



**NORTH CAROLINA  
STATE LOTTERY COMMISSION**

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Ripley Rand  
*Chair*

Mark Michalko  
*Executive Director*

**DATE:** October 17, 2023

**AGENCY:** North Carolina State Lottery Commission

**ACTION:** Notice of Proposed Rulemaking

**DEADLINE FOR SUBMITTING COMMENTS:** November 1, 2023

**PUBLIC HEARING:** October 27, 2023, at 9:00 a.m. ET, located at the North Carolina State Lottery Commission Headquarters, 2728 Capital Boulevard, Suite 144, Raleigh, NC 27604.

**All web links and forms identified below are accessible at:** <https://nclottery.com/sports-betting>.

**NOTICE OF PROPOSED RULEMAKING:**

The North Carolina State Lottery Commission (Commission) is an independent, self-supporting, and revenue-raising agency of the State of North Carolina. It has been in operation since 2006 and is governed by Chapter 18C of the North Carolina General Statutes. The Commission's primary purpose is to generate funds for educational purposes through operation of the North Carolina Education Lottery. The North Carolina General Assembly expanded the Commission's duties and responsibilities with the passage of Session Law 2023-42 "An Act to Authorize and Regulate Wagering on Professional, College, and Amateur Sports and on Horse Racing in North Carolina, and to Authorize Live Horse Racing in North Carolina." Session Law 2023-42 established the Commission as the state's licensing body and regulator for authorized wagering on sports and horse racing and empowered the Commission to adopt any rules necessary to carry out the provisions of G.S. Chapter 18C.

In order to implement sports and horse race wagering, the Commission will issue multiple notices of rulemaking. The rules adopted by the Commission will be collected and published in the "North Carolina State Lottery Commission's Rules Manual for Sports Wagering and Pari-Mutuel Wagering."

With this notice of proposed rulemaking, the Commission has set a public hearing and issued a request for public comment on the adoption of initial wagering rules concerning general provisions and applications for sports wagering licenses. The first section of rules is labeled Chapter 1 and includes general and application rules that apply to all license types under the Commission's jurisdiction pursuant to Articles 9 and 10 of Chapter 18C. The second section of rules is labeled Chapter 2 and includes rules specific to applicants or licensees engaged in sports wagering activity.

Attached to this notice of rulemaking is the draft text for each proposed rule. The proposed effective date for this set of rules is January 8, 2024.

**ABOUT THE RULEMAKING PROCESS:**

The Commission adopted a rulemaking policy in September 2023, to establish a transparent, deliberative rulemaking process for implementing Articles 9 and 10 of the Act. Taking into consideration the evolving nature of authorized gaming and wagering in North Carolina, the Rulemaking Policy and Procedure provides the Commission flexibility to act in a timely manner to serve the public interest, while including provisions that ensure the public and stakeholders have an opportunity to be heard through public comment.



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The Commission's Rulemaking Policy and Procedure can be found at [this link](#). This rulemaking is proceeding according to Section 9f of the Policy, "Expedited rulemaking procedure."

If you are interested in receiving future notices of the Commission's rulemaking process via email, please register to the Commission's rulemaking interested persons list by visiting [this link](#).

**PUBLIC HEARING:**

*Where:* The Commission has scheduled a public hearing for October 27, 2023 to be held beginning at 9:00 a.m. at the North Carolina State Lottery Commission Headquarters, 2728 Capital Boulevard, Suite 144, Raleigh, NC 27604. The hearing will adjourn no later than 12:00 p.m., though it may conclude earlier once registered parties present at Commission Headquarters have been provided their opportunity to speak.

*Security:* All those who wish to attend the public hearing may show up in person at the address above. In person attendees are subject to the security protocols at the Commission's headquarters, which include presentation of a government issued ID.

*Register to Speak:* Individuals who wish to make an oral presentation at the public hearing must register to speak at least one business day in advance of the hearing via web portal at [this link](#). Thus, registration must be submitted online by 9:00 a.m. ET on October 26, 2023. Note, however, registration to make an oral presentation does not guarantee the opportunity to speak. The Commission staff may limit the number of registrations and/or speakers due to time constraints.

*Oral Presentations:* All registered speakers should be present at Commission Headquarters and ready to speak by 9:00 a.m. ET on October 27, 2023. Registrants must identify themselves and any organization or entity on whose behalf they intend to speak. Oral presentations at the public hearing will be limited to three (3) minutes per speaker. Any deviation from this limit is at the discretion of Commission staff conducting the hearing. The public hearing will be memorialized by a stenographer or by a suitable technologic solution. The hearing will conclude after all registered speakers have had a chance to speak on the record, or at 12:00 p.m., whichever occurs earlier.

**HOW TO SUBMIT COMMENTS:**

To submit comments, utilize the Commission public comment webform located at [this link](#). The webform offers a place to easily comment on a specific rule or set of rules and provide any suggested changes.

If you prefer to submit comments in another format, please email comments to [PublicComment@ncgaming.gov](mailto:PublicComment@ncgaming.gov), along with your name and contact information, business or organization (if applicable), and the rule numbers to which your comments relate. All public comments must be submitted no later than **November 1, 2023** to be considered.

Only comments submitted in accordance with the instructions contained herein will be considered. Note that all comments are subject to the public records provisions of G.S. 132-1, et.seq.

**FOR FURTHER INFORMATION:** Email the Commission at [sportsbettinginfo@lotterync.net](mailto:sportsbettinginfo@lotterync.net) or visit <https://nclottery.com/sports-betting>.

# North Carolina State Lottery Commission Rules Manual For Sports Wagering and Pari-Mutuel Wagering

## INTRODUCTION

The North Carolina State Lottery Commission Rules Manual for Sports Wagering and Pari-Mutuel Wagering is adopted pursuant to Chapter 18C of the North Carolina General Statutes.

### Chapter 1 - General Wagering

#### Subchapter A – General Provisions

##### Rule 1A-001 Definitions

In addition to defined terms in G.S. 18C-901 and G.S. 19C-1001, the following definitions apply throughout this Rules Manual:

- (1) “Abnormal Wagering Activity” means wagering activity exhibited by one or more Players and considered by an Operator as a potential indicator of Suspicious or Illegal Wagering Activity, including the size of a Player’s Wager, increased wagering volume on a particular event or Wager type, or unusual patterns of wagering over a period of time.
- (2) “Advertisement” means a notice, announcement, or communication to the public, or any specific members thereof, made by an Operator or on its behalf, designed to solicit or entice an Individual to participate in an Operator’s Sports Wagering or Pari-mutuel Wagering offerings via broadcasting, publication, or any other means of dissemination in this state, including but not limited to social media, direct messaging, text message, or electronic mail.
- (3) “Affiliate” means a Person who directly or indirectly controls, or is controlled by, or is under common control with, a specified Person.
- (4) “Age and Identity Verification” means a method, system, or device used by an Operator to verify the validity of a Player’s age and the Player’s identity.
- (5) “Applicant” means a Person that applies for a License to engage in activity regulated under these Rules and statutorily authorized by Articles 9 or 10 of the Act.

(6) "Background Investigation" means the statutorily required credit history check, tax record check, criminal history record check, and any other checks or inquiries as determined by the Commission, in its discretion, for Individuals connected with an Applicant for a License and Persons required to be disclosed as set forth by law, these Rules, or a License application approved by the Commission.

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

(8) "Cash" means US currency.

(9) "Cash Equivalent" has the meaning provided in G.S. 18C-901(2).

(10) "Commission" has the meaning provided in G.S. 18C-103(1).

(11) "Commissioner" has the meaning provided in G.S. 18C-103(2).

(12) "Communication Technology" means the methods used and the components employed to facilitate the transmission of information, including electronic communications, and transmission and reception systems based on wire, cable, radio, microwave, light, optics, or computer data networks or similar electronic agents, including the internet and intranets.

