



**NORTH CAROLINA
STATE LOTTERY COMMISSION**

Ripley Rand
Chair

Mark Michalko
Executive Director

RE: Summary and Recommendations Regarding Public Comments Received in Response to Notice of Proposed Rulemaking of November 7, 2023

DATE: December 6, 2023

TO: Sports Betting Committee, Members of the North Carolina State Lottery Commission

FROM: Sterl Carpenter, Deputy Executive Director Gaming Compliance and Sports Betting

Background and Procedure

In a public meeting on November 7, 2023, the Sports Betting Committee (“Committee”) of the North Carolina State Lottery Commission (“Commission”) directed staff to publish and disseminate a Notice of Proposed Rulemaking containing the second “tranche” of proposed rules (“Rulemaking Package #2”) to appear in the Commission’s Rules Manual for Sports Wagering and Pari-Mutuel Wagering. As set forth in the Notice and consistent with Section 9f of the Commission’s Rulemaking Policy and Procedure, staff commenced the expedited rulemaking procedures. Between November 7, 2023 and November 27, 2023, staff collected public comments from interested parties and facilitated a public comment hearing on November 20, 2023.

Staff has compiled for Commissioners’ review the materials and comments that the public submitted in response to Rulemaking Package #2. This letter provides a general summary of the timely public comments, which speak for themselves. Additionally, staff recommendations for proposed changes to the text of the rules are described herein; the specific changes to rule text are outlined in the attached document.

Comments Received

During the public comment period, the Commission received comments from 15 organizations and three members of the public. Three speakers offered oral presentations at the public comment hearing. The Commission received approximately 125 submissions through its public comment webform and seven submissions via email. Staff reiterates its preference to receive comments through the public comment webform.

Summary of Public Comments and Recommendations

Staff reviewed each of the public comments submitted and took each under advisement. Based on its review and analysis, staff recommends that the Commission adopt Rulemaking Package #2, including proposed edits identified in yellow highlights in the attached document. A summary of staff’s recommended changes follows:



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Chapter 1: General Wagering

Subchapter A: General Provisions

- Rule 1A-001(21): Definition of “Gaming Day”
 - Staff recommend changing the definition of Gaming Day to begin at 12:00 A.M. Eastern Time and end the following day at 11:59 P.M. Eastern Time to conform with mobile sports wagering reporting requirements in other jurisdictions.

Subchapter B: Licensing Provisions

- Rule 1B-019 Reconsideration on Denial of a License
 - Staff recommend changing Paragraph (c)(6) to require an acknowledgement that certain application materials that provide the basis for a denial may become public record when an Applicant that appeals a denial of its license Application. As initially proposed, the confidentiality waiver in this section was too broad.
- Rule 1B-029 License Assignment or Transfer
 - Staff recommend changing Paragraph (d) to provide that the grounds for denial of a License assignment or transfer are the same as denial of a License under Rule 1B-013(c).

Subchapter C: Disciplinary Actions and Hearings

- Rule 1C-019 Protection of Trade Secrets; Confidential Information
 - Staff recommend clarifying in Paragraph (a) that any party to a Disciplinary Action may make a claim on confidentiality of information.
 - Staff recommend adding Paragraph (e) to allow a non-Operator party to a Written Designation Agreement to assert a claim confidentiality over the agreement. Because the non-Operator party’s interest does not necessarily coincide with the interests of an Operator the non-Operator should be allowed to assert a claim of confidentiality with respect to the agreement.
- Rule 1C-020 Designation of Hearing Officer
 - Staff recommend using lowercase for the term “commission” in third line of Paragraph (c) to avoid confusion with the defined term “Commission.”
- Rule 1C-025 Conduct of a Hearing
 - Staff recommend changing the word “facility” in Paragraph (c) to “premises” to avoid confusion with our defined terms “Wagering Facility,” or “Sports Facility.”

Subchapter D: Audit and Internal Control Standards

- Rule 1D-005 Administrative and Accounting Procedures
 - Staff recommend removing “which include, as their primary objective, policies,” in Paragraph (1) as superfluous language that does not contribute to the clarity of the rule.



