Registration shall be valid for three (3) years.
  - (c) Applicants seeking Registration as a Vendor shall complete the (i) Business Entity Disclosure Form; and (ii) any supplement thereto required by the Council.
  - (d) Key Personnel of the Applicant seeking Registration as a Vendor shall complete the (i) Multijurisdictional Casino/Gaming License Personal History Disclosure Form; and (ii) any supplement thereto required by the Council.
  - (e) An Institutional Investor may seek a waiver to own up to 25% of an Applicant for investment purposes only. An Institutional Investor shall not be required to complete the forms identified in subparagraph (d) above. The Council may request any relevant information from the Institutional Investor to assist with its determination of whether a waiver shall be granted.
  - (f) Registration does not authorize a Vendor to perform, provide, or engage in activities requiring a License.
  - (g) An Applicant for Registration as a Vendor shall pay a Registration fee:
    - 1. For the first three-year period after registration, if the registration is approved, of one hundred fifty thousand dollars (\$150,000). Fifty thousand dollars (\$50,000) of the fee is due at registration, fifty thousand dollars (\$50,000) of the fee is due on the first anniversary of registration, and fifty thousand dollars (\$50,000) of the fee is due on the second anniversary of registration; and
    - 2. For the second or subsequent period of registration if the registration is approved, registration fee as follows:
      - (i) For Vendors providing Geolocation Services, Online Sports Wagering Platform Software, or Player Account Management Services, a registration fee in the amount of one hundred fifty thousand dollars (\$150,000). Fifty thousand dollars (\$50,000) of the fee is due at registration, fifty thousand dollars (\$50,000) of the fee is due on the first anniversary of registration, and

(Rule 1350-01-.04, continued)

fifty thousand dollars (\$50,000) of the fee is due on the second anniversary of registration;

- (ii) For Vendors providing Risk Management Services, Oddsmaking Services, or Sports Data Feeds or Software, a registration fee in the amount of seventy-five thousand dollars (\$75,000). Twenty-five thousand dollars (\$25,000) of the fee is due at registration, twenty-five thousand dollars (\$25,000) of the fee is due on the first anniversary of registration, and twenty-five thousand dollars (\$25,000) of the fee is due on the second anniversary of registration;
- (iii) For Vendors providing Independent Testing Laboratory services, a registration fee in the amount of forty-five thousand dollars (\$45,000). Fifteen thousand dollars (\$15,000) of the fee is due at registration, fifteen thousand dollars (\$15,000) of the fee is due on the first anniversary of registration, and fifteen thousand dollars (\$15,000) of the fee is due on the second anniversary of registration; and
- (iv) For Vendors providing KYC or Payment Processing services, services in which the Vendor has direct interface or interaction with Patron accounts or Interactive Sports Wagering Platforms, as determined by the Council, services in which the Vendor receives payment or compensation based on a revenue sharing agreement (in which the Vendor receives a percentage of the adjusted gross income of the Licensee), or similar services that are material to conducting Interactive Sports Wagering, as determined by the Council, a registration fee in the amount of thirty thousand dollars (\$30,000). Ten thousand dollars (\$10,000) of the fee is due at registration, ten thousand dollars (\$10,000) of the fee is due on the first anniversary of registration, and ten thousand dollars (\$10,000) of the fee is due on the second anniversary of registration.

**Authority:** T.C.A. §§ 4-49-101, 4-49-102(27), 4-49-106, 4-49-110, 4-49-115, 4-49-115(f), 4-49-117, 4-49-125, and 4-49-131; and 2023 Tenn. Pub. Acts, Ch. 450. **Administrative History:** Emergency rules filed December 22, 2021 to become effective January 1, 2022; effective through June 30, 2022. New rules filed March 22, 2022; effective June 20, 2022. Emergency rules filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Amendments filed September 15, 2023; effective December 14, 2023.

#### **1350-01-.05 APPLICATION PROCESS.**

- (1) An application for any type of License or Registration under these Rules shall be on forms issued by the Council and available on the Council's website, in accordance with requirements of the Sports Gaming Act.
- (2) The application for a Sports Gaming Operator License or Registration as a Vendor shall, at a minimum, include the following:
  - (a) The Applicant's legal name, including any DBA, if applicable, and form of business entity;
  - (b) The mailing address of the Applicant and, if a business entity, its state of formation, and the location of its principal place of business;
  - (c) The names, addresses, taxpayer identification numbers, and dates of birth of each Key Personnel of the Applicant, along with three years of income tax returns for same;

(Rule 1350-01-.05, continued)

- (d) The names, addresses, and employer identification numbers, as applicable, of each individual, group of individuals, trust or business entity associated with an Applicant, including, but not limited to, a holding company, parent company, or subsidiary company of the Applicant that has the ability to control the activities of the Applicant or elect a majority of the board of directors or select the manager or general partner of the Applicant (excluding any bank or other licensed lending institution that holds a mortgage or other lien acquired in the ordinary course of business);
- (e) The names, addresses, and employer identification numbers, as applicable, of each individual, group of individuals, trust, or entity associated with an Applicant that directly or indirectly holds a five percent (5%) or greater beneficial or proprietary interest in the Applicant's business operation, or that the Council otherwise determines has the ability to control the Applicant;
- (f) For Sports Gaming Operator License Applicants, information, documentation, and assurances as may be required by form to establish by clear and convincing evidence that the Applicant has sufficient business ability and sports gaming experience to create and maintain a successful, efficient Interactive Sports Gaming operation. Sports Gaming Licensure Applicants shall submit an audit of the financial statements and condition of the Licensee's Interactive Sports Gaming operations in the State of Tennessee prepared within the preceding twelve-month period by a Certified Public Accountant in accordance with generally accepted accounting principles and applicable state and federal law, if available. If an Applicant has audited financial statements prepared at the parent company level, the Applicant shall include with its audited consolidated financial statements a supplemental schedule (either audited or unaudited) of the Licensee Applicant's Interactive Sports Gaming operations in Tennessee or an attestation from the Licensee Applicant's Certified Public Accountant that the Applicant has implemented procedures to accurately report all financial data necessary to determine privilege taxes owed by the Applicant from Interactive Sports Gaming operations in Tennessee. If an Applicant has not previously been engaged in business operations prior to applying for licensure, the Applicant shall submit documents that establish, by clear and convincing evidence, that the Applicant has made sufficient arrangements to fund its proposed sports Wagering operations.
- (g) For Registrant Applicants, financial statements of the Registrant Applicant's financial condition prepared within the preceding twelve-month period in accordance with generally accepted accounting principles and applicable state and federal law. A Registrant Applicant may provide financial statements prepared at the parent company level.
- (h) For Sports Gaming Operator License Applicants, a description of the proposed internal controls and security systems to be used in conducting sports wagering or processing sports wagering transactions, as may be applicable;
- (i) The number of employees expected to be employed by the Licensee or Registrant in the State of Tennessee;
- (j) For Sports Gaming Operator License Applicants, the estimated privilege tax revenue to be generated by the Sports Gaming Operator for the first three (3) years of operation;
- (k) The estimated economic benefit to the State of Tennessee of the proposed License or Registration. The estimate may include, but not be limited to, the following: projected amount of annualized gross revenue; estimated new capital investment for the project; scientific or market research performed by the Applicant or its contractors; and such other information as may be requested by the Council;

(Rule 1350-01-.05, continued)

- (l) A copy of the Applicant's certificate of good standing and authorization to conduct business in the state of Tennessee;
  - (m) A list of jurisdictions where the Applicant has (i) applied for a sports wagering or gaming license; (ii) been issued a sports wagering or gaming license; (iii) been the subject of a law enforcement or government subpoena, cease and desist letter, attorney general or government legal opinion, or other correspondence regarding any non-routine law enforcement or government investigation concerning conduct related to gambling operations (including casino gaming, horse racing, dog racing, pari-mutuel, lottery, sports betting, daily fantasy sports, etc.) in any jurisdiction; or (iv) had any sports wagering or gaming license denied, suspended, or revoked, and the status and copies of such documents relating to (iii) or (iv);
  - (n) A list of all jurisdictions where the Applicant and its Key Personnel have conducted gaming or sports Wagering operations or provided services to a Sports Gaming Operator conducting gaming or sports Wagering operations.
  - (o) Notice and a description of civil judgments obtained against the Applicant and any Key Personnel thereof, pursuant to the laws of the federal government, of the State of Tennessee or of any other state, jurisdiction, province, or country;
  - (p) Description of any bankruptcy, insolvency, or liquidation actions filed by or against the Applicant, any Key Personnel thereof;
  - (q) The Council will compile a national or, as applicable, international criminal history and background report on the Sports Gaming Operator License Applicant, Vendor Registrant, and Key Personnel thereof, including fingerprint submittals by individuals described in this subparagraph, conducted by the TBI, other U.S. or international law enforcement agency, Council staff, or other private security firm under contract to the Council. Said report shall include review of whether the Sports Gaming Operator License Applicant and Vendor Registrant, or any individual described in this subparagraph, has engaged in gaming activity in any jurisdiction in which such activity is illegal; and
  - (r) Any other information the Council considers necessary and appropriate to determine by clear and convincing evidence the competency, law abiding nature, suitability, honesty and integrity of Applicant.
- (3) As required by the Sports Gaming Act, each Sports Gaming Operator License Applicant shall submit ancillary documentation necessary for the Council to assess fully the Applicant's operations and compliance with the Sports Gaming Act. Each Sports Gaming Operator License Applicant shall submit with its application, made under oath, the following:
- (a) Applicant's plan to provide data files, in a format and timeline approved by the Council, to the Council to confirm Applicant's calculation of the privilege tax to be paid each month.
  - (b) Applicant's most recent Sports Gaming System Operational Assessment.
  - (c) Applicant's most recent Sports Gaming System Technology Integrity and Security Assessment.
  - (d) Applicant's Internal Control Standards as required by Chapter 1350-03 of these Rules that specify and describe the following:
    - 1. Requirements for internal audits in accordance with Rule 1350-03-.04(2)(c).

(Rule 1350-01-.05, continued)

2. User access controls for all Interactive Sports Gaming personnel in accordance with Rule 1350-03-.03.
3. Segregation of duties among all Interactive Sports Gaming personnel in accordance with Rule 1350-03-.04.
4. Automated and manual risk management procedures in accordance with Rule 1350-03-.05, including the following:
  - (i) Sources of data and information feeds and services, including, but not limited to, official data, odds and line monitoring services,
  - (ii) Integrity Monitoring Systems, and
  - (iii) Risk management support.
5. Procedures for identifying and preventing Prohibited Participants from engaging in Interactive Sports Gaming in accordance with Rule 1350-03-.07.
6. Procedures for identifying and preventing Wagers and Payouts to Minors in accordance with Rule 1350-03-.11.
7. Procedures for identifying and reporting fraud, Cheating, and Suspicious or Unusual Wagering Activity in accordance with Rule 1350-03-.06, including:
  - (i) A monitoring system utilizing software to identify irregularities in volume or odds and swings that could signal Suspicious Wagering Activities that should require further investigation;
  - (ii) Procedures for addressing Suspicious Wagers over any threshold set by the Licensee; and
  - (iii) A description of the method to prevent past posting (i.e., a Wager made outside of the Wager period).
8. A description of AML compliance standards in accordance with Rule 1350-03-.08, including a description of the following:
  - (i) Controls for payouts of \$10,000 or more;
  - (ii) The process of identifying the structuring of multiple Wagers within a 24-hour period in order to circumvent reporting and recording requirements; and
  - (iii) The process for creating a log of Wagers of \$5,000 or more.
9. A description of all types of Wagers available to be offered by the Sports Gaming System pursuant to Rule 1350-03-.09.
10. A description of all integrated third-party systems in accordance with Rule 1350-03-.10.
11. A description of Information System Minimum Controls in accordance with Rule 1350-03-.12, including:
  - (i) The safeguarding of Sports Gaming Accounts, including maintaining the security of identity and financial information of Players; and

(Rule 1350-01-.05, continued)