(13) "Confidential Player Information" means:

- (a) The amount of money credited to, debited from, withdrawn from, or present in a particular Wagering Account;
- (b) The amount of money wagered by a particular Player on an event or series of events;
- (c) The unique Wagering Account ID or username and authentication credentials that identify the particular Player;
- (d) The identities of particular events or Wager types on which the Player is wagering or has wagered; and
- (e) Unless otherwise authorized by the Player, the name, address, and other information in possession of the Operator that would identify the Player to anyone other than the Commission or the Operator.

(14) "Covered Services" has the meaning provided in G.S. 18C-901(4).

(15) "Day" means a calendar day, unless otherwise specified in the Rule.

- (16) "Director" has the meaning provided in G.S. 18C-103(3).
- (17) "Event Corruption" means an intentional arrangement, act or omission aimed at an improper alteration of the result or the course of a sports competition or event in order to remove all or part of the unpredictable nature of the aforementioned sports competition with a view to obtaining an undue advantage for oneself or for others. By way of illustration, Event Corruption includes, but is not limited to, instances of: bribery, match-fixing, Spot-Fixing, misuse of insider information, officiating abnormalities, or any illegal, immoral or unethical activity that attempts to deliberately distort the result of a sporting contest or event for the personal material gain of one or more parties involved in that corrupting activity.
- (18) "Fantasy contests" means fantasy or simulated games or contests in which one or more fantasy contest players compete and winning outcomes reflect the relative knowledge and skill of the fantasy contest players and are determined predominantly by accumulated statistical results of the performance of individuals, including athletes in the case of sporting events. Fantasy contests do not include any of the following contests:
- (a) based on proposition wagering or contests that involve, result in, or have the effect of mimicking proposition wagering or other forms of Sports Wagering;
  - (b) in which an Individual chooses, directly or indirectly, whether individuals or a single real-world team will surpass an identified statistical achievement, such as points scored;
  - (c) in which an Individual submits a fantasy contest team which does not involve the knowledge, skill, input, or control of such person;
  - (d) in which an Individual submits a fantasy contest team composed of:
    - (i) a single individual;
    - (ii) the entire roster of a real-world team; or
    - (iii) solely individuals who are members of the same real-world team; or
  - (e) in which an Individual fantasy Player does not compete against at least one other Individual fantasy Player.
- (19) "Independent testing laboratory" means a laboratory which:
- (a) holds an active accreditation in accordance with:
    - (i) ISO/IEC 17020, ISO/IEC 17025, and ISO/IEC 17065 by an accreditation body that is a signatory to the International Laboratory Accreditation Cooperation Mutual Recognition Agreement; or
    - (ii) other active accreditation satisfactory to the Commission from a recognized accrediting body;

- (b) has a reputation for honesty, independence, competence, and timeliness that is demonstrably competent and qualified to scientifically test and evaluate gaming equipment for compliance with the statutes and these Rules; and
- (c) is approved by the Commission.

(20) "Indian Lands" has the meaning provided in the Indian Gaming Regulatory Act of 1988, 25 USC § 2703(4).

(21) "Individual" means a natural person.

(22) "Ineligible Person" means:

- (a) a Commissioner;
- (b) an Underage Individual;
- (c) an Individual prohibited from engaging in Sports Wagering pursuant to G.S. 18C-902(i);
- (d) an Involuntarily Excluded Person;
- (e) a voluntarily excluded Individual;
- (f) an Individual wagering while not in the authorized geographic boundaries within the State of North Carolina;
- (g) a Person wagering in violation of state, local, or federal law;
- (h) an Individual wagering on behalf of another;
- (i) except for the purpose of Layoff Wagers, a Person that is not an Individual; or
- (j) other Persons as determined by the Commission.

(23) "Integrity Monitoring" means the monitoring of Sports Wagering or pari-mutuel wagering to identify Abnormal Wagering Activity or Suspicious or Illegal Wagering Activities from an Event Corruption standpoint to then report these activities to required parties.

(24) "Internal Controls" means a system of internal procedures, as well as administrative and accounting controls, related to the integrity of Sports Wagering and pari-mutuel wagering.

(25) "Internet" means the international computer network of interoperable packet switched data networks, inclusive of additional technological platforms, including mobile, satellite, and other electronic distribution channels.

- (26) "Involuntarily Excluded Person" means an Individual who has been involuntarily prohibited from establishing a Wagering Account or participating in Sports Wagering activities or Pari-mutuel Wagering activities under the jurisdiction of the Commission.
- (27) "Key Person" has the meaning provided in G.S. 18C-901(10).
- (28) "License" means a license applied for or issued by the Commission under these Rules and the Act.
- (29) "Multi-factor Authentication" means a type of authentication which uses two or more of the following to verify an Individual's identity:
- (a) information known only to the Individual, including a password, pattern, or answers to challenge questions;
  - (b) an item possessed by an Individual, including an electronic token, physical token, or an identification card; or
  - (c) an Individual's biometric data, including fingerprints, voice recognition, or recognition of any physiological characteristic, including facial recognition.
- (30) "Operator" for purposes of these Rules means:
- (a) A sports wagering operator as defined in G.S. 18C-901(9).
  - (b) An ADW licensee as defined in G.S. 18C-18C-1001(2).
- (31) "Operator License" for the purposes of these Rules means a License issued by the Commission to
- (a) A Sports Wagering Operator under G.S. 18C-904; or
  - (b) An advance deposit wagering (ADW) licensee under G.S. 18C-1005.
- (32) "Pari-mutuel Wager" or "Pari-mutuel wagering" has the meaning provided in G.S. 18C-1001(3).
- (33) "Person" has the meaning provided in G.S. 18C-103(3).
- (34) "Personal Information" has the meaning provided in G.S. 75-61(10).
- (35) "Player" means a Person who wagers on sporting events or horse races.
- (36) "Rake" means the fee that is deducted by an Operator from a Wager made for Exchange Wagering or other peer-to-peer wagering, or entry fees paid by Players who participate in a tournament, contest, or pool.

- (37) "Rake Adjustment" means an adjustment made by an Operator to account for shortfalls in connection with Exchange Wagering or other peer-to-peer wagering, tournament, contest, or pool.
- (38) "Responsible Party" means Operators, Sports Wagering Service Providers, and Sports Wagering Suppliers.
- (39) "Rule" means a requirement, condition, or directive adopted by the Commission in this rules manual or any technical manual authorized herein that is applicable to an Applicant, Responsible Party, Player, Person, Individual or other party subject to the authority, oversight, or supervision of the Commission.
- (40) "Segregated Account" means a financial account that segregates funds, to include Cash and Cash Equivalents, owned by Players and that is restricted to funds owned by Players in the United States, and not commingled with the Operator's operational funds.
- (41) "Sensitive Information" means information about an Individual, including Personal Information, transactional wagering data, authentication credentials, secure seeds and keys used in encryption, and other data that shall be handled in a secure manner.
- (42) "Sports Wager" or "Sports Wagering" has the meaning provided in G.S. 18C-901(19).
- (43) "Spot-Fixing" means an activity in which a specific aspect of a sporting event, unrelated to the final result but upon which a betting market exists, is fixed in an attempt to ensure a certain result in a proposition bet.
- (44) "State" means the State of North Carolina not to include the Indian Lands within its boundaries.
- (45) "State Lottery Act" or "Act" means Chapter 18C of the General Statutes.
- (46) "Sufficient Clarity" means the capacity of a surveillance system to record images at a resolution determined by the Commission to clearly identify the intended activity, Individual, object, or location.
- (47) "Surveillance Operation Room" means the secured area where surveillance takes place or where active surveillance equipment is located.