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- Staff recommend adding more specific reference to Subchapters D and G of the Rules to Paragraph (2) for clarity.
- Rule 1D-008 Information Processing
 - Staff recommend adding language to clarify that the internal controls shall include a “summary” description of the information processing system “that analyzes patron information.”
 - Staff recommend adding language to clarify in Paragraph (3) that a “summary” accounting of the sources of input and output data may be provided.
- Rule 1D-009 Reporting Requirements in the Event of a Cyber Incident
 - Staff recommend a more detailed definition for the term “cyber incident.” The proposed revisions (i) incorporate a concept of materiality to help focus submissions, and (ii) expressly address circumstances where Personal Information has been compromised.
- Rule 1D-011 Financial Audits
 - Staff recommend adding “via approved electronic methods” to Paragraph (c) to clarify how reports may be received by the Commission.
- Rule 1D-012 Retention, Storage and Destruction Records
 - Staff recommend adding a reasonability standard to the time provided for an Operator to make records available to the Commission or Director.
 - Staff recommend narrowing the scope of a record request in Paragraphs (b) and (c) to all “relevant” correspondence.
- Rule 1D-018 Integrity Monitoring and Suspicious Behavior
 - Staff recommend adding language to Paragraph (b) and (e) to clarify that an Operator may use a licensed Integrity Monitoring Supplier to action its behalf and at its direction.
 - Staff recommend adding a reasonable notice prerequisite in Paragraph (e).
 - Staff recommend changing the record retention requirement in Paragraph (g) to five years to remain consistent with the remainder of our Rules.
- Rule 1D-020 Personal Information Security
 - Staff recommend adding language to Paragraph (b) to clarify that an Operator may obtain consent from the Player through agreement with their Privacy Policy or similar means.
- Rule 1D-021 Disputes Pertaining to Wagering
 - Staff recommend adding the option for an Operator to collect a Player’s email address instead of the Player’s name in the written dispute report under Paragraph (c)(1). The Player’s email address is often a more unique identifier than the Player’s name.
- Rule 1D-025 Wagering Reports of Operators
 - Staff recommend clarifying language in Paragraphs (a)(2) and (3) to address reporting requirements concerning anonymous wagering at a Wagering Facility.



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Subchapter E: Standards for Wagering

- Rule 1E-002 Acceptance of Wagers
 - Staff recommend removing Paragraph (d), which prohibits an Operator from encouraging Players to make specific Wager types, kinds, subjects, or amounts. This prohibition would restrict Operators from engaging in standard marketing activities, such as suggesting wagers to a customer based on their previous wagering activity.
 - Staff recommend adding prepaid reloadable cards that are verified and nontransferable to the Rule's list of acceptable forms of payment for placing a wager.
- Rule 1E-003 Promotional or Bonus Wagering
 - Staff recommend adding language in Paragraph (g) to clarify that certain wagering promotions may extend for a duration beyond 30 days so long as the promotion is available to all NC Players who maintain an account and so long as the promotion is not contingent on a Player establishing a new account.

Subchapter F: Responsible Gaming

- Rule 1F-004 Involuntary Exclusion
 - Staff recommend adding Paragraph (d) to clarify that this Rule does not prohibit an Operator from preventing Individuals from entering their Wagering Facility.
- Rule 1F-006 Operator Duties
 - Staff recommend amending the language in Paragraph (a) to ensure an Operator obtains the excluded persons list in a secure and confidential manner.

Subchapter G: Wagering Accounts

- Rule 1G-001 Wagering Account Requirements
 - Staff recommend minor edits in Paragraph (b) to address proper capitalization and use of defined terms.
 - Staff recommend amending the language in Paragraph (c)(3) to reference more directly the requirement in NC statute.
 - Staff recommend a correction to the cross reference in Paragraph (d).
 - Staff recommend amending the language in Paragraph (e) to reflect recognized technical practices used in the industry to protect data.
- Rule 1G-002 Age and Identity Verification
 - Staff recommend minor clarifying language edits in Paragraph (a).
 - Staff recommend adding language in Paragraph (g) to address preventing Ineligible Persons from placing wagers, not just creating a Wagering Account.
- Rule 1G-004 Terms and Conditions and Privacy Policies for Wagering Accounts
 - Staff recommend alleviating the requirement in Paragraph (b)(4) for an Operator to identify all third-parties with whom the Operator shares Personal Information in their privacy



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policy. Instead, staff recommend requiring the Operator to provide this data upon request by the Commission or a Registered Player.