- (ii) A description of all hardware and software applications that comprise the Sports Gaming System; and
- 12. Controls ensuring regulatory compliance with the Sports Gaming Act and these Rules.
  - (e) Applicant's Responsible Gaming Plan, including Applicant's methodology and process for permitting individuals to exclude themselves from being able to place Wagers; maintenance of the Sports Gaming Operator's self-exclusion list; and preventing the placing of Wagers by individuals on the Sports Gaming Operator's self-exclusion list and the ineligibility list prepared by the Council.
  - (f) Applicant's plan and policy governing the acceptance of Wagers and making payouts (i.e., House Rules), which must be approved by the Council.
  - (g) Procedures for issuance and acceptance of Promotional Credit for sports wagering.
  - (h) Applicant's customer service phone number and e-mail address for responding to public and Patron inquiries and questions originating from the State of Tennessee or relating to sports gaming operations in the State of Tennessee. Once Applicant receives its License, the Council shall post the Licensee's customer service phone number and e-mail address on its website.
  - (i) A list of Key Personnel for the State of Tennessee, specifically. The list must include the name, home address, date of birth, work location, title, and summary of duties and responsibilities.
  - (j) A description of Applicant's expected use of Geolocation Services to prevent Wagers from outside the State of Tennessee.
  - (k) The method by which the Sports Gaming Operator will identify and cancel Wagers, including defining "Obvious Error."
  - (l) A diagram illustrating the process flow and supporting documentation regarding the affiliation between Applicant and its Vendors and other providers.
  - (m) The Applicant's "Terms and Conditions" for sports wagering in Tennessee.
  - (n) The Applicant's method for deploying changes and updates to the Sports Gaming System, or Internal Control Standards, including notification to the Council.
- (4) An Applicant shall notify the Council in writing of any material change to its application within ten (10) business days of the change. Notwithstanding the foregoing, an Applicant shall notify the Council of all changes to its Key Personnel within three (3) business days of the change. An Applicant shall complete all Key Personnel disclosures, including a statement as to any conflict of interest that may exist due to the changes in Key Personnel, within thirty (30) days of the change.
- (5) For a Sports Gaming Operator License, Applicant shall submit a nonrefundable application fee of fifty thousand dollars (\$50,000) due at the time the initial or renewal application is submitted. Failure to submit the \$50,000 application fee shall cause the application to be rejected or cause a delay in the processing of an application. Upon approval of the application, the \$50,000 application fee shall be applied to the Sports Gaming Operator's licensing fee provided for by Rule 1350-01-.04(1)(b). The total fee shall be paid in full within ten (10) days of approval of the

(Rule 1350-01-.05, continued)

License or prior to expiration of the annual renewal period, which shall be one (1) year from the date of the issuance of the License.

- (6) Application fees, license fees, registration fees, background or investigative fees or costs, or any other fees or costs related to an application or renewal will not be refunded if an application for a License or Registration is withdrawn after submission.
- (7) Any Applicant shall complete such additional forms or provide such additional information as may be requested by the Council.

**Authority:** T.C.A. §§ 4-49-101, 4-49-102, 4-49-106, 4-49-110, 4-49-115, 4-49-115(f), 4-49-117, 4-49-120, 4-49-125, and 4-49-131; and 2023 Tenn. Pub. Acts, Ch. 450. **Administrative History:** Emergency rules filed December 22, 2021 to become effective January 1, 2022; effective through June 30, 2022. New rules filed March 22, 2022; effective June 20, 2022. Emergency rules filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Amendments filed September 15, 2023; effective December 14, 2023.

#### 1350-01-.06 APPROVAL OR DENIAL OF AN INITIAL APPLICATION.

- (1) In accordance with the Sports Gaming Act, T.C.A. § 4-49-120, the Council shall not grant a License or approve a Registration for an Applicant that has one or more of the following individuals associated with it as Key Personnel:
  - (a) Any Person identified in 1350-01-.03(13)(a);
  - (b) An employee of, coach of, player for, or person who is a member or employee of a governing body of, a sports team, league, or association, upon which Wagers are permitted to be placed; or
  - (c) A Person having the ability to directly affect the outcome of a Sporting Event.
- (2) Applicants shall not be issued a License or approved for Registration if they, or any of their Key Personnel, have been convicted of any felony. Applicants shall not be issued a License, approved for Registration if they, or their Key Personnel, have been convicted of any gambling-related offense that the Council finds threatens the integrity of sports wagering in Tennessee and the public interest.
- (3) In all cases, the Council shall have sole authority to approve, condition, or deny an application for a License or Registration, or renewal thereof.
- (4) In determining whether to approve or deny an application for a License or Registration the Council may consider the following factors:
  - (a) Whether the Applicant is proposing an Interactive Sports Gaming operation that will have a positive impact through increased revenues to the State of Tennessee.
  - (b) Whether the Applicant possesses adequate funds or has secured adequate financing to commence and maintain an Interactive Sports Gaming operation or serve as a Vendor.
  - (c) Whether the Applicant has the financial stability, integrity, and responsibility to conduct Interactive Sports Gaming, or serve as a Vendor for Interactive Sports Gaming.
  - (d) Whether the Applicant has sufficient business ability and experience to create and maintain a successful Interactive Sports Gaming operation or serve as a Vendor for Interactive Sports Gaming.

(Rule 1350-01-.06, continued)

- (e) Whether the Sports Gaming Operator License Applicant has proposed adequate measures for security of any Sports Gaming System, server, or components thereof.
- (f) Whether the Sports Gaming Operator License Applicant has demonstrated that its proposed Interactive Sports Gaming operation will be conducted in accordance with the Sports Gaming Act and all other applicable local, state, and federal laws, and has satisfied the requirements set forth in these Rules.
- (g) Whether the Applicant or its Key Personnel have been:
  - 1. Convicted of a disqualifying offense, as established by the Sports Gaming Act;
  - 2. Arrested, charged, indicted, or have received a target letter from the U.S. Department of Justice in connection with any investigation of offshore sports gaming activities that serviced the United States;
  - 3. Arrested, charged with, convicted of, pleaded guilty to, or forfeited bail concerning any criminal offense under the laws of any jurisdiction, other than for a minor traffic offense; or
  - 4. Indicted of any felony, gambling-related offense, or any other offense(s) that the Council finds will threaten the integrity of sports wagering in Tennessee and the public interest.
- (h) The past and present compliance of the Applicant, its affiliates, or affiliated companies relating to gaming operations or activities in any other jurisdiction, including, but not limited to, whether the Applicant has a history of non-compliance with the gaming requirements or prohibitions of any jurisdiction.
- (i) Whether the Applicant has knowingly made a false statement of a material fact in any application or other communication to the Council or failed to disclose to the Council a violation of this Rule by Applicant, as applicable.
- (j) Whether the Applicant has had a license to operate any gaming or sports wagering activity suspended or revoked or been denied from operating any gaming or sports wagering activity by any governmental authority responsible for the regulation of gaming activities in any jurisdiction.
- (k) Whether an Applicant has timely remitted the balance of any application, license, or other fees when due to the Council.
- (l) Whether the Applicant has filed, or had filed against it, a proceeding for bankruptcy, liquidation, or insolvency or has ever been involved in any formal process to adjust, defer, suspend, or otherwise work out the payment of any debt.
- (m) Whether the Applicant has been served with a complaint, lien, or other notice filed with any public body regarding a payment of any tax or obligation required under any law in any jurisdiction, where the Applicant has been in breach for one or more years.
- (n) Whether the Applicant is or has been a defendant in litigation involving its business practices that would call into question its suitability to obtain a License or Registration.
- (o) Whether the Sports Gaming Operator License Applicant has submitted a Responsible Gaming Plan that meets the Council's requirements.

(Rule 1350-01-.06, continued)

- (p) Whether the Sports Gaming Operator License Applicant has demonstrated that it has met the reserve requirements, including obtaining the required Bond set forth in these Rules.
  - (q) Whether the Sports Gaming Operator License Applicant has met the insurance requirements set forth in these Rules.
  - (r) Whether the Applicant has submitted financial statements in accordance with these Rules.
  - (s) Whether the Sports Gaming Operator License Applicant has submitted a Sports Gaming System Operational Assessment by an independent testing laboratory in accordance with these Rules.
  - (t) Whether the Sports Gaming Operator License Applicant has submitted a Sports Gaming System Technology Integrity and Security Assessment by an independent testing laboratory in accordance with these Rules.
  - (u) Whether the Sports Gaming Operator License Applicant has established the escrow account required by these Rules for the payment of privilege tax.
  - (v) Whether the Sports Gaming Operator License Applicant has submitted House Rules in accordance with these Rules.
  - (w) Whether the Sports Gaming Operator License Applicant has developed internal controls in accordance with Rule Chapter 1350-03.
  - (x) Whether the Sports Gaming Operator License Applicant has demonstrated that it has appropriate procedures and controls in place to meet the requirements related to Sports Gaming Accounts in accordance with these Rules.
  - (y) Whether awarding a License or approving a Registration would undermine the public's confidence in the Interactive Sports Gaming industry in the State of Tennessee.
  - (z) Whether the Sports Gaming Operator License Applicant is a member of an independent integrity monitoring association.
  - (aa) Whether the Applicant meets other prescribed standards for the issuance of a License or approval of a Registration, as set forth in these Rules.
- (5) Completed Applications for Initial Licensure or Registration.
- (a) Upon receipt of an application, the Council shall review it for completeness and submit the requisite information to the appropriate investigative individual or entity to conduct the criminal history review and report.
  - (b) In the event the review of the application reveals a deficiency, the Council shall notify the Applicant in writing (which may include e-mail). The Council shall have no obligation to continue to review the application until the deficiency is corrected.
  - (c) Upon a determination that the application is complete, the Council shall notify the Applicant in writing (which may include e-mail) that the application has been deemed complete. The Council shall approve or deny the application within ninety (90) calendar days of it declaring the application complete.

(Rule 1350-01-.06, continued)

Despite this determination, the Council may continue to request additional information from Applicant. If, as a result of the investigation into the background of the Applicant or its affiliated Persons or entities, a sufficient amount of additional information is required to be provided, the Council may notify the Applicant in writing (which may include e-mail) at the time of the request for additional information that it is suspending or revoking its determination of application completeness.

- (d) In the event the Council suspends its determination of completeness, such suspension shall remain in place until such time as the additional requested information is provided by Applicant. The imposition of a suspension of completeness will result in a resetting of the ninety (90) day timeframe for the Council to approve or to deny the application.
- (6) Sports Gaming Operator License and Vendor Registration Applicant Background Investigations for Initial Licensure or Registration.
- (a) Upon determination that the application is complete, the Council shall initiate an investigation into the backgrounds of Applicant's Key Personnel, excluding any Institutional Investors.
  - (b) The Council shall conduct a due diligence investigation of the Applicant to assess whether a License shall be awarded or Registration approved. The investigation will focus on integrity, background, responsibility, financial stability, criminal history, reputation, character, and ability to perform scope of services and shall require documents and information as specified on the forms available on the Council's website.
  - (c) Criminal history background investigations shall include the submission of fingerprints to the Tennessee Bureau of Investigation, Federal Bureau of Investigation, or any other foreign government agency, public or private, deemed to be appropriate by the Council. Applicant will be required to disclose the following information and include a description of the circumstances, dates, location, nature of violation, disposition, and status:
    - 1. Whether the Applicant or any Key Personnel have been arrested, charged, or convicted of a criminal offense in any jurisdiction, excluding minor traffic violations, such as parking tickets, speeding, etc.;
    - 2. Whether the Applicant or any Key Personnel have been subject to any disciplinary action or non-routine investigation by any administrative, governmental, law enforcement, or regulatory body; and
    - 3. Whether the Applicant or any Key Personnel have been charged with a violation of any statute, rule, regulation, or ordinance of any administrative, regulatory, or other governmental body.
  - (d) Applicant's financial stability review shall include the following information:
    - 1. Whether the Applicant or its Key Personnel have been in default of paying any taxes, fees, or other obligations owed to the State of Tennessee, any local governmental entity in Tennessee, or the federal government.
    - 2. Documents evidencing the financial activities and stability of the Applicant and any Key Personnel, including bank statements, business and personal income and disbursement schedules, tax returns, or other documentation satisfactory to the Council that demonstrates by clear and convincing evidence that the Applicant has sufficient business ability and experience to establish and maintain a successful Interactive Sports Gaming operation or business; and

(Rule 1350-01-.06, continued)

3. Documents evidencing the ability of the Applicant to meet ongoing operating expenses necessary for the maintenance of a continuous and stable Interactive Sports Gaming operations or business and for Licensees, the ability to pay, as and when owed, winning Wagers and all state and federal taxes.