- (48) "Surveillance System" means a system of video cameras, monitors, recorders, video printers, switches, selectors, and other equipment used for surveillance.
- (49) "Suspicious or Illegal Wagering Activity" means wagering activity that cannot be explained to involve lawful or approved conduct and is indicative of Spot-Fixing or activity or conduct that may corrupt the outcome of an event, including:
- (a) match-fixing;
  - (b) the manipulation of an event or aspect of an event;
  - (c) misuse of inside information;
  - (d) a potential breach of a sports governing body's or equivalent's internal rules or code of conduct pertaining to Sports Wagering;
  - (e) Event Corruption; or
  - (f) other conduct that corrupts the outcome of an event or an aspect of an event for which a betting market exists.
- (50) "Ticket Writer" means a cashier employed by an Operator assigned the responsibility for the operation of a ticket writer station.
- (51) "Ticket Writer Station" means a point of sale system used by a ticket writer for the execution or formalization of wagers placed on behalf of a Player.
- (52) "Tribal Gaming Enterprise" has the meaning provided in G.S. 18C-901(25).
- (53) "Underage Person" means an Individual under twenty-one years of age.
- (54) "Void Wager" or "Voided Wager" means a Wager that was not valid at the time it was placed or a Wager that was valid at the time it was placed but has since become invalid for reasons, including but not limited to the change in eligibility status of an event participant or subject of the Wager.
- (55) "Voluntarily Excluded Person" means an individual whose name is included, at their own request, on a voluntary exclusion list.
- (56) "Voluntary Exclusion List" means a list of Individuals who voluntarily exclude themselves from Sports Wagering or Pari-mutuel Wagering and from establishing or maintaining a Wagering Account with an Operator for such Wagering; the voluntary exclusion list includes related information regarding such

individuals that is collected and securely shared with authorized recipients in order to effectuate G.S. 18C-922 and related Rules.

(57) "Wager" means a sum of money or Cash Equivalent risked on an uncertain occurrence.

(58) "Wagering Account" or "Account" means:

- (a) An interactive account used for placing Sports Wagers as defined in G.S. 18C-901(8); or
- (b) An account used for placing Pari-mutuel Wagers or an advance deposit account wager, as contemplated in G.S. 18C-1015.

(59) "Wagering Facility" means:

- (a) A place of public accommodation approved by the Commission for in-person Sports Wagering; or
- (b) A facility or simulcast facility approved by the Commission for in-person Pari-mutuel Wagering.

(60) "Wagering Kiosk" means a self-service automated kiosk, computer terminal, or other similar device that a Person may use in a Wagering Lounge to place a Wager using Cash and Cash Equivalents. A wagering kiosk may also be used to redeem a Wager and other regulated functions where supported.

(61) "Wagering Lounge" means the part of a Wagering Facility operated by an Operator and approved by the Commission for in-person Sports Wagering or Pari-mutuel Wagering.

(62) "Wagering Rules" means the comprehensive rules established by an Operator for governing Wagering Transactions with that Operator.

(63) "Wagering Ticket" or "Ticket" means a printed record, or digital representation thereof, that contains information pertaining to a Wager on a sporting event or Pari-mutuel race.

(64) "Wagering Transactions" means Sports Wagering transactions or Pari-mutuel Wagering transactions unless otherwise specified.

(65) "Wagering Voucher" or "Voucher" means a printed record, or digital representation thereof, that may be used to fund a Sports Wager or may be redeemable for Cash or Cash Equivalents.

(66) "Wagering Window" means a window in a structure approved by the Commission within a Wagering Facility from which a Ticket Writer conducts Wagering Transactions by accepting or distributing Cash or Cash Equivalents.

(67) "Winnings" means the total cash value of property or sums, including Cash, Cash Equivalents, or instruments of monetary value paid to a Player by an Operator as a direct result of a winning Wager.

Proposed

**Rule 1A-002 Scope and Application of Rules**

(a) These Rules apply to Persons whose conduct makes them subject to Articles 9 and 10 of the Act. Unless explicitly identified by the Commission as applicable to North Carolina Education Lottery retailers or lottery players, this Rules Manual for Sports Wagering and Pari-Mutuel Wagering does not apply to the administration, operation, or conduct of the State-operated lottery established and overseen by the Commission.

(b) Through these Rules the Commission directs staff to create processes and take certain actions with respect to members of the public and interested parties that are subject to the Act or the Commission's oversight.

(c) The Commission's Policies and Procedures concerning the operation of the state's lottery may, from time to time, constitute persuasive authority in the context of regulated gaming activity.

Proposed

**Rule 1A-003 Authorization**

(a) These Rules cover only activities specifically authorized by Chapter 18C of the North Carolina General Statutes or other state law. The federal Indian Gaming Regulatory Act, 25 U.S.C. § 2701, and G.S. 14-292.2 do not represent a basis for these Rules.

(b) These Rules do not implicitly or expressly authorize any Applicant, Responsible Party, any party acting on behalf of a Responsible Party, any Person subject to the Commission's oversight or authority, or any other Person to engage in Sports Wagering, Pari-mutuel Wagering, regulated gaming activity, or related activities beyond those allowed by law. These Rules do not displace federal or any other state law.

(c) The Act and these Rules do not apply to Sports Wagering or Pari-mutuel Wagering conducted exclusively on Indian Lands by an Indian tribe operating in accordance with a tribal-state gaming compact, G.S. 14-292.2, and authorized to conduct Class III gaming pursuant to a compact with the State.

(d) For purposes of these Rules, Sports Wagering and Pari-mutuel Wagering are conducted exclusively on Indian Lands only if the Person who places the Wager is physically present on Indian Lands when the Wager is initiated and the Wager is received by an Indian tribe operating on the same Indian Lands in accordance with a tribal-state gaming compact, G.S. 14-292.2, and in conformity with the safe harbor requirements as provided in 31 U.S.C. § 5362(10)(c).

**Rule 1A-004 Severability of Provisions**

The provisions of Rules contained within this Rules Manual are severable. If a provision of a Rule is invalid, or if an application thereof to a Person or circumstance is invalid, the invalidity shall not affect other provisions or applications which may be given effect without the invalid provision or application.

Proposed

**Rule 1A-005 Reservation of Authority**

The Commission expressly reserves all powers, duties, and authority granted to it by the Act and other applicable law. While the Commissioners properly and necessarily delegate certain authority and duties in order to fulfill and execute the Commission's supervisory and administrative obligations, the Commissioners do not delegate their ultimate authority to fulfill and execute their lawful duties. On those occasions where the Commissioners elect not to exercise their full statutory authority, such actions reflect a policy decision by the Commissioners and not a waiver or relinquishment of that authority. In their sole discretion, the Commissioners may modify or repeal the Commission's Rules or policies at any time. Nothing contained herein is to be construed to limit the statutory powers and duties of the Commissioners.

Proposed

**Rule 1A-006 Assignment of Duties and Responsibilities to the Director**

(a) Subject to the Commission's oversight and direction, the Director shall be the primary administrative and enforcement agent for licensing and regulatory matters arising under Articles 9 and 10 of Chapter 18C in the North Carolina General Statutes and other applicable state law. The Director shall have all of the powers and duties described by law and as assigned or delegated by the Commission.

- (1) The duties of the Director's designees shall be exercised and discharged subject to the direction, control, and supervision of the Director or the Chair of the Commission.
- (2) The Director may formally or informally assign authority and responsibilities to Commission staff.
- (3) Unless otherwise specified herein, as used in this Rules Manual "Director" also includes any staff designee or agent or contractor appointed formally or informally by the Director to act on the Director's behalf, subject to the Director's supervision or oversight.

(b) When prompt action is required due to emergent circumstances and it is not practicable or reasonable to assemble a quorum of the Commission, the Director, in consultation with the Commission Chair and Sports Betting Committee Chair, if available, is authorized to act in the name of the Commission to the extent necessary to carry out specific action or actions limited to responding to or addressing the emergent circumstances until the next meeting of the Commission. Action taken pursuant to this provision shall be presented to the Commission for ratification or other action at the next regularly-scheduled or called meeting of the Commission.

(c) Any delegated authority under these Rules does not authorize the Director or other actor to take any action:

- (1) prohibited by law;
- (2) previously considered and specifically rejected by the Commission; or
- (3) contrary to the Commission's duly adopted directions to the Director or staff.



**Rule 1A-007 Executive Orders**

(a) To provide certainty to the regulated public and support efficient operations and administration, the Commission authorizes the Director to issue Executive Orders, as needed. Executive Orders shall have the same force and effect as these Rules.