- Staff recommend adding language to Paragraphs (b)(8) and (9) provide exceptions to the requirements of this Rule where other legal requirements may conflict.
- Rule 1G-005 Responsible Gaming and Problem Gambling Information
 - Staff recommend minor edits to Paragraph (1) to make clear that the Commission may approve more than one telephone number or website.
- Rule 1G-008 Account Deposits
 - Staff recommend adding prepaid reloadable cards that are verified and nontransferable to the list of acceptable forms of payment for funding a Wagering Account. Deletions to Paragraph (a)(9) are proposed to align this rule with portions of Rule 1E-002.
- Rule 1G-010 Account Withdrawals
 - Staff recommend adding language to Paragraph (f) to address possible mail delays.
- Rule 1G-012 Account Information
 - Staff recommend amending the Rule to allow for written account statements to be provided via US Mail or electronic mail upon request of a Registered Player.
- Rule 1G-015 Account Closure
 - Staff recommend amended language in Paragraph (1) to allow for the an account refund to take place pursuant to the Operator’s internal controls and to allow an Operator to withhold funds if the Commission or other government authority has an investigation pending.
 - Staff recommend adding language to Paragraph (2) to provide exceptions to the requirements of this Rule where other legal requirements may conflict.

Subchapter H: Wagering Facilities

- Rule 1H-002 Facility Naming Rights
 - Staff recommend deleting this rule concerning naming rights at facilities. This recommendation aligns with other proposed revisions to advertising rules, including those that delete references to “branding” and others that concern displays of logos that do not otherwise include additional inducements to wagering.
- Rule 1H-003 Floor Plan
 - Staff recommend changing the language in Paragraph (a) to clarify that what the floor plan should include when the Wagering Facility is located within the Sports Facility.
- Rule 1H-007 Wagering Windows
 - Staff recommend changing the term “facility” in this Rule to the defined term “Wagering Facility,” for further clarity.
- Rule 1H-013 Cashiers, Windows, and Cages



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- Staff recommend changing the term “facility” in this Rule to the defined term “Wagering Facility,” for further clarity.
- Rule 1H-014 Surveillance System and Procedures
 - Staff recommend changing the term “facility” in this Rule to the defined term “Wagering Facility,” for further clarity.
- Rule 1H-015 Facility Security Procedures
 - Staff recommend changing the term “facility” in this Rule to the defined term “Wagering Facility,” for further clarity.

Subchapter I: Advertising and Marketing

- Rule 1I-001 Advertising and Marketing Generally
 - Staff recommend removing “branding” from this Rule so that the mere use of a company’s logo or brand does not trigger the certain messaging requirements.
 - Staff recommend amending the language in Paragraph (a)(2) to allow an Operator to either include a statement that Underage Persons are not allowed to wager or a statement that Underage Persons are not allowed to open or have access to Wagering Accounts.
- Rule 1I-002 Advertising to Underage Persons Prohibited
 - Staff recommend adding clarifying language in Paragraph (a) so that the mere use of a company’s logo or brand does not trigger the requirement to include a message about underage persons being prohibited from wagering.
 - Staff recommend adding language in Paragraph (b) to further clarify the prohibition against advertisements or marketing targeting underage persons.
 - Staff recommend adding an exception to Paragraph (d)(2) to permit advertisements that are static or permanently affixed.
 - Staff recommend adding language in Paragraph (4) to clarify that the prohibition does not apply to generally available advertising through television, radio, and digital advertising.
 - Staff recommend providing a clarifying example in Paragraph (e) to demonstrate that messaging like “21+,” is sufficient.
- Rule 1I-003 No Direct Advertising to Voluntarily Excluded Players
 - Staff recommend changing “Players” to “Persons” in the title of this Rule to better align with our defined term, “Voluntarily Excluded Persons.”
 - Staff recommend removing the prohibition on directing unsolicited pop-up Advertisements to an excluded person in Paragraph (b), because it would impossible for an Operator to know an anonymous person visiting a website is on the exclusion list.
- Rule 1I-004 Disclosure of Operator; Operator Ultimately Responsible
 - Staff recommend adding language to Paragraph (d) to allow disclosure of a market affiliate business relationship with an Operator to be included in the social media profile of the affiliate.