(7) Sports Gaming System Requirements.

- (a) Sports Gaming System Operational Assessment. Prior to Licensure, and annually thereafter prior to renewal, the License Applicant must demonstrate that its Sports Gaming System meets the standards set forth in these Rules. The Sports Gaming System must be reviewed, tested, and approved by a recognized independent testing laboratory that is registered as a Vendor. The independent testing laboratory's Sports Gaming System Operational Assessment must be submitted to the Council and must, at a minimum include the following:

1. The scope of review, which shall include, at a minimum, an assessment of the Sports Gaming System's compliance with Rules 1350-01-.03(4), 1350-01-.03(7), 1350-01-.06(7)(b)1. through 7., 1350-01-.06(7)(c), 1350-01-.06(7)(d)1. through 14., 1350-01-.06(7)(e)1. through 6., 1350-01-.06(7)(f)1. through 4., 1350-01-.06(7)(g)1. through 4., 1350-01-.06(7)(i), 1350-01-.06(8)(a) through (c), 1350-01-.07(9)(d), 1350-01-.07(17)(a), 1350-01-.08(8) through (10), 1350-01-.08(19)(a), 1350-01-.08(19)(d)2. and 3., 1350-01-.08(20)(a) through (e), 1350-01-.08(21)(a) through (d), 1350-01-.12(4)(a)4., 1350-03-.03(3)(a) through (h), 1350-03-.11(2) and (4), 1350-03-.12(1) through (7), 1350-03-.12(9), 1350-03-.12(14)(a) through (g), 1350-03-.12(15)(a) through (d), 1350-03-.12(16)(a) through (c), 1350-03-.12(16)(e) through (h), and 1350-03-.12(19);
2. Name and company affiliation of the individuals who conducted the assessment;
3. Date of assessment;
4. Findings with regard to compliance with the Sports Gaming System requirements set forth in these Rules;
5. Recommended corrective action, if any; and
6. The Applicant's response to the findings and recommended corrective action.

- (b) A Sports Gaming System must address, at a minimum, the following functions:

1. Wagering management;
2. Sports Gaming Account management;
3. Location requirements for placing Wagers;
4. Verification of all system, data, software-related components and time synchronization;
5. Reporting and security requirements;
6. Ability to report and detect abnormal betting patterns and Unusual, Suspicious, or illegal wagering activities; and
7. Preventing the acceptance of Wagers from Prohibited Participants.

(Rule 1350-01-.06, continued)

- (c) A Sports Gaming System shall maintain all transactional wagering data for a period of five (5) years.
- (d) A Sports Gaming System shall record and store the following information for each Wager made, and be capable of transmitting it to the Council upon request:
  - 1. Description of Event;
  - 2. Event Number;
  - 3. Wager selection;
  - 4. Type of Wager;
  - 5. Amount of Wager;
  - 6. Date and time of Wager;
  - 7. Unique Wager identifier(s);
  - 8. Player identification number;
  - 9. Current Wager status (i.e., active, cancelled, unredeemed, pending, etc.);
  - 10. Redemption and/or Ticket expiration period, if applicable;
  - 11. Relevant location information;
  - 12. The results of the Wager;
  - 13. Amount won; and
  - 14. Date and time winning Wager was paid to Player.
- (e) A Sports Gaming System that issues and/or redeems a Promotional Credit shall record the following information:
  - 1. Amount of Promotional Credit;
  - 2. Date, time, and method of issuance;
  - 3. Unique Promotional Credit identifier;
  - 4. Expiration period for the Promotional Credit;
  - 5. Player identification number assigned to the Promotional Credit; and
  - 6. Date, time, and method of redemption of Promotional Credit, if applicable.
- (f) A Sports Gaming System that offers live betting shall be capable of the following:
  - 1. The accurate and timely update of odds for live betting Wagers;
  - 2. The ability to notify the Player of any change in odds that is not beneficial to the Player after a Wager is attempted;

(Rule 1350-01-.06, continued)

3. The ability for the Players to confirm the Wager after notification of the odds change; and
  4. The ability to freeze or suspend the offering of Wagers when necessary.
- (g) When a Wager is Voided or Cancelled, the Licensee shall make an entry in the Sports Gaming System indicating the void or cancellation.
1. In the event that a Licensee voids or cancels a Wager pursuant to these Rules prior to the outcome of the Event being known, the Licensee shall report the Wagering data on a monthly basis as part of the privilege tax submission in accordance with Rule 1350-01-.07(6).
  2. In the event that a Wager is placed after the outcome of the Event is known, the Licensee shall void the Wager, but must Immediately Notify the Executive Director.
  3. In the event that a Licensee voids a Wager due to an indication of Suspicious Activity, the Licensee must Immediately Notify the Executive Director.
- (h) A Sports Gaming System shall be capable of verifying that all components of the Sports Gaming System are the authentic, approved versions used to offer, record, and process Wagers to ensure there have been no unauthorized modifications. The Sports Gaming System must be able to detect if any system component is determined to be invalid in the event of an authentication failure.
- (i) A Sports Gaming System shall have controls in place to review the accuracy and timeliness of any data feeds used to offer or settle Wagers. In the event that an incident or error occurs that results in a loss of communication with data feeds used to offer or redeem Wagers, such error shall be recorded in a log capturing the date and time of the error, the nature of the error, and a description of its impact on the system's performance. Such information shall be maintained for a minimum period of two (2) years.
- (j) The Sports Gaming System shall provide the Council with access to Wagering systems, transactions, and related data as deemed necessary by the Council, in the manner required by the Council.
- (k) A Sports Gaming System shall provide a mechanism for the Council to query and export all Sports Gaming System data in the manner required by the Council.
- (8) Geolocation Requirements.

Prior to Licensure, an Applicant must demonstrate that it utilizes a Geolocation system that provides the following functions, at a minimum:

- (a) Detects the physical location of a Player attempting to access any Sports Gaming System;
- (b) Monitors and blocks unauthorized attempts to place a wager using the Sports Gaming System;
- (c) Ensures that a Player is continually located within the geographical boundaries of Tennessee when the Wager is initiated and received. If the session is longer than a single Bet or Wager:
  1. Rechecks the geographical location every twenty (20) minutes or five (5) minutes if within one (1) mile of the state border; and

(Rule 1350-01-.06, continued)

2. Rechecks intervals based on the Player's proximity to the border with an assumed travel velocity of seventy (70) miles per hour, and a maximum interval not exceeding twenty (20) minutes; and
  - (d) Does not rely solely upon IP addresses to determine location when a mobile or Internet connection is being used to place a Wager.
- (9) Responsible Gaming Plan.

Each License Applicant shall propose a Responsible Gaming Plan as an element of its License application. A Licensee shall maintain its plan for as long as the Licensee accepts Wagers in the State of Tennessee. A Licensee may propose amendments to its Responsible Gaming Plan, provided it submits the amendment for approval by the Council at least forty-five (45) days before the proposed effective date of any changes to the plan.

The Responsible Gaming Plan shall include, at a minimum, the following:

- (a) Plan goals, statement of policy and commitment, procedures, and deadlines for implementation;
- (b) A process for individuals to make a request to restrict themselves from placing Wagers with the Licensee alone or from all Licensees in Tennessee, both of which must be contemporaneously offered to the individual;
- (c) A process for the Licensee to prevent individuals who have requested self-exclusion restrictions from placing Wagers. For each individual who makes such a self-exclusion request, Licensees shall provide the individual with additional responsible gaming resources;
- (d) A method to allow the self-exclusion request to be shared with the Council;
- (e) A method for receiving information from the Council regarding restrictions from individuals who have requested restrictions from all Licensees;
- (f) A self-limitation program where Players have the option to set limits on money and time spent betting, deposit limits, session time limits, and account cool-off;
- (g) A plan for making responsible gaming information available and legible on the Licensee's website(s), mobile app(s), advertisements, or other platforms for Interactive Sports Gaming, including publication of a problem-gambling helpline telephone number that provides information about responsible gaming and services, and that has been approved by the Council pursuant to Rule 1350-01-.07(12);
- (h) A plan for providing comprehensive responsible gaming training to employees who may interact with Players from the State of Tennessee, including annual or periodic refresher training. Training should equip the trainee to respond to circumstances in which Player account activity may indicate signs that are consistent with gambling addiction;
- (i) Procedures to prevent underage gambling, including age-affirmation mechanisms that utilize, at a minimum, month, date, and year of birth that will apply before the Person can gain access to any Sports Gaming System where Players can engage in Interactive Sports Gaming. A Sports Gaming Operator may use information obtained from third parties to verify that a Person is authorized to open an account, place Wagers, and make deposits and withdrawals;

(Rule 1350-01-.06, continued)

- (j) A process to provide Players with information about their play. This includes history, money spent, games played, net wins/losses, limits history, and any other relevant information;
  - (k) A process to provide Players with updates during play about time and money spent and account balances in cash;
  - (l) A clear and conspicuous display on the Licensee's website(s), mobile app(s), advertisements, or other platforms for Interactive Sports Gaming indicating that it is unlawful for a Person under twenty-one (21) years of age to engage in Interactive Sports Gaming in the State of Tennessee;
  - (m) Procedures to prohibit a Person who places Wagers with the Licensee from establishing more than one active Sports Gaming Account with the Licensee; and
  - (n) Procedures to permit a Person that places Wagers with the Licensee to terminate their Sports Gaming Account at any time, for any reason, and without penalty.
- (10) Final Approval of Initial Applications for Licensure and Registration (see Rule 1350-01-.12 for Renewals).
- (a) If the Council determines that the applicable application requirements and considerations set forth in the Sports Gaming Act and these Rules have been met to its satisfaction, the Council shall issue a Sports Gaming Operator License or approve the Registration of a Vendor, as applicable.
  - (b) For each License application approved, the application fee then shall be credited to the annual License fee, and the Licensee shall send the balance of the annual fee to the Council within ten (10) business days of approval of a License. There shall be an automatic License revocation for non-payment of the License fees after thirty (30) days of approval of a License.
  - (c) No Licensee shall be permitted to accept Wagers unless and until it has submitted both its Sports Gaming System Operational Assessment and Sports Wagering Technology Integrity and Security Assessment, both of which must be completed by a qualified independent testing laboratory that is registered as a Vendor.
  - (d) Each Licensee and Registrant has a continuing duty and obligation to Immediately Notify the Council of any material change in status or applicable information that, if known by the Council, could disqualify the Licensee or Registrant from holding the License or being approved for Registration.

**Authority:** T.C.A. §§ 4-49-101, 4-49-102, 4-49-106, 4-49-110, 4-49-115, 4-49-115(f), 4-49-117, 4-49-119, 4-49-120, 4-49-125, 4-49-126, and 4-49-131; and 2023 Tenn. Pub. Acts, Ch. 450. **Administrative History:** Emergency rules filed December 22, 2021 to become effective January 1, 2022; effective through June 30, 2022. New rules filed March 22, 2022; effective June 20, 2022. Emergency rules filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Amendments filed September 15, 2023; effective December 14, 2023.

#### **1350-01-.07 MAINTENANCE OF LICENSE OR REGISTRATION.**

In order to maintain its License or Registration, a Licensee or Registrant is required to maintain certain requirements, conditions, and programs. Failure to maintain these requirements, conditions, and programs may result in the suspension or revocation of a License or Registration or imposition of a fine.