(b) The Director shall provide the Commission with prior notice of any Executive Order before such Order's final publication on the Commission's website. Email notice sent to each Commissioner shall suffice.

(1) The Director shall provide a report to the Commission concerning any Executive Orders issued at next regularly scheduled Commission meeting, or at an earlier meeting as directed by the Chair or a majority of Commission members.

(2) Executive Orders expire after one year unless otherwise stated or adopted as Rule by the Commission.

(3) The Director shall approve and sign every Executive Order that issues; approval and execution of Executive Orders is non-delegable.

Proposed

**Rule 1A-008 Technical Manuals and Bulletins Published by the Director**

(a) Consistent with these Rules, the Director shall publish, as needed, Technical Manuals and Bulletins to interpret and implement Articles 9 and 10 of the Act and these Rules.

(b) Technical Manuals and Bulletins duly adopted by the Commission have the same force and effect as this Rules Manual.

(c) The Director may revise Technical Manuals and Bulletins from time to time. Revisions to Technical Manuals and Bulletins shall become valid upon thirty Days' notice from the Director to a Responsible Party. For purposes of this Subchapter, the Director may provide notice by sending an email to a Responsible Party's email address of record with a hyperlink to the Commission's website that collects the Technical Manual and Bulletins or revisions thereto.

(d) Technical Manuals and Bulletins shall be collected and published on the Commission's website.

Proposed

**Rule 1A-009 Request for Variance or Waiver of Requirement**

(a) For good cause shown, the Director may waive any of the non-statutory grounds for denial or renewal of a License or other requirement in these Rules.

(b) A Person requesting a waiver or variance shall submit a written request in a format specified by the Director. The written request shall contain at least the following:

- (1) The standard for which the waiver or variance is sought;
- (2) Detailed facts in support of the request;
- (3) An explanation of the unique circumstances justifying the request; and
- (4) Any other information requested by Commission staff or the Director.

(c) If the request does not meet requirements or is incomplete, the requestor shall be notified

- (1) of the deficiency; and
- (2) that the request will not be presented to the Director unless the identified deficiency is corrected.

(d) At any time before or after a waiver or variance has been granted, the Director may:

- (1) Limit or place restrictions on the waiver or variance as the Director considers necessary in the best interest of the State;
- (2) Require the requestor who is granted the waiver or variance to cooperate with the Director and to provide the Director with any additional information requested; or
- (3) Set an expiration date for the waiver or variance.

(e) The requestor shall be notified of the Director's decision.

(f) The decision of the Director on a request for a waiver is final and may not be appealed. Denial or modification of any waiver or variance request submitted under this Rule does not require notice or an opportunity for hearing.

(g) The Director retains the sole authority to grant, deny, or modify a waiver or variance request submitted under this Rule.

(h) The Director may revisit a previous waiver or variance decision or request *sua sponte* and may modify or rescind a prior decision regarding the same, as needed.

(i) The grant or denial of a waiver or variance does not bind the Commission or Director to take similar action in the future.

Proposed

**Rule 1A-010 Effective Date of Rules Manual**

(a) This Rules Manual shall be effective upon the date of its adoption or the earliest date allowed by law, whichever is later.

(b) New Rules, amended Rules, and revisions to this Rules Manual shall become effective immediately upon adoption by the Commission or on such date specified by the Commission.

Proposed

**Rule 1A-011 Commission Location and Office Hours**

The Commission's physical and mailing addresses, hours of operation, and points of contact with respect to issues arising under Article 9 or 10 of the Act shall be prominently posted on the Commission's website.

Proposed

**Rule 1A-012 Method of Payment**

All required fees or sums to be paid to the Commission shall be paid via wire transfer of funds or other form as prescribed by the Director.

Proposed

**Rule 1A-013 Confidential Materials**

(a) Parties submitting documents or materials to the Commission, its Director, staff, or agents are responsible for conspicuously marking such materials on or before the time of submission as “Confidential” or “Trade Secret” as appropriate, in accordance with applicable North Carolina laws.

(b) Parties that fail to mark documents that are otherwise not subject to public disclosure assume the risk that such documents may be disclosed, whether inadvertently or purposefully.

Proposed



**Rule 1A-014 Address Requirements**

(a) All Responsible Parties and Applicants shall provide the Commission with a designated contact, including a mailing address, an email address, and a phone number. This information may be submitted via a licensure application or through other forms prescribed by the Director.

(b) Within 10 Days of changing either its mailing address or the electronic mailing address, a Licensee or Applicant shall notify the Commission of such change in writing. Information required to be provided by this Rule shall be submitted to the Commission on a form and in a manner prescribed by the Director.

(c) The Commission or the Director may serve orders, decisions, or other documents generated by the Commission or its staff on Responsible Parties and Applicants by first class mail or electronic mail to the Responsible Party's or Applicant's address on file with the Commission or a registered agent as identified in filings with the North Carolina Secretary of State.

(d) Applicants and Responsible Parties shall provide the Commission with information about their registered agent, including name, physical address, phone number, and email address.

Proposed

**Subchapter B – Licensing Provisions**

**Rule 1B-001 Burden on Applicant**

The burden of proof shall be on the Applicant to show by clear and convincing evidence that the Applicant:

- (1) complies with the laws of the State of North Carolina and the Rules of the Commission regarding eligibility and qualifications for the License; and
- (2) is not otherwise disqualified from holding a License.

Proposed

**Rule 1B-002 Opportunity to Participate in Wagering Industry as Revocable Privilege**

(a) Participation in wagering operations by a Responsible Party shall be deemed a revocable privilege and shall be conditioned on the proper and continued qualification of the Responsible Party, and on the discharge of the affirmative responsibility of each Responsible Party to provide to the Commission, Director, and other regulatory and investigatory authorities under any other provision of law, any assistance and information necessary to assure that the policies underlying the Act and these Rules are achieved.

(b) An Applicant is seeking a privilege to participate in the wagering industry in North Carolina; consequently, it assumes and accepts all risks of adverse publicity, notoriety, embarrassment, criticism, or other action or financial loss that may occur in connection with the application process or the public disclosure of information. By submitting an application under these Rules, the Applicant expressly waives any claim for damages or injunctive relief that may result from the application process.

Proposed

**Rule 1B-003 Consultation Before Submission of Application**

The Director may conduct consultation meetings or information sessions with Applicants and prospective Applicants to provide guidance regarding application procedures and requirements. In the event of conflicting information or guidance, formal and informal communications issued by or on behalf of the Director to provide guidance do not take precedence over state or federal law, these Rules, or other official governance materials.

Proposed

**Rule 1B-004 Electronic Form of Applications; Copies of Application and Supporting Materials**

(a) The Applicant shall complete and submit the applicable License application on a form and in a manner prescribed by the Commission.

(b) Information and documents submitted to the Commission in connection with a License application shall be made using the electronic form and formats required by the Commission and submitted in a manner designated by the Director.

(c) Upon request, an Applicant shall submit to the Director at no cost copies of the application or any supporting documents or materials in the electronic or hard-copy medium specified by the Director.

Proposed

**Rule 1B-005 All Applications are Sworn; Duty to Update or Amend During Pendency of Review**

(a) Information and documents submitted to the Commission in an application shall be sworn or affirmed under the penalties of perjury as to their truth, validity, and comprehensiveness by the Applicant or, if the Applicant is not an individual, by an officer or director of the Applicant.

(b) If information submitted by an Applicant as part of a License application changes or becomes inaccurate, the Applicant shall immediately notify the Commission of the change or inaccuracy and amend the application submission.

Proposed

**Rule 1B-006 Timeliness**

(a) To be eligible for consideration, a licensing application must be submitted on or before the deadline established by the Director.

- (1) The Commission may establish different deadlines for different Licenses.
- (2) After an application deadline passes for a particular License, the Director may establish a new deadline for a cycle of future applications.