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- Staff recommend amending the language in Paragraph (g) to permit an Operator to enter into an agreement with a market affiliate under an acquisition fee model or a cost per action fee model, while still prohibiting a revenue sharing fee model.
- Rule 1I-005 Information to Promote Responsible Gaming
 - Staff recommend removing “branding” from Paragraphs (a) and (b) and adding further clarifying language in Paragraph (a) so that the mere use of the company’s logo or brand does not trigger the requirement to include responsible gaming resources and messaging.
 - Staff recommend broadening the language in Paragraph (a) regarding a Commission-approved number or problem gaming resource to allow flexibility to approve other national numbers or resources.
 - Staff recommend adding Paragraph (d) to the Rule to provide flexibility in approving alternative methods of responsible gaming messaging under unique circumstances.
- Rule 1I-008 Opt-Out from Direct Marketing
 - Staff recommend removing “branding” from this Rule, so that the mere use of a company’s logo or brand does not trigger the requirement to clearly and conspicuously describe a method to opt out of receiving future direct advertisements.

Chapter 2: Sports Wagering

Subchapter C: Standards for Sports Wagering

- Rule 2C-004 Data Sources for Sports Wagering
 - Staff recommend inserting a new Paragraph (h) to address an Operator’s continuing ability to demonstrate that the Sports Governing Body will not provide Official League Data under commercially reasonable terms and conditions.
- Rule 2C-005 Cooperation with Investigations; Confidentiality of Certain Reported Information
 - Staff recommend amending the language in Paragraph (b)(4) to more accurately reflect the kind of location data collected by Operators.
- Rule 2C-012 Daily Summary
 - Staff recommend changing the language to allow the daily summary to be provided after the close of the Gaming Day, but within a time determined by the Director.

Subchapter D: Technical Requirements and Oversight

- Rule 2D-003 Integration Requirements
 - Staff recommend changing the language in Paragraph (d) to more accurately reflect an Independent Testing Laboratory’s testing and certifying activities.
- Rule 2D-005 Geolocation Requirements
 - Staff recommend a minor edit in Paragraph (1)(b) to clarify geographic boundaries “of” the State of North Carolina, instead of “within” the State of North Carolina.



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- Staff recommend adding language to Paragraph (1)(c) to make clear that an Operator is responsible for providing access to geofence data, but may facilitate access with its geolocation Service Provider.
- Staff recommend changing “or” to “and” in Paragraph (2)(a) to ensure geolocation is checked prior to the placement of the first Wager after login and after a change of IP address.
- Rule 2D-008 Integrity and Security Assessments
 - Staff recommend amending language in Paragraph (6)(b) to provide that the Director may only suspend an Operator’s operations after the Operator has failed to timely implement critical corrective actions.
- Rule 2D-009 Quarterly Vulnerability Scans
 - Staff recommend additional text to clarify that unresolved vulnerabilities resulting from mitigating controls implemented to address unabated vulnerabilities do not support the imposition of Disciplinary action.

The Commission received comments suggesting entirely new rules and comments related to rules that were not open to public comment in this current rulemaking package. These comments were reviewed by staff and may be taken into consideration and incorporated during future rulemaking efforts.

The Commission received comments requesting the Commission remove Rule 1D-006 requiring Operators provide the Commission with a jobs compendium that includes detailed information on the role and responsibilities of numerous employees per Operator. Staff considered this rule and recognize that it is unique to North Carolina. Staff recommend keeping this Rule, because unlike many other jurisdictions North Carolina does not presently have an occupational licensee for gaming employees. This rule will provide the Commission necessary information about the critical employees operating sports wagering.

Finally, staff considered – but ultimately decline to recommend – other technical changes suggested in the submitted comments. By way of illustration only, staff declined to recommend other rule changes that would: remove or lessen reporting requirements to the Commission; change a licensee’s deadlines or timeframes to report; remove the requirement for a North Carolina CPA to conduct a financial audit; amend the reserve requirement; shift dispute reporting or notification requirements to Players; or potentially conflict with applicable law.

STAFF RECOMMENDED CHANGES TO NOTICE OF PROPOSED RULEMAKING OF NOVEMBER 7, 2023 ("Rulemaking Package Two")

Presented to the Sports Betting Committee on December 6, 2023

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

. . . .