- (1) Reserve Requirements - Licensees

(Rule 1350-01-.07, continued)

- (a) Licensees shall obtain a Bond in the amount of five hundred thousand dollars (\$500,000) in order to conduct sports wagering in the State of Tennessee. The Bond may be used to fund the reserve. The company issuing the Bond shall be financially rated A or better by a nationally recognized rating agency and duly licensed, admitted, and authorized to transact business in the State of Tennessee. Licensees shall provide the original Bond to the Council. The Bond shall be renewable annually and shall list the Council as obligee of the Bond. The Bond may not be cancelled without a minimum of thirty (30) days prior Written Notice to the Council. The form of the Bond to be executed will be made available on the Council's website.
- (b) Licensees also shall maintain a reserve in the form of cash, cash equivalents, irrevocable letter of credit, in addition to the above-referenced Bond, of not less than the amount necessary to ensure the ability to cover the outstanding liability related to the Patron accounts.

The outstanding liability shall be the sum of the following amounts:

- 1. Amounts held by the Licensee for Sports Gaming Patron Accounts;
  - 2. Aggregate amounts accepted by the Licensee as Wagers on Sporting Events with outcomes that have not been determined; and
  - 3. Amounts owed but unpaid by the Licensee on winning Wagers.
- (c) Licensees must receive Council approval in order to remove, release, or withdraw funds necessary to meet the Licensee's reserve requirement in subdivision (b) of this section for non-Patron purposes. For the avoidance of doubt, Licensees may remove, release, or withdraw funds that are held in the reserve account that are in excess of the Licensee's reserve requirement in subdivision (b) of this section.
  - (d) Licensees shall calculate their reserve requirements each day. In the event a Licensee determines that its reserve is not sufficient to cover the calculated requirement, the Licensee, within twenty-four (24) hours, must notify the Council of this occurrence and indicate the steps the Licensee has taken to remedy any deficiency. All reserve funds must be held with a financial institution that is federally insured by the FDIC or NCUA and lawfully operating in Tennessee.
- (2) Insurance Requirements – Licensees.
- (a) Licensees shall provide the Council with certificates of insurance prior to approval of the License and with each renewal application. The company issuing the insurance shall be financially rated A or better by a nationally recognized rating agency and duly licensed, admitted, and authorized to transact business in the State of Tennessee.
  - (b) Subject to paragraph (c) below, Licensees shall maintain the following types and amounts of insurance while they are an approved Licensee to conduct Interactive Sports Gaming activities in the State of Tennessee:
    - 1. Licensees who anticipate, during the upcoming year of licensure, having less than 100,000 Player accounts and \$15,000,000 in revenue shall maintain the following types and amounts of insurance:
      - (i) Cyber Liability insurance in the amount of five million dollars (\$5,000,000); and

(Rule 1350-01-.07, continued)

- (ii) Errors and Omissions insurance in the amount of five million dollars (\$5,000,000).
  - 2. Licensees who anticipate, during the upcoming year of licensure, having more than 100,000 Player accounts and \$15,000,000 in revenue, shall maintain the following types of insurance:
    - (i) Cyber Liability insurance in the amount of ten million dollars (\$10,000,000); and
    - (ii) Errors and Omissions insurance in the amount of ten million dollars (\$10,000,000).
  - (c) Licensees that are unable to obtain the coverage amounts specified in 1350-01-.07(2)(b) must maintain coverage in the maximum amounts allowable by the issuing insurance company. Such Licensees must provide a notarized statement or letter from their insurance agent or broker stating that Licensee was unable to obtain required insurance coverage after diligent effort and the reason for the deficiency. Such Licensee shall provide the Council with a detailed plan of how it intends to compensate for the deficiency in insurance coverage, which must be approved by the Council prior to Licensure.
- (3) Periodic Audits.
  - (a) Licensees.
    - 1. Prior to Licensure and annually thereafter prior to renewal, Licensees shall submit to the Council an audit of the financial statements and condition of the Licensee's Interactive Sports Gaming operations in the State of Tennessee prepared within the preceding twelve-month period by a Certified Public Accountant in accordance with generally accepted accounting principles and applicable state and federal law. If a Licensee has audited financial statements prepared at the parent company level, the Licensee shall include with its audited consolidated financial statements a supplemental schedule (either audited or unaudited) of the Operator's Interactive Sports Gaming operations in Tennessee or an attestation from the Operator's Certified Public Accountant that the Licensee has implemented procedures to accurately report all financial data necessary to determine privilege taxes owed by the Applicant Interactive Sports Gaming operations in Tennessee.
    - 2. Licensees shall establish and maintain books, records, and documents (including electronic storage media) in accordance with generally accepted accounting principles and practices that sufficiently and properly reflect all revenues and expenditures of funds associated with Interactive Sports Gaming.
    - 3. Licensees shall retain all records, financial records, supporting documents, statistical records, and any other documents (including electronic storage media) pertinent to their Interactive Sports Gaming operations for a minimum period of five (5) years from their creation.
    - 4. Books and records pertaining to Interactive Sports Gaming in the State of Tennessee shall be subject to inspection, review, and audit by the Council at any time within the sole discretion of the Council. Licensee shall cooperate in any such inspection, review, or audit.
  - (b) Registrants.

(Rule 1350-01-.07, continued)

1. Prior to Registration and annually thereafter prior to renewal, Registrants shall submit financial statements of the Registrant's financial condition prepared within the preceding twelve-month period in accordance with generally accepted accounting principles and applicable state and federal law. A Registrant Applicant may provide financial statements prepared at the parent company level.
2. Registrants shall establish and maintain books, records, and documents (including electronic storage media) in accordance with generally accepted accounting principles and practices that sufficiently and properly reflect all revenues and expenditures of funds associated with Interactive Sports Gaming.
3. Registrants shall retain all records, financial records, supporting documents, statistical records, and any other documents (including electronic storage media) pertinent to involvement with Interactive Sports Gaming for a minimum period of five (5) years from their creation.
4. Books and records pertaining to Interactive Sports Gaming in the State of Tennessee shall be subject to inspection, review, and audit by the Council at any time within the sole discretion of the Council. Registrant shall cooperate in any such inspection, review, or audit.

(4) Financial Reporting and Financial Data Requirements.

- (a) The Sports Gaming System must have the ability to deliver all requested data either by report or data file to the Council while achieving compliance with standards of integrity, security, and control required by the Council.
- (b) The Sports Gaming System must have the ability to generate reports or data necessary for the Licensee and the Council to determine and record the financial data necessary to determine the privilege tax calculation over a daily, weekly, and monthly period, in a manner determined by the Council.
- (c) All data required must be submitted in formats approved by the Council. All Licensees shall utilize the Council's (formerly TEL's) central accounting and reporting system.
- (d) All required reports shall be generated by the Sports Gaming System, even if the period specified contains no data to be presented. The report generated shall indicate all required information and contain an indication of "No Activity" or similar message if no data appears for the period specified.
- (e) The Council may periodically prescribe a set of standard reporting forms and instructions to be used by each Licensee for filing daily, weekly, monthly, and/or quarterly reports.

(5) Bank Account.

In order to ensure the security of funds due to the State of Tennessee for payment of the privilege tax imposed under the Sports Gaming Act, Licensees shall maintain a bank account, designating the Council as sole beneficiary, with a financial institution that is federally insured by the FDIC or NCUA and lawfully operating in Tennessee. This bank account shall be separate from all other operating accounts of the Licensee and shall hold all amounts calculated by the Licensee to be owed for payment of the privilege tax until payment is made pursuant to paragraph (6) below.

(6) Payment of Privilege Tax

(Rule 1350-01-.07, continued)

- (a) There is imposed upon the Gross Handle of a Licensee a privilege tax of one and eighty-five one hundredths percent (1.85%) of a Licensee's Gross Handle, less allowable deductions.
  - (b) A Licensee shall pay the privilege tax each month based on its Gross Handle for the immediately preceding calendar month.
  - (c) A Licensee shall utilize the Cash Basis for calculating and reporting privilege taxes.
  - (d) A Licensee may deduct the following amounts from the prior month's Gross Wagers prior to calculation of the privilege tax owed:
    - 1. The amount of Federal Excise Tax paid by the Licensee for the prior month;
    - 2. Cancelled Wagers;
    - 3. Voided Wagers; and
    - 4. Resettled Wagers that result in a negative adjustment. Resettled Wagers that result in a positive adjustment must be added to Gross Wagers.
  - (e) A Licensee may not deduct the following from its Gross Handle prior to calculation of the privilege tax owed:
    - 1. Payouts to Bettors;
    - 2. Promotional Wagers;
    - 3. Promotional Payouts; or
    - 4. Anything not specified in this Rule or that has not otherwise been expressly approved in writing by the Executive Director or his or her designee prior to the deduction.
  - (f) The privilege tax for the immediately preceding calendar month shall be transferred to the Licensee's escrow account by the fifth (5th) business day of each month. A Licensee shall contemporaneously, in a manner specified by the Council, submit a report showing Gross Handle, Gross Wagers, deductions taken in accordance with subparagraph (d) above, and the total amount of privilege tax owed by the Licensee.
- (7) Sports Gaming System Technology Integrity and Security Assessment.
- (a) Licensees shall, prior to commencing operations and annually thereafter, prior to renewal, obtain an assessment of the technological integrity and security of their Sports Gaming Systems conducted by an Independent Testing Laboratory that is registered as a Vendor and selected by the Licensee.
  - (b) The Independent Testing Laboratory's report on the assessment shall be submitted to the Council and shall, at a minimum, include:
    - 1. The scope of review, which shall include, at a minimum, an assessment of the Sports Gaming System's compliance with Rules 1350-01-.06(7)(b)5., 1350-01-.06(7)(h), 1350-01-.07(7)(a), 1350-03-.03(1) and (2), 1350-03-.03(4), 1350-03-.03(5), 1350-03-.12(1), 1350-03-.12(8), and 1350-03-.12(18);
    - 2. Name and company affiliation of the individual(s) who conducted the assessment;

(Rule 1350-01-.07, continued)

3. Date of assessment;
  4. Findings related to technological integrity and security in accordance with these Rules;
  5. Recommended corrective action, if applicable; and
  6. The Licensee's response to the findings and recommended corrective action.
- (8) Prohibition on Wagers by and Payouts to Minors.
- (a) A Licensee shall not permit Wagers to be placed by Minors. Each Licensee shall maintain a system through which it verifies that Wagers are not made by Minors in accordance with Rule 1350-03-.11. Licensee shall prohibit any Minor from collecting payouts or winnings from Interactive Sports Gaming.
  - (b) Licensee shall provide the Council information about its methodology for verifying the age of a Bettor. Licensee shall notify Council of any changes to its methodology, or if there is a change of any Vendor or provider that provides age verification services to the Licensee within ten (10) days of any such change.
  - (c) Licensee's system to verify that Wagers are not made by Minors and prohibiting payouts to Minors shall be tested and evaluated as part of the Licensee's Sports Gaming System Operational Assessment.
- (9) Prohibited Participants.
- (a) Licensees shall not permit Wagers to be placed by Prohibited Participants. A Licensee shall maintain a system through which it verifies that Wagers are not made by Prohibited Participants.
  - (b) Licensees shall provide the Council information about its methodology for determining whether or not a Player is ineligible due to his/her inclusion in one or more classes of Prohibited Participants as enumerated in the Sports Gaming Act. Licensee shall notify Council of any changes to its methodology pursuant to the change management provisions contained in Rule 1350-03-.02.
  - (c) Licensees shall prohibit any Person who is included in a class of individuals ineligible to place a Wager pursuant to the Sports Gaming Act from collecting payouts or winnings from Interactive Sports Gaming.
  - (d) Licensee's system to verify that Wagers are not made by Prohibited Participants and prohibiting payouts to Prohibited Participants shall be tested and evaluated as part of the Licensee's Sports Gaming System Operational Assessment.
- (10) Integrity Monitoring.
- (a) Licensees shall have controls in place to identify Unusual and Suspicious Wagering Activity and report such activity to the Council and to their Integrity Monitoring Provider according to the Integrity Monitoring System provisions set forth in the MICS contained in these Rules.
  - (b) Licensee's Integrity Monitoring System procedures shall provide for the sharing of Unusual and Suspicious Wagering Activity with the Council, either directly or through the Licensee's approved Independent Integrity Monitoring Provider.