(b) When an application or any supplemental element of an application must be submitted to the Director by a particular date, then such material shall be submitted not later than 11:59:59 p.m. ET on the last day of the specified period. Any application materials submitted after that deadline will not be considered. The risk of technological, electrical, or other logistical difficulties that prevent timely submission of application materials is on the Applicant.

(c) The Director may, at their discretion, extend the submission deadline for all Applicants for a particular License for a period determined by the Commission.

(d) The Commission may also utilize rolling application processes that do not require deadlines.

**Rule 1B-007 Consideration of Late Applications**

(a) A License application submitted after an established deadline will generally not be considered or evaluated. Untimely submission is grounds for summary denial of an application.

(b) An untimely application may be considered under limited circumstances as determined by the Commission.

(c) An untimely application may be considered under the following limited circumstances:

(1) The Director determines the following:

i. That both of the following conditions exist:

- a. No other Applicant or interested Person would be unfairly prejudiced by the delayed submission of the application; and
- b. Neither the Commission nor the Director has taken substantive action with respect to any application submitted prior to the deadline.

ii. Additionally, at least one (1) of the following conditions is present:

- a. The failure to file the application prior to the expiration of the deadline was caused by the action or inaction of a third party, which relates to the method or timing of the delivery of the application to the Commission;
- b. The circumstances surrounding the method or timing of the delivery of the application indicate that in the normal course of events the application should have been received by the Commission prior to the expiration of the deadline; or
- c. Prior to the expiration of the deadline, the Applicant reasonably believed that delivery of the application would occur prior to expiration of the deadline.

(2) The Director determines that the Applicant's failure to file the application prior to the expiration of the deadline was caused in whole or in part by documented incorrect or misleading information or instructions provided by an employee or agent of the Commission and that Applicant acted reasonably in relying on such information or instructions taking into consideration the nature of the information or instructions and the identity of the individual providing the information or instructions;

(3) The Director acts to establish a new deadline applicable to all Person to which the original deadline was applicable; or

(4) The Director determines that consideration of the application is necessary to prevent manifest injustice.

**The Commission strongly disfavors consideration of late applications.**



**Rule 1B-008 Authorization to Review**

(a) By submitting an application the Applicant authorizes the Commission, Director, investigative contractors acting on the Commission's behalf, and others authorized by the Commission to obtain or access any and all information the Applicant has provided in any other jurisdiction to a domestic regulatory body while the Applicant sought or operated with a gaming or similar license in that other jurisdiction, as well as any information obtained by that other jurisdiction during the course of any investigation the other jurisdiction may have conducted regarding the Applicant.

(b) An Applicant shall authorize other jurisdictions or regulators to release to the Commission any information contemplated by this Rule, and shall timely provide appropriate written authorizations, as needed. Failure to provide such authorization in a timely fashion shall result in the summary denial of the Applicant's application or potential suspension or revocation of a License.

(c) At the Director's request, an Applicant shall provide complete copies of licensure-related materials and applications submitted to other state regulatory commissions for gaming, Sports Wagering, Pari-mutuel Wagering, and the like. The Director is authorized to address issues pertaining to trade secrets, confidentiality, privacy, security, and integrity with the Applicant and other regulators.

**Rule 1B-009 Administrative Sufficiency Review**

(a) Upon receipt of an Applicant's application and payment of the applicable licensing fee, the Director shall review the application to determine whether it facially contains all required information and materials such that the application may be deemed "administratively sufficient."

(b) If the Director determines that an application is "administratively insufficient," then the Director shall notify the Applicant and, if feasible, identify the facially deficient component(s).

(c) An Applicant so notified of administrative insufficiency shall have no more than 10 Days after the issuance of the notice to submit the information necessary to cure the deficient component.

(1) The Director may establish additional or shorter deadlines for the submission of information that supplements, changes, or corrects information or materials previously submitted.

(2) The Director may refuse to consider any such information that is not submitted in compliance with established deadlines.

(3) If supplemental materials are not submitted in a timely fashion, the application remains administratively insufficient and is subject to automatic denial.

(d) A positive determination of "administrative sufficiency" begins the Commission's sixty-day application review period. Such determination does not constitute a finding with respect to the accuracy or adequacy of the information submitted, and shall not bar the Director's or Commission's request for further information with respect to the application. During the substantive evaluation of an Application, the Director may determine that an Applicant's answer is incomplete or inadequate.

**Rule 1B-010 Consent to Background Investigation Required; Recent Criminal History Check**

(a) The Commission, or a third-party contractor approved by the Commission, shall conduct a background investigation on the Applicant, and Persons required to be disclosed on the application, as required by the Commission.

(1) In the event an Applicant and its disclosed Persons have had a completed criminal history record check in the twelve months prior to the application, the Commission may, in its discretion, accept the results of that prior criminal history record check on submission of an affidavit that there has been no change in criminal history since the prior criminal history record check in this or another state or territories of the United States and the District of Columbia. The Commission or Director shall prescribe the form and contents of such affidavit.

(2) The Commission shall not award a license if an Applicant or disclosed Person has been convicted in any jurisdiction of a felony, a gambling offense, a criminal offense involving moral turpitude or obstruction of justice, or any criminal offense involving dishonesty or breach of trust within ten years of application.

(b) An Applicant for licensure and Persons required to be disclosed on the application as deemed necessary by the Commission shall consent to a criminal history record check, including criminal history record information obtained from the Federal Bureau of Investigation. Refusal to consent to a criminal history record check constitutes grounds for the Commission to deny licensure summarily.

(1) If used, criminal history record information obtained from the Federal Bureau of Investigation pursuant to this Rule shall include other state and national criminal history record information.

(2) All criminal history record information obtained by the Commission pursuant to this Rule is subject to G.S. 18C-904(j), 18C-906(h), 18C-907(l) and 18C-916(b) is for the official use of the Commission only, and shall be kept confidential.

(3) An individual required to submit to a criminal history record check under this Rule shall submit to having their fingerprints taken.

(c) Individuals and Persons required to participate in the background investigation required by these Rules or Articles 9 and 10 of the Act shall provide a statement that irrevocably gives consent to the Commission, Director, and their investigative contractors, and other authorized Persons acting on the Commission's behalf to:

- (1) Verify all information provided in the application; and
- (2) Conduct a background investigation.

(d) The statement shall be on a form made available by the Director and shall be submitted in a manner determined by the Director.

(e) The Director shall make available an affidavit form for those individuals subject to the background investigation process who have completed a criminal history check in the twelve months prior to the application's submission.

- (1) A complete copy of the previous criminal history check shall be attached to the affidavit form.
- (2) The Director reserves the right, in their sole discretion, to undertake a supplemental or additional background investigation of any individual who submits an affidavit involving a prior criminal history check.

(f) If, while conducting a background investigation, a basis for recommending denial of a License is discovered, Commission staff shall:

- (1) Informally notify the Applicant; and
- (2) If a final decision has not yet issued on the application, allow the application to be withdrawn or amended within a specified period.

(g) For an Applicant who is a citizen of any country other than the United States or was previously a citizen of a country other than United States, the background investigation shall require an international criminal history records check.

**Rule 1B-011 Duty to Update Application; Process to Amend**

(a) If information in a submitted License application changes or becomes inaccurate, the Applicant shall immediately notify the Commission of the change or inaccuracy in writing with a supplement to its application.

(b) All Applicants, including Key Persons and Individuals subject to background investigations, have a continuing duty to disclose material changes and correct material omissions in the application.

(c) An Applicant shall amend or supplement its License application and related submissions, including submissions concerning Key Persons and Individuals subject to Background Investigations, to the Commission through a process and forms approved by the Director.

Proposed

**Rule 1B-012 Supplemental Information and Cooperation**

(a) In connection with a pending application or License -related matter, the Director may request supplemental information and documents from an Applicant, Responsible Party, Key Person or individual subject to a background investigation.

(b) Failure to submit requested additional information sought by the Director may be grounds for summary denial of the application, suspension of a License, or revocation of a License.

(c) Unless the Director specifies a different period or a date certain, an Applicant, Responsible Party, Key Person, or Individual shall respond to a supplemental information request in writing with relevant materials within ten Days.