(21) "Gaming Day" means a twenty-four-hour period which begins at ~~6:00~~ 12:00 A.M. Eastern Time and ends the following Day at ~~5:59 A.M.~~ 11:59 P.M. Eastern Time

Rule 1B-019 Reconsideration on Denial of a License

- (a) Any Applicant whose application is denied shall have fifteen Days from receipt of notice of denial, issued pursuant to Rule 1B-013, to submit a written request for reconsideration to the Director. The written request for reconsideration shall contain:
- (1) A statement identifying the grounds for denial which the party intends to contest and state the reasons therefor;
 - (2) A description of all facts the Applicant is relying on to contest the grounds for denial;
 - (3) A description of any alleged errors by the Commission; and
 - (4) A statement of truth, swearing or affirming that all information contained in the written request for reconsideration is accurate and complete.
- (b) Upon receipt of a written request for reconsideration, the Director shall either ratify the prior denial or take other appropriate action within 15 Days. The Director, in their discretion, may extend the time period for good cause; if additional time is required, the Director shall notify the Applicant in writing. If the Director ratifies the denial of the application, the Applicant shall receive notice of the Director’s decision and information about appealing the Director’s decision.
- (c) Any Applicant who has sought reconsideration of denial of their License from the Director and received an unfavorable decision may appeal the Director’s decision to the Sports Betting Committee. The Applicant shall have fifteen Days from receipt of the Director’s decision to submit a written appeal. The written appeal shall contain:
- (1) A statement identifying the grounds for denial which the party intends to contest and state the reasons therefor;
 - (2) A description of all facts the Applicant is relying on to contest the grounds for denial and supporting documentary materials relied upon;
 - (3) A description of any alleged errors by the Commission;
 - (4) A description of any alleged errors by the Director;
 - (5) A statement of truth, swearing or affirming that all information contained in the written appeal is accurate and complete; and
 - (6) An acknowledgement signed by an Authorized Representative that the Applicant waives confidentiality with respect to all information and materials provided by the Applicant and collected by the Commission and its agents in relation to the Application, required Background Investigations, and evaluation of License suitability. —An acknowledgement signed by an Authorized Representative that the Applicant understands that materials that are specifically identified by the Commission as providing a basis for the denial may become public records.

- (d) Upon receipt of a written appeal of the Director’s decision, the Commission staff shall begin to compile a full record of the application. Staff will provide this record to the Sports Betting Committee and to the Applicant that submitted the appeal within 21 Days of the Commission’s receipt of the written appeal. On behalf of the Director, Commission staff may include a written response to the written appeal from the Applicant in the record.

- (e) The Sports Betting Committee shall have 90 Days from receipt of the full application record to make a final decision. The Sports Betting Committee may in its discretion elect to receive oral presentations from the parties in an open meeting, seek supplemental written information for its consideration from the Applicant, or reach its decision based on the record alone. The Applicant will receive notice of the final decision, which shall be in writing and shall explain the basis for the decision.

- (f) An Applicant who voluntarily withdraws its application for a License shall waive all rights to seek reconsideration pursuant to this Rule.

Staff Recommendation

Rule 1B-029 License Assignment or Transfer

- (a) A Responsible Party may request the assignment or transfer of their License to another Person by submitting a request in writing.
- (b) The assignee or transferee shall complete the requisite Licensure application and include the following:
 - (1) A copy of the Responsible Party’s written request for assignment or transfer of their License;
 - (2) A draft copy of the proposed Assignment and Assumption Agreement; and
 - (3) If seeking transfer or assignment of a Sports Wagering Operator License, a Written Designation Agreement, pursuant to Rule 2B-006.
- (c) To qualify for consideration of the License transfer or assignment, the assignee or transferee shall first pay the requisite application fee and meet all qualifications and Background Investigation requirements for the requisite License.
- (d) ~~The Director may approve or deny the License assignment or transfer upon consideration of whether the assignment or transfer is in the best interests of the State.~~ The Director may approve or deny the License assignment or transfer. The grounds for the denial of a License assignment or transfer are the same as those provided in Rule 1B-013(c) with respect to the denial of an Application for a License. Denial of a License assignment or transfer is treated as a denial of an Application and affords the assignee or transferee the same right to seek reconsideration pursuant to Rule 1B-019, as if it were an Applicant whose Application was denied.
- (e) The Assignment and Assumption Agreement shall be subject to the approval of the Director and shall include the Director as a signatory solely for the purpose of consenting to the Assignment and Assumption Agreement.
- (f) An unauthorized assignment or transfer of a License voids the License.
- (g) The Responsible Party may seek reconsideration of the Director’s decision to deny a license transfer or assignment, as outlined in Rule 1B-019.