(Rule 1350-01-.07, continued)

- (c) Licensees shall review reports of Unusual and Suspicious activity received from the Independent Integrity Monitoring Provider of which they are a member and notify the Independent Integrity Monitoring System Provider whether they have experienced similar activity.
  - (d) If a Licensee finds that previously reported Unusual Wagering Activity rises to the level of Suspicious Wagering Activity or identifies Suspicious Wagering Activity, Licensee shall Immediately Notify the Council.
  - (e) Licensees reporting on Suspicious Wagering Activities shall be permitted to suspend or cancel Wagering on Events related to the report and must Immediately Notify the Council upon taking such action.
  - (f) Notwithstanding the other provisions of this section, all information and data received by the Council regarding Unusual or Suspicious Wagering Activity shall be considered confidential. Such data and information may not be revealed in whole or in part except upon the lawful order of a court of competent jurisdiction, or, with any law enforcement entities, regulatory agencies, governing authorities, integrity monitoring organizations or other organization necessary to facilitate integrity monitoring, or with accredited sports governing bodies as required by the Sports Gaming Act or Council.
- (11) Participation in Investigations.
- (a) Each Licensee and Registrant shall cooperate in good faith with investigations conducted by the Council, sports governing bodies, and law enforcement agencies.
  - (b) Licensees shall provide or facilitate provision of account-level betting information and data files relating to Persons placing Wagers and any other information necessary for investigations conducted by the Council or law enforcement.
  - (c) The Council shall investigate, and each Licensee or Registrant shall cooperate with such investigation, upon information and belief that a Licensee or Registrant has failed to comply with the requirements outlined in the Sports Gaming Act or these Rules.
  - (d) During normal business hours, the Council and its agents may enter the premises of any facility of a Licensee or Registrant that is utilized by the Licensee to operate and conduct Interactive Sports Gaming business in the State of Tennessee for the purpose of inspecting equipment, books, and records kept as required by the Sports Gaming Act or these Rules, to ensure that the Licensee is in compliance with the Sports Gaming Act or these Rules, or to make any other inspection as necessary to enforce the Sports Gaming Act or these Rules. Failure to admit the Council or its agents after presentation of credentials shall be grounds for disciplinary action.
  - (e) The Council and its agents, including its law enforcement representatives, shall be able to demand access and inspect business records of any Licensee or Registrant without the requirement to obtain a subpoena. Failure to provide access to the Council or its agents after presentation of credentials shall be grounds for disciplinary action.
  - (f) Each Licensee and Registrant shall maintain all records relating to the conduct of Interactive Sports Gaming in the State of Tennessee for a period of five (5) years.
  - (g) The Council may investigate any violation of the Sports Gaming Act, the Rules, or any conduct that affects the integrity of Interactive Sports Gaming in the State of Tennessee

(Rule 1350-01-.07, continued)

- (h) Licensees and Registrants shall Immediately Report to the Council any information relating to:
    - 1. Criminal or disciplinary proceedings or non-routine government or law enforcement investigations commenced against the Licensee or Registrant in connection with its operations in any jurisdiction;
    - 2. Unusual or Suspicious Wagering Activity, including activities reported to the federal government pursuant to AML laws and regulations and Wagers placed to conceal or launder funds derived from illegal activity;
    - 3. Any potential or actual breach of a sports governing body's internal rules and codes of conduct pertaining to sports wagering that is known or reasonably should have been known to Licensee or Registrant;
    - 4. Cheating, including wagering activities or patterns that may indicate a concern with the integrity of a Sporting Event;
    - 5. Conduct that corrupts, is intended to corrupt, or unduly influences the betting outcome of a Sporting Event for purposes of financial gain, including match fixing; and
    - 6. An agent or proxy placing a Wager on behalf of another Person, or the use of false identification.
  - (i) Licensees also must report information relating to conduct described in subparagraph (h), parts 2.–5., above, to the relevant sports governing body and provide Written Notice of its communications to the sports governing body to the Council. With respect to any information provided by a Licensee to a sports governing body, a sports governing body may only use such information for integrity purposes and shall maintain the confidentiality of such information, unless disclosure is required by the Tennessee Sports Gaming Act, Council, other law, court order, or unless the Licensee consents to disclosure.
  - (j) Licensees shall share with the Council, upon request by the Council, in real time and at the account level, information regarding a Bettor, the amount and type of each Wager, the time the Wager was placed, the location of the Wager, including the Internet protocol address if applicable, the outcome of the Wager, and records of abnormal, Unusual, or Suspicious Wagering Activity related to the Wager. Information shared under this subparagraph shall be submitted in the form and manner as requested by the Council.
  - (k) If a sports governing body has notified the Council in writing that real-time information sharing for Wagers placed on its Sporting Events is necessary and desirable, Licensees shall share the same information with the sports governing body or its designee with respect to Wagers on its Sporting Events. Such information may be provided in anonymized form and may be used by a sports governing body solely for integrity purposes.
- (12) Manner in Which Interactive Sports Gaming May Be Advertised, Marketed, and Promoted.
- This Rule is authorized by T.C.A. § 4-49-118 to effectuate the prohibitions of that statute and establish the manner in which a Licensee may advertise its business operations compliant with the Sports Gaming Act.
- (a) Licensees shall provide electronic copies of all advertising, marketing, and promotional materials developed by or on behalf of the Licensee to the Council within five (5) business days following their publication, distribution, or airing to the public, as applicable.

(Rule 1350-01-.07, continued)

- (b) Licensees shall not directly advertise or promote Interactive Sports Gaming to Minors.
- (c) Advertising, marketing, and promotional materials published, distributed, or aired by or on behalf of a Licensee shall include a responsible gaming message, which includes, at a minimum, a Council-approved problem-gambling helpline number and an assistance and prevention message.
  - 1. Licensees shall include the logo and gambling hotline number for the Tennessee REDLINE, a 24/7 addiction treatment and recovery hotline provided by the Tennessee Association of Alcohol, Drug and other Addiction Services (TAADAS), or another toll-free gambling hotline number as approved by the Council. Logos will be provided to the Licensee for the Tennessee REDLINE by the Council.
  - 2. In areas where space limitations create an issue for use of a logo, copy can be used to communicate the phone number. Individual social media postings (e.g., tweets, Facebook posts) where space is severely limited are not required to include the information set forth in part 1. of subparagraph (c). Social media pages and direct messages sent via social media platforms must contain the information set forth in part 1. of subparagraph (c).
  - 3. In determining whether to approve a Licensee's usage of a toll-free number other than the Tennessee REDLINE, the Council shall consider the following factors:
    - (i) Whether the toll-free number provides callers with information about services available in the location of the caller;
    - (ii) Whether the toll-free number provides a direct connection with additional services needed by the caller or requires the caller to place a separate, additional call;
    - (iii) The hours of operation of the toll-free number;
    - (iv) Whether the toll-free number allows for text-based communication;
    - (v) Whether the toll-free number is specifically designed to address responsible gaming, or whether it also encompasses other services;
    - (vi) The promptness in answering and professionalism of the individuals providing service through the toll-free number; and
    - (vii) Whether the toll-free number collects, organizes and makes data publicly available, or specifically available to Tennessee, regarding demographics and utilization rates of callers that may be used to research and develop Responsible Gaming protocols.
  - 4. The Council shall post on its website a list of approved toll-free numbers that Licensees may use in their advertisements, which may be amended from time to time to add additional approved toll-free numbers. If the Council amends the list of approved toll-free numbers to remove a previously approved number, the Council will give Licensees thirty (30) days' advance Written Notice so Licensees can remove that number from their advertisements.
- (d) Licensees shall communicate the legal age to participate (21 years old and above) on any website, mobile app, and other mediums or forms of advertising, marketing, and promotions.

(Rule 1350-01-.07, continued)

- (e) Advertisements, marketing, or promotions shall not contain images, symbols, celebrity/entertainer endorsements, and/or language designed to appeal specifically to those under 21 years old.
- (f) Advertisements, marketing, and promotions shall not imply that Minors may engage in Interactive Sports Gaming, or feature anyone who is or appears to be below 21 years old, unless the individual is a participant in a Sporting Event upon which a wager may be placed;
- (g) A Licensee must report the following information regarding compensation, whether monetary or otherwise, paid by a Licensee to an individual who is eligible to participate in Sporting Events upon which a Wager can be placed:
  - 1. The name of the individual being compensated;
  - 2. The amount and form of compensation; and
  - 3. A general description of the service to be performed by the individual.

Upon request of the Council, the Licensee may be required to provide copies of agreements between the Licensee and the individual receiving the compensation.

- (h) Licensees shall not advertise in media outlets that appeal primarily to those under the age of 21;
- (i) Advertisements, marketing, or promotions shall not be placed before any audience where the majority of the participants is presumed to be below the age of 21 or that targets potentially vulnerable Persons, including self-excluded Bettors;
- (j) For Persons who have self-excluded, Licensees shall not target advertising and marketing to such Persons through direct messaging, text, or e-mail.
- (k) All direct advertising, marketing, or promotions via e-mail or text message must allow the recipient an option to unsubscribe;
- (l) Licensees shall provide the requirements of this paragraph (12) to advertising, marketing, and promotions personnel, contractors, agents, and agencies retained by Licensees or their agents to ensure compliance herewith; and
- (m) Failure to adhere to any of the above may be grounds for disciplinary action.

(13) Maintenance of a Self-Exclusion List.

- (a) Licensees shall develop and maintain a system to allow individuals to prohibit or restrict themselves from being able to place a Wager with the Licensee. Licensees may offer the option of implementing restrictions that apply solely to the Licensee or may offer individuals the option of implementing restrictions that apply to all Licensees operating in Tennessee, in coordination with the Council. Such self-exclusion list shall be electronically provided to the Council no less than once per week.
- (b) Licensees shall submit a monthly report to the Council that includes the number of individuals who requested to exclude themselves from the ability to participate in Interactive Sports Gaming on their Sports Gaming System.

(Rule 1350-01-.07, continued)

- (c) Any individual may request placement on the list of self-excluded individuals, and that Person during any period of exclusion may not collect any winnings or recover any losses resulting from any Interactive Sports Gaming, except that a Player's account balance on settled Wagers placed prior to the exclusion shall be returned to the Player. Individuals who believe they were inadvertently placed on the exclusion list may petition the Executive Director to request removal from the exclusion list by completing an application for removal. The application for removal from the exclusion list may be requested from the Council. Submission of the removal request does not guarantee removal from the exclusion list.
- (d) Licensees shall notify a Sports Gaming Account holder via e-mail, mail, or other method approved by the Council, whenever the Sports Gaming Account holder's Sports Wagering Account has been closed or placed in a suspended mode. Such notification shall include the restrictions placed on the Sports Gaming Account and any further course of action needed to remove the restriction.
- (e) Licensees shall provide sufficient notice to the Player regarding any additional effects of inclusion on the self-exclusion list. If applicable, such notice shall include language advising the Player that, once included on the self-exclusion list, the Licensee may choose to permanently exclude the Player, regardless of the exclusion period requested.

(14) Reporting Requirements.

Licensees and Registrants shall report, within three (3) business days of the change, any information relating to:

- (a) The name, home address, and date of birth of any new Key Personnel;
- (b) Potential purchase or sale, transfer, assignment, gift or donation, or other disposal or acquisition of 5% or more ownership of a Licensee or Vendor;
- (c) The resignation, termination, removal, or departure of any Key Personnel of a Licensee or Vendor; and
- (d) All other information or circumstances which are deemed to be reportable under these Rules.

(15) House Rules.