Proposed

**Rule 1B-013 Approval or Denial of License Application; Authority**

(a) The Director has decision-making authority to grant or deny a License application. The Director shall report all decisions to grant or deny a License application to the Commission.

(b) Any Applicant whose application is denied shall receive a written denial notice. The notice shall state the summary grounds for the denial and provide the Applicant information about seeking reconsideration of the determination as outlined in [cross reference (forthcoming in later rulemaking)].

(c) Grounds for denial of a License may include the following:

- (1) The Applicant is unable to satisfy the requirements under the Act and these Rules.
- (2) The Applicant or any Key Person is not of good character, honesty, or integrity.
- (3) The Applicant's or any Key Person's prior activities, criminal record, reputation, or associations indicate any of the following:
  - (i) A potential threat to the public interest.
  - (ii) The potential to impede the regulation of Sports Wagering or Pari-mutuel Wagering.
  - (iii) The potential of promoting unfair or illegal activities in the conduct of Sports Wagering or Pari-mutuel Wagering.
- (4) The Applicant or any Key Person knowingly makes a false statement of material fact or deliberately fails to disclose information requested by the Commission.
- (5) The Applicant or any Key Person knowingly fails to comply with the provisions of the Act and these Rules or any requirements of the Commission.
- (6) The Applicant or any Key Person was convicted in any jurisdiction of a felony, a gambling offense, a criminal offense involving moral turpitude or obstruction of justice, or any criminal offense involving dishonesty or breach of trust within the 10 years prior to the submission date of the application.
- (7) Any revocation, suspension, or denial of the Applicant's license to conduct Sports Wagering, or Pari-mutuel Wagering, other forms of gaming activity, or a Covered Service issued by any other jurisdiction.
- (8) The Applicant has defaulted on any obligation or debt owed to this State.
- (9) For Sports Wagering Operators, any breach, discontinuance, or other cessation of the Written Designation Agreement required under G.S. 18C-905.

**Rule 1B-014 Reapplication for Licensure After Withdrawal, Denial, or Revocation**

(a) An Applicant may not submit a licensing application earlier than one year after:

- (1) Electing to withdraw an application from consideration;
- (2) Denial of a previous License application involving the Applicant; or
- (3) Revocation of its License in North Carolina.

(b) In the event an Applicant has unsuccessfully sought reconsideration or an appeal of a denied application or a revocation, the one-year period in Paragraph (1) of this Rule begins on the day a final decision issues.

(c) The Director, in their sole discretion, may waive or shorten the one-year period if the Applicant can demonstrate good cause and its suitability for licensure.

Proposed



**Rule 1B-015 Withdrawal of Application**

(a) An Applicant's written notice of withdrawal of an application or a renewal application may be filed by any Applicant at any time before an application is denied or a License is revoked or terminated.

(b) Application withdrawal requests shall be permitted without the need for approval by the Director or the Commission.

Proposed

**Rule 1B-016 Authority to Retain and Utilize Contract Investigators**

(a) The Director may retain qualified contractor investigators, either directly or pursuant to a contract or contracts with a private investigative business or businesses, to assist with activities such as initial suitability, qualification, and background investigations of Applicants, Responsible Parties, and Key Persons.

(b) Once retained, each contractor investigator shall be provided with the necessary authority and credentials to serve as an official agent of the Commission in conducting initial suitability, qualification, and background investigations of Applicants.

Proposed

**Rule 1B-017 Review and Issue Licenses**

The Commission shall review and issue Licenses to qualified Applicants within sixty Days of receipt of a completed, administratively sufficient application. The Commission may extend the review period for an additional thirty Days if the background investigation is outstanding.

Proposed

**Rule 1B-018 Attestation of Compliance**

(a) On an annual basis at a time designated by the Director, each Responsible Party shall submit an attestation of compliance to the Commission on forms prescribed by the Commission or in an electronic platform provided by the Commission.

(b) The Responsible Party's attestation shall identify, if applicable, any material deficiencies with respect to Responsible Party's compliance with these Rules or the Act. The Responsible Party may elect to provide the Director with additional sworn or affirmed written submissions to provide the Director with context and information, as well as information about the Responsible Party's plans and ongoing efforts to achieve compliance.

(c) Material omissions or false statements in the attestation or related submissions may serve as the basis for revocation, suspension, civil penalties, sanctions, or enforcement actions.

(d) The Responsible Party's attestation or related submission shall be signed by any officer or agent of the Responsible Party, who is also identified as a Key Person. Their attestation shall be made on the basis of information known or reasonably known to the Responsible Party.

(1) By signing under oath, the individual attests to the truth, accuracy, and completeness of the attestation and materials provided on behalf of the Responsible Party.

(2) The Individual(s) providing attestations and related written submissions need not have first-hand or other personal knowledge of all information submitted to the Commission; such individuals may consult with and gather information from other individuals within the Responsible Party or in entities whose actions are for the benefit of the Responsible Party or are controlled or directed by the Responsible Party. Individuals who assisted the affiant(s) or with whom the affiant(s) consulted shall be identified by name in the written submission, along with their organization, mailing address, and email address.

**Rule 1B-019 Annual Review of Licensed Operators**

The Commission shall review each licensed Operator annually to ensure that each is acting in accordance with the Act and Rules adopted by the Commission. If the Commission determines that an Operator is in violation of the Act or any Rules adopted pursuant to the Act, the Commission may suspend or revoke the License of the Operator or assess a civil monetary penalty.

Proposed

**Rule 1B-020 License Period; Revocation or Suspension**

Other than a provisional Sports Wagering supplier License issued pursuant to G.S. 18C-907, any License issued pursuant to the Act and these Rules shall be valid for five years unless sooner revoked or suspended or otherwise made invalid by operation of law.

Proposed

**Rule 1B-021 Renewal Application**

(a) At least sixty Days prior to the expiration of a License, the Responsible Party shall submit a renewal application, on a form and in a manner prescribed by the Commission, including a renewal fee, which shall be the same as the fees for a new License of the same type.

(b) The renewal applications shall include each of the components of initial applications.

(c) A Responsible Party's attestations of compliance submitted to the Director pursuant to Rule 1B-018 shall be deemed incorporated into the Responsible Party's renewal application.

(d) Responsible parties seeking renewal shall be subject to background investigations under the same conditions and requirements as an initial Applicant seeking licensure.

Proposed

**Rule 1B-022 Denial of Renewal**

(a) The Commission may deny a License renewal for:

- (1) one or more of the same grounds that would constitute denial of an initial application under Paragraph (e) of Rule 1B-014;
- (2) a violation of the Act or these Rules;
- (3) a pattern of noncompliance with Rules or directives promulgated by the Commission;
- (4) failure to pay the taxes or fees imposed under these Rules; or
- (5) the Commission's previous decision to suspend or impose civil penalties on the Responsible Party.

(b) The Commission may deny a License renewal if the Commission finds good cause that the Responsible Party has materially not complied with any provisions of the Act or any provision in these Rules.

Proposed



**Rule 1B-023 Public Record**

Notwithstanding Chapter 132 of the General Statutes or any other provision of law, except for G.S. 18C-916(b), only the following documents under this section shall be a public record, with respect to each Applicant and each Responsible Party:

- (1) The name, address, and platform used for wagering transactions.
- (2) The names of all Key Persons.
- (3) For Operators:
  - i. the documented history of working to prevent compulsive gambling, including training programs for its employees.
  - ii. the branding that the Applicant plans to hold out to the public displaying its platform used for wagering transactions.
- (4) The granting or denial of the application.

Proposed

**Rule 1B-024 Duty to report**

Each Responsible Party shall promptly report to the Commission as soon as practicable, but in no event later than seventy-two hours after discovery:

- (1) All criminal or disciplinary proceedings commenced against that Responsible Party or any Key Persons in connection with its operations.
- (2) All changes in Key Persons. All new Key Persons shall consent to a background investigation and compliance with the Act and these Rules.
- (3) Any material deficiency with respect to Responsible Party's compliance with these Rules or the Act.