- (a) Licensees shall adopt comprehensive House Rules which shall be submitted to the Council for approval with the initial application for a License. Amendments to the House Rules must be submitted to the Council for approval no less than ten (10) business days prior to their proposed implementation.
- (b) At a minimum, the House Rules shall address the following items:
  - 1. A method for the calculation and payment of winning Wagers;
  - 2. The effect of schedule changes;
  - 3. The method of notifying Players of odds or proposition changes;
  - 4. Acceptance of Wagers at terms other than those posted;
  - 5. The method of contacting the Licensee for questions and complaints;

(Rule 1350-01-.07, continued)

6. A description of Prohibited Participants and others who may be restricted from placing a Wager;
  7. The method(s) of funding a Wager;
  8. A description of all types of Wagers that may be accepted, including any minimum and maximum Wagers;
  9. The method by which the Sports Gaming Operator will identify and cancel Wagers, including defining "Obvious Error";
  10. A provision prohibiting the structuring of Bets to avoid federal currency transactional reporting thresholds; and
  11. Notice that Wagers are subject to AML standards, including triggers and requirements for filing of Currency Transaction Reports and Suspicious Activity Reports;
- (c) House Rules shall be conspicuously accessible on the Licensee's websites and Mobile Applications.
- (d) Copies of the House Rules shall be made readily available, upon request, to Players.

(16) Internal Controls.

Licensees shall develop internal controls according to the requirements and specifications found in the MICS in Rule Chapter 1350-03 and industry standards. At a minimum, the internal controls shall address the following items:

- (a) Safeguarding assets and revenues;
- (b) Safeguarding Sports Gaming Accounts;
- (c) Requirements for internal and independent audits of the Licensee;
- (d) User access controls for all Interactive Sports Gaming personnel;
- (e) Segregation of duties among all Interactive Sports Gaming personnel;
- (f) Automated and manual risk management procedures;
- (g) Procedures for identifying and reporting fraud, Cheating, and Suspicious or Unusual Wagering Activity;
- (h) Procedures for identifying and preventing Minors from engaging in Interactive Sports Gaming;
- (i) Procedures to prevent Wagering by Prohibited Participants;
- (j) Description of AML compliance standards;
- (k) Description of all types of Wagers available to be offered by the Sports Gaming System;
- (l) Description of all integrated third-party hardware, software, or systems;

(Rule 1350-01-.07, continued)

- (m) A monitoring system to identify irregularities in volume or odds and swings that could signal Unusual or Suspicious Wagering Activity that should require further investigation; and
  - (n) Wager or attempt to Wager over any maximum Wager threshold set by the Licensee that qualifies as Unusual or Suspicious Wagering.
- (17) Geolocation System.
- (a) Licensee shall keep its geolocation system up to date, including integrating the latest versions in real time that can detect the use of remote desktop software, rootkits, virtualization, or any other programs identified by the Council having the ability to circumvent geolocation measures.
  - (b) The integrity of the geolocation system shall be reviewed regularly, but no less than every one hundred eighty (180) days, by the Licensee to ensure it detects and mitigates existing and emerging location fraud risks, and that it has been updated to incorporate all available patches and updates recommended by the Licensee's Geolocation Service Vendor.
  - (c) Licensee must either (1) provide the Council evidence that the geolocation system is updated to the latest version every 180 days, or (2) provide the Council with access to its geolocation system (or a dashboard or application utilized by the geolocation system Vendor) so that compliance can be independently verified by the Council.

**Authority:** T.C.A. §§ 4-49-101, 4-49-102, 4-49-104, 4-49-106, 4-49-109, 4-49-110, 4-49-112, 4-49-115, 4-49-115(f), 4-49-117, 4-49-118, 4-49-119, 4-49-120, 4-49-122, 4-49-123, 4-49-124, 4-49-125, 4-49-127, and 4-49-131; and 2023 Tenn. Pub. Acts, Ch. 450. **Administrative History:** Emergency rules filed December 22, 2021 to become effective January 1, 2022; effective through June 30, 2022. New rules filed March 22, 2022; effective June 20, 2022. Emergency rules filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Amendments filed September 15, 2023; effective December 14, 2023.

#### 1350-01-.08 SPORTS GAMING ACCOUNTS.

- (1) Interactive Sports Gaming shall only be engaged in by Players who have established a Sports Gaming Account with an approved Licensee.
- (2) The information necessary to establish a Sports Gaming Account shall be recorded and maintained for a period of five (5) years by the Licensee.
- (3) Prior to the establishment of a Player's Sports Gaming Account, a Licensee shall, at a minimum, verify a Player's identity using the KYC methods set forth in subparagraphs (a) and (b), below. If the KYC methods set forth in subparagraphs (a) and (b), below, are unsuccessful in verifying the Player's identity, the Licensee may use the manual KYC process set forth in subparagraph (c), below.
  - (a) A Licensee shall, at a minimum, require a Player to submit the following information:
    - 1. The Player's legal first name;
    - 2. The Player's legal last name, which the Licensee shall verify as an exact match with its KYC Vendor's data sources;
    - 3. The Player's date of birth (including day, month, and year), which the Licensee shall verify as an exact match with its KYC Vendor's data sources;

(Rule 1350-01-.08, continued)

4. The Player's social security number ("SSN"), or only the last four digits of the SSN if sufficient, which the Licensee shall verify as an exact match with its KYC Vendor's data sources;
    5. The Player's residential address (other than a post office box);
    6. The Player's phone number(s); and
    7. An e-mail account for the Player.
  - (b) A Licensee shall ensure that the individual attempting to establish a Sports Gaming Account is the individual that they hold themselves out to be through at least one of the following authentication methods;
    1. Requiring three knowledge-based questions to be successfully answered;
    2. Verification that the device ID and phone number match the Player's KYC data;
    3. Verification of a valid government-issued ID;
    4. Verification of biometric identification with a valid government-issued ID; or
    5. Any other method approved by the Council.
  - (c) Manual KYC verification: If the KYC methods set forth in subparagraphs (a) and (b), above, are unsuccessful, the Licensee may use a manual KYC process that includes a review of the Player's submitted documentation to authenticate all KYC data as described in subparagraph (a), above.
- (4) Prior to the establishment of a Player's Sports Gaming Account, the Licensee shall:
    - (a) Verify that the Player is not a Prohibited Participant using commercially reasonable means or through approved KYC procedures;
    - (b) Provide the Player a definition of Prohibited Participant; and
    - (c) Record the Player's acknowledgment that the Player is not a Prohibited Participant.
  - (5) Licensees shall record the Player's acceptance of the terms and conditions and privacy policy and acknowledgment that the information provided is accurate and the Player is prohibited from allowing any other Person to access or use the Player's Sports Gaming Account.
  - (6) If a Licensee determines that the information provided by a Player to make a deposit or process a withdrawal is inaccurate or incapable of verification; fails to verify the identity of the Player; or the Player violates the policies and procedures of the Licensee, the Licensee shall, within ten (10) calendar days, require the submission of additional information from the Player that can be used to remedy any violation or failure to verify the identity of the Player or funds deposit or withdrawal information of the Player. If such information is not provided or does not result in verification of the Player's identity or deposit or withdrawal information, the Licensee shall:
    - (a) Immediately suspend the Player's Sports Gaming Account and not allow the Player to place Wagers;
    - (b) Retain any winnings attributable to the Player;

(Rule 1350-01-.08, continued)

- (c) Refund the balance of deposits made to the account to the source of such deposit or by issuance of a check; and
  - (d) Deactivate the account.
- (7) Licensees shall notify the Player of the establishment of the Sports Gaming Account by e-mail, text message, or first-class mail. Once a Sports Gaming Account is created, a secure personal identification (e.g., a unique username) for the Player authorized to use the Sports Gaming Account shall be established that is reasonably designed to prevent the unauthorized access to, or use of, the Sports Gaming Account by any individual other than the Player for whom the Sports Gaming Account is established.
- (8) A Player shall have only one (1) Sports Gaming Account for each Licensee.
- (9) A Sports Gaming Account may be funded using:
  - (a) Debit cards;
  - (b) Electronic bank transfers, including such transfers through third parties;
  - (c) Online and mobile payment systems that support online money transfers;
  - (d) Winnings or payouts; and
  - (e) Any other method approved by the Council that is initiated with cash. Licensees must ensure that any method identified above is able to segregate and prevent the use of funding originating from credit cards. Licensees are permitted to utilize a global or single wallet functionality, but credit card funds in any global or single wallet must be segregated from usage in the state of Tennessee.
- (10) Funds may be withdrawn from a Player's Sports Gaming Account as follows:
  - (a) Wagers;
  - (b) Cashier's check, wire transfer, or money order by the Licensee made payable to the Player and issued directly or delivered to the Player's address on file with Licensee;
  - (c) Credits to the Player's debit card, so long as that debit card has been registered in the Licensee's system for at least forty-eight (48) hours;
  - (d) Electronic bank transfers, including transfers through third parties;
  - (e) Online and mobile payment systems that support online money transfers; or
  - (f) Any other method approved by the Council.
- (11) A Player's request for withdrawal of Player funds shall be completed within five (5) business days, unless another time is explicitly stated in the Licensee's House Rules or Terms and Conditions, or there is a pending unresolved dispute between Player and Licensee. A Licensee may withhold funds from withdrawal until all funding transactions with the Player have cleared or the chargeback period ends.
- (12) All adjustments to a Player's Sports Gaming Account for individual amounts of five hundred dollars (\$500.00) or less shall be periodically reviewed by Key Personnel or his or her designee. All other adjustments shall be authorized by Key Personnel or his or her designee prior to being

(Rule 1350-01-.08, continued)

entered. Procedures for adjustments in accordance with this rule shall be included in the Licensee's internal controls.

- (13) Licensees shall not allow the transfer of funds or credits between Players.
- (14) Each transaction with respect to a Sports Gaming Account between a Player and Licensee, except the placement or settlement of a Wager, must be confirmed by e-mail, telephone, text message, or other means agreed upon by the Player and Licensee. Licensees shall provide an account statement with details to a Player on demand, which shall include account activity for at least the six (6) months preceding the twenty-four (24) hours prior to the request. In addition, Licensees shall, upon request, be capable of providing to a Player a summary statement of all Player activity during the past twelve (12) months.
- (15) Licensees shall suspend Wagers from being made and Immediately re-verify a Player's identification upon reasonable suspicion that the Player's identification or Sports Gaming Account has been compromised.
- (16) Licensees shall offer a readily accessible method for a Player to close his or her Sports Gaming Account. Any balance remaining in a Player's Sports Gaming Account closed by a Player shall be refunded within five (5) business days of notice from the Player to the Licensee, or pursuant to another time explicitly stated in the Licensee's House Rules or Terms and Conditions.
- (17) Sports Gaming Systems shall employ a mechanism that can detect and prevent any Player-initiated Interactive Sports Gaming or withdrawal activity that would result in a negative balance of a Sports Gaming Account.
- (18) A Player's Sports Gaming Account shall be disabled after three (3) failed log-in attempts and require Multi-Factor Authentication to recover or reset a password or username.
- (19) A Licensee shall employ a mechanism that places a Sports Gaming Account in a suspended mode in the following situations:
  - (a) When requested by the Player to implement a self-exclusion or cool-off period in accordance with the Licensee's Responsible Gaming Plan as approved by the Council;
  - (b) When required by the Council;
  - (c) Upon the Licensee's determination or notice from the Council that a Player is a Prohibited Participant; or
  - (d) When the Licensee knows or has reason to know of any of the following:
    - 1. Illegal activity;
    - 2. A negative account balance;
    - 3. Five (5) failed ACH deposit attempts within a 24-hour period; or
    - 4. A violation of the terms and conditions has taken place on a Player's Sports Gaming Account.
- (20) When a Sports Wagering Account is in a suspended mode, the Player shall be prevented from:
  - (a) Wagering;

(Rule 1350-01-.08, continued)

- (b) Depositing funds, unless the reason for the deposit is to clear a negative balance that resulted in suspended mode;
  - (c) Withdrawing funds, unless the reason for the suspended mode would not prohibit a withdrawal;
  - (d) Making changes to the Sports Gaming Account; and
  - (e) Removing the Sports Gaming Account from the Sports Gaming System.
- (21) A suspended Sports Gaming Account may be restored as follows:
- (a) Upon expiration of a suspension initiated by the Player;
  - (b) Upon permission of the Council;
  - (c) When the Player is no longer a Prohibited Participant; or
  - (d) When the Licensee has lifted the suspended status.

**Authority:** T.C.A. §§ 4-49-106, 4-49-115(f), 4-49-118, and 4-49-125 and 2023 Tenn. Pub. Acts, Ch. 450.  
**Administrative History:** Emergency rules filed December 22, 2021 to become effective January 1, 2022; effective through June 30, 2022. New rules filed March 22, 2022; effective June 20, 2022. Emergency rules filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Amendments filed September 15, 2023; effective December 14, 2023.

#### 1350-01-.09 PARLAY AND PROPOSITION WAGERS.

- (1) Parlay Wagers.
  - (a) Proposition plays and future Bets can be parlayed.
  - (b) Event outcomes that are directly connected can be parlayed, e.g., moneyline and the point spread of the same Sporting Event.
  - (c) Teasers and Pleasers (type of Parlay Wagers) are allowed if approved by the Council and addressed in the Licensee's House Rules.
- (2) Proposition Wagers.
  - (a) Wagers on individual actions, events, statistics, occurrences, or non-occurrences to be determined during a collegiate Sporting Event are prohibited.
  - (b) In-game Proposition Wagers on the performance or non-performance of a collegiate team are prohibited.
  - (c) Proposition Wagers can be placed on Events related to Sporting Events upon approval by the Council.
  - (d) Proposition Wagers cannot be placed on any type of possible injury.
  - (e) Various forms of Proposition Wagers are allowed if approved by the Council and addressed in the Licensee's House Rules.

**Authority:** T.C.A. § 4-49-114. **Administrative History:** Emergency rules filed December 22, 2021 to become effective January 1, 2022; effective through June 30, 2022. New rules filed March 22, 2022;

(Rule 1350-01-.09, continued)

*effective June 20, 2022. Rule was previously numbered 1350-01-.10 but was renumbered 1350-01-.09 with the deletion of original rule 1350-01-.09 filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Rule was previously numbered 1350-01-.10 but was renumbered 1350-01-.09 with the deletion of original rule 1350-01-.09 filed September 15, 2023; effective December 14, 2023.*

#### **1350-01-.10 GLOBAL RISK MANAGEMENT.**

A Licensee may utilize Global Risk Management as provided in this Rule upon approval by the Council. Prior to utilizing Global Risk Management for any reason, a Licensee shall submit to the Council for approval a copy of all written agreements related to Global Risk Management. The Council may reject a Licensee's proposed use of Global Risk Management services for any reason deemed necessary to protect the integrity of sports wagering in this State.

The following are permissible services which a Sports Gaming Operator or Vendor licensed by a regulatory authority in another jurisdiction may perform in the State of Tennessee, upon approval of the Council:

- (1) Setting, modifying, or providing risk management advice as it relates to betting odds, point spreads, and lines;
- (2) Deciding when a Sporting Event should be removed as an option from the list of Interactive Sports Gaming options authorized by the Council and offered by the Licensee;
- (3) Determining when the Interactive Sports Gaming action by Players on a particular Sporting Event should be rejected;
- (4) Determining when it would be desirable to place Layoff Wagers with another licensed Sports Gaming Operator in the State of Tennessee; or
- (5) Using their special expertise to manage the risks associated with Interactive Sports Gaming in the State of Tennessee.

**Authority:** T.C.A. § 4-49-110 and 4-49-115. **Administrative History:** Emergency rules filed December 22, 2021 to become effective January 1, 2022; effective through June 30, 2022. New rules filed March 22, 2022; effective June 20, 2022. Rule was previously numbered 1350-01-.11 but was renumbered 1350-01-.10 with the deletion of original rule 1350-01-.09 filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Rule was previously numbered 1350-01-.11 but was renumbered 1350-01-.10 with the deletion of original rule 1350-01-.09 filed September 15, 2023; effective December 14, 2023.

#### **1350-01-.11 EXECUTIVE DIRECTOR FOR THE SPORTS WAGERING COUNCIL.**

The Council will hire an Executive Director for the purposes set forth in T.C.A. § 4-49-105(a), and the Executive Director shall have duties and responsibilities, including, but not limited to the following, all with the purpose of assisting and carrying out the Council's responsibilities under the Sports Gaming Act.

- (1) To administer, manage, and direct the business affairs of the agency, subject to the control and direction of the Council.
- (2) To serve as the Council's representative and agent in all matters before the General Assembly, and within all branches within state, federal and local governments.
- (3) To manage all employment matters related to the Council and the agency, including the creation of job classifications, duties, and positions for staff to assist with carrying out the duties of the Council and the Executive Director. The Executive Director shall make offers of employment and set salaries, including any periodic merit increases, (excluding any salary or merit increase related to the Executive Director's compensation, which shall be set by the

(Rule 1350-01-.11, continued)

Council); devise, implement, and enforce employment policies consistent with state and federal law; terminate employment; and execute any other necessary disciplinary action as to staff members.

- (4) To advise the Council of best practices with respect to Interactive Sports Gaming and any modifications to the procedures or standards of the Council's Rules as may be identified through the operations of Interactive Sports Gaming.
- (5) To provide administrative and technical assistance to the Council and administer all programs and functions that have been required of the Council or as set forth in the Rules of the Council, including this Chapter 1350-01, Chapter 1350-02, and Chapter 1350-03.
- (6) To send and receive notices required to be made to the Council or communications made on behalf of the Council, which may be sent to or issued from the Executive Director as agent of the Council;
- (7) To execute such categories of individual contracts and agreements on behalf of the Council as the Council shall authorize, in accordance with Tennessee law.
- (8) To supervise the expenditure of funds and be responsible for complying with all applicable state and federal law in the receipt and disbursement of funds. The Executive Director shall have authority to execute any necessary approvals required by the Department of Finance and Administration on behalf of the Council.
- (9) To approve the voiding of Wagers on behalf of the Council.
- (10) To approve change management orders or amendments to internal controls on behalf of the Council.
- (11) To approve or deny the offering of Wagers on Sporting Events, the types of Wagers offered, and House Rules submitted by Licensees on behalf of the Council.
- (12) To approve the methodology of receipt and format of data and information from Licensees and Vendors, on behalf of the Council.
- (13) To issue a determination of completeness after review of a License or Vendor application, on behalf of the Council.
- (14) To review advertisements and promotional materials submitted by Licensees, on behalf of the Council.
- (15) To investigate suspected and reported violations of the Sports Gaming Act and the Council's Rules, and to issue subpoenas to compel the attendance of witnesses and the production of relevant books, accounts, records, and documents on behalf of the Council. The Executive Director shall recommend appropriate fines or civil penalties to the Council, as appropriate. The Executive Director may refer suspected and reported violations of the Sports Gaming Act, or other state or federal laws, to law enforcement, as appropriate.
- (16) To carry out any delegation of authority, as may be received in writing from the Chairman of the Council, from time to time, as exigent circumstances may require.
- (17) To carry out any other duties as prescribed or instructed by the Council.
- (18) To address player complaints or to assign the investigation of player complaints to a staff designee.

(Rule 1350-01-.11, continued)

- (19) To determine whether a person qualifies as an Institutional Investor.
- (20) To engage in settlement discussions on behalf of the Council.
- (21) To issue letters of warning on behalf of the Council.
- (22) To assess a fine or civil penalty in accordance with the Sports Gaming Act and these Rules, upon written delegation of authority from the Chairman of the Council.

**Authority:** T.C.A. §§ 4-49-105, 4-49-106, 4-49-115, 4-49-115(f), and 4-49-129. **Administrative History:** Emergency rules filed December 22, 2021 to become effective January 1, 2022; effective through June 30, 2022. New rules filed March 22, 2022; effective June 20, 2022. Rule was previously numbered 1350-01-.12 but was renumbered 1350-01-.11 with the deletion of original rule 1350-01-.09 filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Emergency rules filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Rule was previously numbered 1350-01-.12 but was renumbered 1350-01-.11 with the deletion of original rule 1350-01-.09 filed September 15, 2023; effective December 14, 2023. Amendments filed September 15, 2023; effective December 14, 2023.

#### **1350-01-.12 RENEWAL OF LICENSE OR REGISTRATION.**

- (1) A Sports Gaming Operator License shall be subject to renewal each year, no later than the anniversary date of the final approval of the License by the Council. Each renewal term of the License shall be for one (1) year. A Sports Gaming Vendor Registration shall be subject to renewal every three (3) years, no later than the third anniversary date of the final approval of the registration by the Council. Each renewal term of the Registrant shall be for three (3) years. Notwithstanding the foregoing, if the Licensee or Registrant has submitted a timely and complete application and the Council is unable to meet prior to the expiration of the License or Registration term of the Licensee or Registrant, the Licensee or Registrant will be deemed to be in lawful operation until such time as the Council can meet.
- (2) At least ninety (90) days prior to the expiration of the License or Registration term, each Licensee and Registrant shall submit renewal application forms to the Council. A current version of the License and Registration application renewal forms will be made available on the Council's website.
  - (a) A Licensee shall pay a renewal application fee of fifty thousand dollars (\$50,000). Prior to issuance of the renewal License, the Licensee shall pay in full its total License fee as set forth in T.C.A. § 4-49-117(b) and Rule 1350-01-.04(1)(b), to which the renewal application fee of fifty thousand dollars (\$50,000) shall be credited.
  - (b) A Registrant shall pay a renewal fee as set forth in Rule 1350-01-.04(2)(g).
- (3) Documents and Information Required. At least ninety (90) days prior to the expiration of the License or Registration term, each Licensee or Registrant shall submit, at a minimum, the following documents and information:
  - (a) Documents and information demonstrating any change to the documents and information that were previously submitted to the Council as part of the initial application, using forms provided by the Council and made available on its website.
  - (b) Financial Statements. Each Licensee and Registrant shall submit to the Council its most recent annual financial statements prepared in accordance with Rules 1350.07(3)(a)1. and (b)1.

(Rule 1350-01-.12, continued)

- (c) Federal Income Tax Return. Each Licensee and Registrant shall provide its most recent federal income tax return.
  - (d) Responsible Gaming Plan. A Licensee shall submit an annual report of its Responsible Gaming Plan activities, showing that the plan goals were met with its application.
  - (e) Sports Gaming System Operational Assessment. A Licensee shall submit its annual Sports Gaming Operational Assessment.
  - (f) Sports Gaming System Technology Integrity and Security Assessment. A Licensee shall submit its annual Sports Gaming Technology Integrity and Security Assessment.
  - (g) The Council may request any additional documents or information that are required by Rule 1350-01-.05 to determine whether renewal should be granted.
- (4) Approval of Renewal License or Registration.
- (a) In determining whether to approve or deny an application for renewal of a License or Registration the Council may consider the following factors:
    - 1. Whether the Applicant has demonstrated that it is conducting an Interactive Sports Gaming operation or serving as a Vendor in a capacity that has had a positive impact through increased revenues to the State of Tennessee;
    - 2. Whether the Applicant possesses adequate funds or has secured adequate financing to maintain an Interactive Sports Gaming operation or serve as a Vendor;
    - 3. Whether the Applicant has the financial stability, integrity, and responsibility to continue to conduct Interactive Sports Gaming, or serve as a Vendor for Interactive Sports Gaming;
    - 4. Whether the Sports Gaming Operator has proposed adequate measures for the security of any Sports Gaming System, server, or components thereof, and has demonstrated the adequacy of its security measures through its Sports Gaming System Technology Security and Integrity Assessment;
    - 5. Whether the Sports Gaming Operator has demonstrated that its proposed Interactive Sports Gaming operation will be conducted in accordance with the Sports Gaming Act and all other applicable local, state, and federal laws, and has satisfied the requirements set forth in these Rules;
    - 6. Whether, since the time of the initial Licensure or Registration, the Applicant or its Key Personnel have been:
      - (i) Convicted of a disqualifying offense, as established by the Sports Gaming Act;
      - (ii) Arrested, charged, indicted, or have received a target letter from the U.S. Department of Justice in connection with any investigation of offshore sports gaming activities that serviced the United States;
      - (iii) Arrested, charged, with, convicted of, pleaded guilty to, or forfeited bail concerning any criminal offense under the laws of any jurisdiction, other than for a minor traffic offense; or

(Rule 1350-01-.12, continued)