Proposed

**Rule 1B-025 License Display**

An Operator shall prominently display the License issued by the Commission on its websites, mobile applications, and, if applicable, within the Wagering Lounge.

Proposed

## Chapter 2 - Sports Wagering

### Subchapter A – General Provisions

#### Rule 2A-001 Definitions

In addition to defined terms in G.S. 18C-901 and G.S. 18C-1001, and Rule 1A-001, the following definitions apply in this Chapter 2 of the Rules Manual:

- (1) "Amateur Sports" has the meaning provided in G.S. 18C-901(1).
- (2) "Card" means the list of sporting events and Wager types from which a Player may make selections for a given pool.
- (3) "College Sports" has the meaning provided in G.S. 18C-901(3).
- (4) "Collegiate Sporting Event" means a sport or athletic event offered or sponsored by, or played in connection with, a public or private institution that offers educational services beyond the secondary level.
- (5) "Collegiate Tournament" means a series of collegiate sports or athletic events involving four or more collegiate teams that make up a single unit of competition.
- (6) "Data Source" means a supplier that sells league or event data, participant, or team statistics required to enable Sports Wagering.
- (7) "eSports" or "Electronic Sports" has the meaning provided in G.S. 18C-901(5).
- (8) "eSports Competition" means leagues, competitive circuits, tournaments, or similar competitions where individuals or teams play video games, typically for spectators, either in-person or online, for the purpose of prizes, money, or entertainment.
- (9) "eSports Competition Operator" means a Person or entity which sanctions, regulates, or organizes an esports competition.
- (10) "Exchange Wagering" means a form of wagering in which two or more Persons place identically opposing wagers in a given market, allowing Players to wager on both winning and non-winning outcomes in the same event.

- (11) "Geofencing" has the meaning provided in G.S. 18C-901(6).
- (12) "GLI-CMP Guide" means the Gaming Laboratories International, GLI-CMP: Change Management Program Guide, Version 1.0, Published May 6, 2020, including amendments or subsequent editions.
- (13) "GLI-33 Standards" means the Gaming Laboratories International, GLI-33: Standards for Event Wagering Systems, Version. 1.1, and its appendices, Revised May 14, 2019, including amendments or subsequent editions.
- (14) "Gross Wagering Revenue" has the meaning provided in G.S. 18C-901(7).
- (15) "High School Sporting Event" means a sporting event participated in or offered or sponsored by a public or private institution that offers educational services at the secondary level.
- (16) "In-game Wagering" means placing a Sports Wager after a sporting event has started.
- (17) "Layoff Wager" means a Wager placed by a Sports Wagering Operator with another Sports Wagering Operator to offset Sports Wagers.
- (18) "Motorsports Facility" has the meaning provided in G.S. 18C-103(10d).
- (19) "Official League Data" has the meaning provided in G.S. 18C-901(11).
- (20) "Pari-mutuel Wager" has the meaning provided in G.S. 18C-901(12).
- (21) "Pool" means an offering where Players may make selections of outcomes on a set number of sporting events and Wager type on a Card to enter for a chance to win the Prize Pool or a portion thereof.
- (22) "Prize Pool" means the prizing available for an individual tournament, contest, or pool.
- (23) "Professional Golf Tournament" has the meaning provided in G.S. 18C-103(12d).
- (24) "Professional Sports" has the meaning provided in G.S. 18C-901(13). Professional sports do not encompass or include Amateur Sports, Colleges Sports, Youth Sports, or High School Sporting Event.

- (25) "Professional Sports Team" has the meaning provided in G.S. 18C-901(13d).
- (26) "Registered Player" has the meaning provided in G.S. 18C-901(14).
- (27) "Service Provider" has the meaning provided in G.S. 18C-901(15).
- (28) "Service Provider License" means a License issued by the Commission to a service provider for Sports Wagering under G.S. 18C-906.
- (29) "Shared Liquidity Pool" means a tournament, contest, or pool offering in North Carolina and one or more other jurisdictions.
- (30) "Sporting Event" has the meaning provided in G.S. 18C-901(16).
- (31) "Sports Facility" has the meaning provided in G.S. 18C-901(17).
- (32) "Sports Governing Body" has the meaning provided in G.S. 18C-901(18).
- (33) "Sports Wagering Brand" has the meaning provided in G.S. 18C-901(20).
- (34) "Sports Wagering Network" means the offering of Exchange Wagering or other peer-to-peer wagering through the linking of Players:
- (a) of one or more Sports Wagering Operators in the State; or
  - (b) that Players may be pooled from multiple Sports Wagering Operators or from a single Sports Wagering Operator in multiple jurisdictions, pursuant to Commission approval.
- (35) "Sports Wagering Operator" in this Chapter of the Rules Manual means an interactive Sports Wagering operator as defined in G.S. 18C-901(9).
- (36) "Sports Wagering Platform" has the meaning provided in G.S. 18C-901(21).
- (37) "Sports Wagering System" means the hardware, software, firmware, Communication Technology, and other equipment used in connection with a Sports Wagering Platform, as well as procedures implemented to allow Player participation in Sports Wagering, and, if supported, the corresponding

equipment related to the display of the Wager outcomes, and other similar information required to facilitate Player participation, including Sports Wagering Platforms themselves.

- (38) "Supplier" or "Sports Wagering Supplier" has the meaning provided in G.S. 18C-901(22).
- (39) "Supplier License" or "Sports Wagering Supplier License" means a License issued by the Commission to a Supplier under G.S. 18C-907.
- (40) "Tier One Sports Wager" has the meaning provided in G.S. 18C-901(23).
- (41) "Tier Two Sports Wager" has the meaning provided in G.S. 18C-901(24).
- (42) "Virtual Sporting Event" means a sporting event where elements of the event, including the results, are generated by a Random Number Generator.
- (43) "Wager Type" means the form of a Wager offered by a Sports Wagering Operator, including but not limited to single game bets, teaser bets, parlays, over-under bets, money line bets, pools, Exchange Wagering, in-game wagering, in-play bets, proposition bets, and straight bets.
- (44) "Wagering Account" or "Account" means an interactive account as defined in G.S. 18C-901(8).
- (45) "Youth Sports" has the meaning provided in G.S. 18C-901(26).
- (46) "Written Designation Agreement" means the written, executed, and complete contractual agreement between an (i) Interactive Sports Wagering Operator or Interactive Sports Wagering Operator Applicant and (ii) a non-operator party eligible to enter such agreement, pursuant to G.S. 18C-905(a). A Written Designation Agreement includes all written contracts (i) executed by and between these parties and (ii) executed by and between the parties' respective Affiliates.

**Rule 2A-002 Incorporation by Reference**

(a) For the purpose of the Rules in this Subchapter, the following Rules, standards and other requirements are hereby incorporated by reference, including subsequent amendments and editions:

- (1) Gaming Laboratories International, GLI-33: Standards for Event Wagering Systems, Version 1.1, and its appendices, Revised May 14, 2019; and
- (2) Gaming Laboratories International, GLI-CMP: Change Management Program Guide, Version 1.0, Published May 6, 2020.

(b) The Rules, standards, and other requirements incorporated by reference in Paragraph (a) of this Rule are available for inspection. Copies of the Rules, standards, and other requirements incorporated by reference in Paragraph (a) of this Rule are available at no charge at [www.gaminglabs.com](http://www.gaminglabs.com) and the Commission's website.

Proposed



**Subchapter B – Licensing Provisions**

**Rule 2B-001 Sports Wagering Operator Licensing**

- (a) The Director shall issue a Sports Wagering Operator License after finding that the Applicant meets the requirements of the Act and these Rules.
  
- (b) It shall be unlawful for any Person to offer or accept Sports Wagers in this State without a valid Sports Wagering Operator License issued under G.S. 18C-904 and Chapter 1, Subchapter B of these Rules.
  
- (c) Except as provided in G.S. 18C-928, the Commission shall only license Sports Wagering Operators who have a Written Designation Agreement in accordance with G.S. 18C-905 to offer and accept Sports Wagers on Sporting Events.
  