- (iv) Indicted of any felony, gambling-related offense, or any other offense(s) that the Council finds will threaten the integrity of sports wagering in Tennessee and the public interest;
- 7. The past and present compliance of the Applicant, its affiliates, or affiliated companies relating to gaming operations or activities in any other jurisdiction;
- 8. Whether the Applicant has knowingly made a false statement of a material fact in any application or other communication to the Council, or failed to disclose to the Council a violation of the Sports Gaming Act or any of these Rules;
- 9. Whether, since the initial time of Licensure or Registration, the Applicant has had a license to operate any gaming or sports wagering activity suspended or revoked, or been denied from operating any gaming or sports wagering activity by any governmental authority responsible for the regulation of gaming activities in any jurisdiction;
- 10. Whether a Licensee has timely remitted any privilege tax due the State of Tennessee, timely paid any fine assessed by the Council, or timely remitted the balance of any application, license, privilege tax, or other fees when due to the Council;
- 11. Whether the Applicant has filed, or had filed against it, a proceeding for bankruptcy, liquidation, or insolvency or has ever been involved in any formal process to adjust, defer, suspend, or otherwise work out the payment of any debt;
- 12. Whether the Applicant has been served with a complaint, lien, or other notice filed with any public body regarding a payment of any tax or obligation required under any law in any jurisdiction, where the Applicant has been in breach for one or more years;
- 13. Whether the Applicant is or has been a defendant in litigation involving its business practices that would call into question its suitability to be licensed or registered;
- 14. Whether the Sports Gaming Operator Applicant has submitted a report on its Responsible Gaming Plan that meets the Council's requirements;
- 15. Whether the Sports Gaming Operator Applicant has demonstrated that it has met the reserve requirements, including obtaining the required Bond set forth in these Rules;
- 16. Whether the License Applicant has met the insurance requirements set forth in these Rules;
- 17. Whether the License Applicant has submitted audited financial statements and any supplemental schedules or attestations in accordance with these Rules;
- 18. Whether the License Applicant has submitted a Sports Gaming System Operational Assessment by an independent testing laboratory in accordance with these Rules;
- 19. Whether the License Applicant has established the escrow account required by these Rules for the payment of privilege tax;
- 20. Whether the License Applicant has submitted House Rules in accordance with these Rules;

(Rule 1350-01-.12, continued)

21. Whether the License Applicant has utilized internal controls in accordance with Rule Chapter 1350-03;
  22. Whether renewing a License or Registration would undermine the public's confidence in the Interactive Sports Gaming industry in the State of Tennessee;
  23. Whether the Sports Gaming Operator License Applicant is a member of an independent integrity monitoring association;
  24. Whether the Applicant has complied with the provisions of the Sports Gaming Act, the TEL Rules and these Rules, as applicable to the period of time it has been in operation.
- (b) Notwithstanding subparagraph (a), a Licensee or Registrant seeking renewal of the License or Registration, who has submitted all information and documents that are required by these Rules and the forms provided by the Council, may submit documentation demonstrating that one or more of the following items is not available due to circumstances that are, in the sole judgment of the Council, largely outside of the Licensee or Registrant's control and, despite the Licensee or Registrant's efforts, cannot be obtained prior to the date of renewal: Audited Financial Statements, Federal Income Tax Return, Sports Gaming Operational Assessment, or Sports Gaming System Technology Integrity and Security Assessment. Upon such a showing, the Council may approve a Renewal License or Registration and allow a Licensee or Registrant to continue operations on the condition that the outstanding external documents will be submitted to the Council within ninety (90) days of the date of approval. If, after the expiration of the ninety (90) day period, the Licensee or Registrant has not submitted all outstanding third-party documents, the Licensee or Registrant's License or Registration will be suspended or revoked pursuant to Rule 1350-01-.14.
- (c) In all cases, the Council shall have sole authority to approve, condition, or deny an application for a License or Registration, or renewal thereof.

**Authority:** T.C.A. §§ 4-49-106, 4-49-110, 4-49-115, 4-49-115(f), 4-49-117, and 4-49-131 and 2023 Tenn. Pub. Acts, Ch. 450. **Administrative History:** Emergency rules filed December 22, 2021 to become effective January 1, 2022; effective through June 30, 2022. New rules filed March 22, 2022; effective June 20, 2022. Rule was previously numbered 1350-01-.13 but was renumbered 1350-01-.12 with the deletion of original rule 1350-01-.09 filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Emergency rules filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Rule was previously numbered 1350-01-.13 but was renumbered 1350-01-.12 with the deletion of original rule 1350-01-.09 filed September 15, 2023; effective December 14, 2023. Amendments filed September 15, 2023; effective December 14, 2023.

#### **1350-01-.13 CHANGE OF CONTROL.**

- (1) A License or Registration is not transferrable except as set forth in Rule 1350-01-.13(4) below.
- (2) A Licensee or Registrant shall give Immediate Notice to the Council of any proposed change of control upon entering into an oral or written agreement regarding the proposed change of control. A change of control of a Licensee or Registrant occurs when a Licensee or Registrant:
  - (a) Sells, transfers, assigns, gifts or donates, or otherwise disposes of more than fifty percent (50%) of its ownership interests;
  - (b) Sells more than fifty percent (50%) of the voting stock of a corporation that controls the Licensee, or Registrant; or

(Rule 1350-01-.13, continued)

- (c) Sells, transfers, assigns, gifts or donates, or otherwise disposes of all or substantially all of the Licensee's, or Registrant's assets, other than those bought and sold in the ordinary course of business;
- (3) If the entity assuming control intends to operate a Sports Gaming Operation or serve as a Vendor in Tennessee, it must submit a License or Registration application to the Council within thirty (30) days of entering into any agreement to effectuate the change of control, unless the provisions of Rule 1350-01-.13(4) apply. If the new entity is applying for a License, it must submit the \$50,000 application fee to the Council contemporaneously with its application.
  - (a) Upon receipt of the License or Registration application and application fee from the new entity, the Council may approve the continuation of the original License or Registration until such time as the new entity's application for a License or Registration is approved or denied by the Council. Immediately upon approval or denial of the new entity's License or Registration, the original entity's License or Registration will become void.
  - (b) A new entity who receives a License under this Rule 1350-01-.13(3) must pay the License fee of \$750,000 (less the \$50,000 application fee) within ten (10) days of approval of the License.
  - (c) The new entity's License anniversary date for renewal purposes is one year from the date that the Council approves the new License. The new entity's Registration anniversary date for renewal purposes is three years from the date that the Council approves the new Registration.
  - (d) A new entity who receives a Registration under this Rule 1350-01-.13(3) must pay the Registration fee, in accordance with Rule 1350-01-.04(2)(g), within ten (10) days of approval of the Registration.
- (4) The Council may approve the transfer of a License or Registration involving the sale, transfer, assignment, gift, or donation of an interest in all or substantially all of a Licensee or Registrant's assets, to an individual, group of individuals, or entity which has previously been determined by the Council to have met the qualifications of a Licensee or Registrant during the preceding year and that is currently Licensed or Registered and in Good Standing. In the event that the Council approves a transfer of a License or Registration in accordance with this Rule, the following provisions will apply:
  - (a) The Licensee or Registrant who will hold the License or Registration after the transfer must complete a Change of Control Form, which will be provided on the Council's website, within thirty (30) days of entering into any agreement regarding the proposed change of control. The Council may seek any information or documents regarding the transaction that it deems necessary.
  - (b) The transferred License or Registration shall be valid for the period of time remaining under the original License or Registration. The License or Registration must thereafter be renewed by the timely filing of a renewal application and, for Licensees, the payment of the \$50,000 renewal fee, sixty (60) days prior to the original License or Registration's anniversary date.
  - (c) A Licensee who assumes control under this provision must pay the License renewal fee (less the \$50,000 application fee) on the original Licensee's anniversary renewal date. A Registrant who assumes control must pay the Registration fee applicable to a subsequent renewal term on the original Registrant's renewal date.

(Rule 1350-01-.13, continued)

- (5) Any change of control that is effectuated without the express approval of the Council in accordance with these Rules is prohibited and will result in the Licensee's License or Registrant's Registration being void.

**Authority:** T.C.A. §§ 4-49-106, 4-49-115, 4-49-117, 4-49-121, 4-49-124, and 4-49-131 and 2023 Tenn. Pub. Acts, Ch. 450. **Administrative History:** Emergency rules filed December 22, 2021 to become effective January 1, 2022; effective through June 30, 2022. New rules filed March 22, 2022; effective June 20, 2022. Rule was previously numbered 1350-01-.14 but was renumbered 1350-01-.13 with the deletion of original rule 1350-01-.09 filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Emergency rules filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Rule was previously numbered 1350-01-.14 but was renumbered 1350-01-.13 with the deletion of original rule 1350-01-.09 filed September 15, 2023; effective December 14, 2023. Amendments filed September 15, 2023; effective December 14, 2023.

#### **1350-01-.14 GROUNDS FOR REVOCATION OF LICENSE OR REGISTRATION.**

The Council may suspend or revoke a License or Vendor Registration if the Council finds, by a preponderance of the evidence, that:

- (1) The Licensee or Registrant no longer has the financial stability, integrity, and responsibility to conduct Interactive Sports Gaming, or serve as a Vendor for Interactive Sports Gaming;
- (2) The Licensee, Registrant, or its Key Personnel have been convicted of a disqualifying offense, as established by the Sports Gaming Act;
- (3) The Licensee, Registrant or its Key Personnel have been arrested, charged, indicted, or received a target letter from the U.S. Department of Justice in connection with any investigation of offshore sports gaming activities that serviced the United States;
- (4) The Licensee, Registrant or its Key Personnel have been arrested, charged with, convicted of, pleaded guilty to, or forfeited bail concerning any criminal offense under the laws of any jurisdiction, other than for a minor traffic offense;
- (5) The Licensee, Registrant or its Key Personnel have knowingly made a false statement of a material fact in any application or other communication to the Council, or failed to disclose to the Council its knowing violation of this Rule, as applicable;
- (6) The Licensee, Registrant or its Key Personnel have been indicted on any felony offense, gambling-related offense, or other offense(s) that the Council finds will threaten the integrity of sports wagering in Tennessee and the public interest;
- (7) The Licensee or Registrant has had a license to operate any gaming or sports wagering activity suspended or revoked, or been denied from operating any gaming or sports wagering activity by any governmental authority responsible for the regulation of gaming activities in any jurisdiction;
- (8) The Licensee or Registrant has failed to timely remit any privilege tax due the State of Tennessee, timely pay any fine assessed by the Council, or timely remit the balance of any application, license, or other fees due the Council;
- (9) The Licensee or Registrant, without approval of the Council, has sold, transferred, assigned, gifted or donated, or otherwise disposed of, all or substantially all of its assets, other than those bought and sold in the ordinary course of business, or otherwise entered into an unauthorized change of control;

(Rule 1350-01-.14, continued)

- (10) The Licensee or Registrant has filed, or had filed against it, a proceeding for bankruptcy, liquidation, or insolvency;
- (11) The Licensee or Registrant has been served with a complaint, lien, or other notice filed with any public body regarding a payment of any tax or obligation required under any law in any jurisdiction, where the Licensee or Registrant has been in breach for one or more years; or
- (12) The Licensee or Registrant has materially failed to comply with any of the individual or several provisions of the Rules of the Council.

**Authority:** T.C.A. §§ 4-49-104, 4-49-115, 4-49-117, 4-49-121, 4-49-124, 4-49-125, and 4-49-126.

**Administrative History:** Emergency rules filed December 22, 2021 to become effective January 1, 2022; effective through June 30, 2022. New rules filed March 22, 2022; effective June 20, 2022. Rule was previously numbered 1350-01-.15 but was renumbered 1350-01-.14 with the deletion of original rule 1350-01-.09 filed June 20, 2023 to become effective July 1, 2023; effective through December 28, 2023. Rule was previously numbered 1350-01-.15 but was renumbered 1350-01-.14 with the deletion of original rule 1350-01-.09 filed September 15, 2023; effective December 14, 2023.