- (d) If an Applicant for a Sports Wagering Operator License is a Sports Facility or team that is a member of a league, association, or organization that prevents the Sports Facility or team from being subject to the regulatory control of the Commission or from otherwise operating under a Sports Wagering Operator License, the Sports Facility or team may contractually appoint a designee approved by the Commission for all aspects of Commission oversight and operation.
  
- (e) The holder of a Sports Wagering Operator License shall be deemed also to hold a Service Provider License and Supplier License under the Act and these Rules for services, goods, software, or components provided in-house.

**Rule 2B-002 Service Provider Licensing**

- (a) The Director shall issue a Service Provider License after finding that the Applicant meets the requirements of the Act and these Rules.
  
- (b) It shall be unlawful for any Person to offer or provide Covered Services to a Sports Wagering Operator in this State without a valid Service Provider License issued under G.S. 18C-906 and Chapter 1, Subchapter B of these Rules.
  
- (c) The holder of a Service Provider License shall be deemed also to hold a Supplier License under the Act and these Rules for services, goods, software, or components provided in-house.

Proposed

**Rule 2B-003 Supplier Licensing**

- (a) The Director shall issue a Supplier License after finding that the Applicant meets the requirements of the Act and these Rules.
  
- (b) It shall be unlawful for any Person to offer or provide services, goods, software, or components to a Sports Wagering Operator or Service Provider in this State without a valid Supplier License issued under G.S. 18C-907 and Chapter 1, Subchapter B of these Rules.

Proposed

**Rule 2B-004 Provisional Supplier License**

(a) The Director may issue a Provisional Supplier License to an Applicant whose submitted application facially contains all required information and materials such that the application may be deemed administratively sufficient.

(b) To be eligible to receive a Provisional Supplier License, an Applicant shall:

- (1) Note its request for a Provisional Supplier License in its application.
- (2) Provide in its application written attestations that the Applicant, its Key Persons, and current employees subject to background investigations have not been convicted in any jurisdiction of a felony, any gambling offense, a criminal offense involving moral turpitude or obstruction of justice, or any criminal offense involving dishonesty or breach of trust within ten years of application.

(c) A Provisional Supplier License shall not be awarded to an Applicant that:

- (1) Has been subject to sanction, enforcement, or civil penalties by a sports wagering or gaming regulatory body or another state;
- (2) If a corporate entity, is not registered to do business in the State and in good standing;
- (3) Is subject to delinquent federal, state, or local taxes;
- (4) Is in bankruptcy proceedings;

(d) The Director shall provide a date certain for the expiration of a Provisional Supplier License. The expiration date shall be the sooner of:

- (1) One hundred and eighty Days from the date of the issuance of the provisional License; or
- (2) The date the Director approves or denies the Application after completion of the Background Investigation.

(e) After the denial of an application, a Provisional Supplier License shall not be valid during the pendency of an Applicant's request for reconsideration or during the pendency of any appeal.

(f) The holder of a Provisional Supplier License is subject to all Rules and requirements as if fully-licensed, including all enforcement-related provisions.

**Rule 2B-005 Payment of License Application Fee; Expenses for Denied License Application**

(a) Upon filing of an application for a License or renewal, the Applicant shall pay by wire transfer of funds the applicable License application fee:

- (1) One million dollars (\$1,000,000) for an Operator License;
- (2) Fifty thousand dollars (\$50,000) for a Service Provider License; or
- (3) Thirty thousand dollars (\$30,000) for a Supplier License.

(b) An Applicant whose licensure application is denied will have its License application fee returned to it, less five percent for administrative expenses incurred by the Commission to conduct the application review.

(c) Remittance of the Applicant's licensing or application fee, less five percent, for administrative costs, will issue after the period to seek reconsideration ends or upon the Director's receipt of a signed written statement from the Applicant stating that it will not seek reconsideration or an appeal of the licensing decision. The Commission will retain the License fee of an unsuccessful Applicant during the pendency of any reconsideration or appeal period and during any legal proceeding arising from or related to the denial of the Applicant's licensing application.

(d) If an Applicant voluntarily elects to withdraw its application before the Director denies the application or takes other action that does not constitute an approval of the application, the Director may (i) treat such withdrawal as a *de facto* denial of the application and retain the License application review fee pursuant to Paragraph (b) of this Rule, or (ii) allow the Applicant to withdraw its application and refund the entire License application fee. The Director shall not have discretion to return the entire License application review fee for a withdrawn application if the Applicant is discovered to have made a materially fraudulent misrepresentation or omission in its submission(s) to the Commission.

**Rule 2B-006 Written Designation Agreement**

(a) In order to qualify for a Sports Wagering Operator License, the Applicant shall enter into and maintain a Written Designation Agreement with a Persons or Persons enumerated under G.S. 18C-905(a).

(b) The Applicant or Sports Wagering Operator shall submit an executed copy of the Written Designation Agreement with its application for licensure or renewal as a Sports Wagering Operator.

(1) All related and ancillary agreements between and among the signatory parties and their respective Affiliates shall be considered part of the Written Designation Agreement, regardless of how such agreements are denominated.

(2) Failure to include all related and ancillary agreements between the parties and their Affiliates with the application for licensure or renewal may be grounds for summary denial of the application or renewal application.

(3) A letter of intent to enter a into Written Designation Agreement is not a substitute for an executed Written Designation Agreement.

(c) The Written Designation Agreement shall meet the following minimum requirements:

(1) The agreement shall be executed by duly authorized individual(s).

(2) The agreement shall state a clear contract term length, with any option to renew being contingent on the renewal of the Sports Wagering Operator's License.

(3) The agreement shall be governed by North Carolina law, with express consent of the parties to submit to the jurisdiction of the North Carolina court system to resolve any disputes.

(4) The agreement shall require any place of public accommodation be operated solely by the licensed Sports Wagering Operator, in accordance with G.S. 18C-905(c).

(5) The agreement shall not authorize the non-operator party to the Written Designation Agreement to engage in any regulated activity requiring a license under the Act unless it independently obtains a License and only engages in activities authorized by such License.

(6) The agreement shall be terminated if the licensed Sports Wagering Operator has its License revoked or the non-operator party loses its authority to enter a Written Designation Agreement under G.S. 18C-905.

(7) The agreement shall require that the non-operator party's employees be prohibited from Sports Wagering in accordance with G.S. 18C-902(i) and receive appropriate and applicable training about persons prohibited from engaging in sports wagering.

(8) The agreement shall be marked "confidential."

(e) The Commission may deny an application for a Sports Wagering Operator License or suspend or revoke a Sports Wagering Operator License if at any time it finds that the Written Designation Agreement would be disadvantageous to the interests of the state of North Carolina. A Written Designation Agreement may, without limitation, be considered disadvantageous to the interests of the State if:

- (1) The Commission determines that the Written Designation Agreement would cause a violation of any of the applicable considerations set forth in the Act, Commission Rules, or state or federal law;
- (2) The Written Designation Agreement fails to meet the requirements in Paragraph (c) of this Rule;
- or
- (3) The parties to the Written Designation Agreement fail to fulfill the requirements in Paragraph (c) of this Rule.

Proposed

**Rule 2B-007 Written Designation Agreement Breach, Discontinuance, or Other Cessation**

(a) A Sports Wagering Operator shall promptly report to the Commission as soon as practicable, but in no event longer than seventy-two hours of the following with respect to the Written Designation Agreement:

- (1) Any modifications, changes, or alterations; or
- (2) Any breach, discontinuance, or other cessation.

(b) As contemplated by G.S. 18C-908(a), a Sports Wagering Operator's five-year License shall expire upon the earlier of five years or breach, discontinuance, or other cessation of the Written Designation Agreement required under G.S. 18C-905. In the event the License expires for reason of breach, discontinuance, or other cessation, the Sports Wagering Operator shall engage in timely and complete efforts to wind up its operations and ensure payments and refunds are provided to interactive account holders.

Proposed