Rule 1C-019 Protection of Trade Secrets; Confidential Information

- (a) Any party to a Disciplinary Action may make a claim with respect to the confidentiality of information. Any claim of confidential information, including but not limited to trade secrets or proprietary business information, shall be in writing or on the record if made at a hearing. The claim shall:
- (1) Identify the information claimed to be confidential;
 - (2) Present facts supporting the claim; and
 - (3) Set forth the relief sought.
- (b) Any party wishing to oppose a written claim of confidentiality shall do so within fifteen Days, except if the claim is made at a hearing, or if the hearing officer may prescribe a briefer response time. The opposing party shall present facts to support opposition to the claim of confidentiality.
- (c) The hearing officer may review the subject information in camera and may, if necessary, receive it ex parte.
- (d) If the claim is upheld, the hearing officer shall issue such orders as may be appropriate to protect the confidentiality of the information at issue.
- (e) A non-Operator party to a Written Designation Agreement may assert a claim of confidential information with respect to the agreement. Any claim of confidentiality, including but not limited to trade secrets or proprietary business information, shall be asserted on the record if made at a hearing or in writing timely submitted to the Hearing Officer and served on each party in the Disciplinary Action. The claim shall at a minimum:
- (1) Identify the information claimed to be confidential;
 - (2) Present facts and legal basis supporting the claim; and
 - (3) Set forth the relief sought.

Rule 1C-020 Designation of Hearing Officer

- (a) The Commission shall select and maintain a list of no fewer than eight qualified hearing officers. When Notice of Disciplinary Hearing is issued to the parties in a contested case, it shall identify the hearing officer designated by the Director to preside over the matter.

- (b) Individuals selected by the Commission as hearing officers shall be members in good standing of the North Carolina State Bar who have demonstrated experience and expertise in areas of due process and administrative law within the last five years. A hearing officer shall not be contemporaneously employed by the State.

- (c) Hearing officers shall be removed from the list for one or more of the following reasons: termination or revocation of the hearing officer’s license to practice law, misfeasance, malfeasance, misconduct, immoral conduct, incompetency, the ~~commission~~ **Commission** of a crime, or any other good and adequate reason as found by the Commission.

- (d) The Commission shall determine the compensation for a hearing officer. The Commission shall pay the hearing officer’s compensation and authorized expenses.

Rule 1C-025 Conduct of a Hearing

- (a) All hearings shall be open to the public. Hearings shall be conducted in a fair and impartial manner.

- (b) At the hearing the parties shall be given an opportunity to present evidence on issues of fact, to examine and cross-examine witnesses, including the author of a document prepared by, on behalf of, or for the use of the Commission and offered into evidence, to submit rebuttal evidence, and present arguments on issues of law or policy.

- (c) The use or operation of a device to capture, record, transmit, or broadcast a photograph, video, motion picture or audio of a proceeding or person during a hearing or within the facility premises where a hearing is being held or in an area adjacent to the hearing without the approval of the hearing officer is forbidden. Parties seeking to operate such equipment shall relay a request in writing to the Director at least 48 hours in advance of the proceeding. The Director shall relay all written requests to the hearing officer, who shall respond to all requests in writing or on the record at the hearing. The hearing officer shall control the manner of any recording or broadcasting processes they allow to ensure that it is not disruptive to the hearing.

Rule 1D-005 Administrative and Accounting Procedures.

The Operator’s Internal Controls shall include a detailed narrative description of the administrative and accounting procedures designed to satisfy the requirements of these Rules, including:

- (1) administrative controls ~~which include, as their primary objective, policies~~ and procedures designed to ensure that activities and transactions of the Operator are started and completed in accordance with the applicable policy or procedure.
- (2) accounting controls, as detailed in ~~these Rules~~ ~~in this Subchapter and Subchapter G of this Chapter~~, which include, as their primary objectives:
 - (1) processes for recording the collection of Wagers, payment of Wagers, and cancellation of Wagers issued in accordance with generally accepted accounting principles; and
 - (2) requirements for an annual financial audit.
- (3) reporting controls which shall include policies and procedures for the timely reporting of standard financial and statistical reports and information in accordance with these Rules.
- (4) access controls which include, as their primary objective, the safeguarding of company assets to include safeguards in the form of organizational safeguards.
- (5) provisions to ensure that Internal Controls related to:
 - (1) Responsible Gaming Plans comply with Subchapter F of this Chapter;
 - (2) Wagering Accounts comply with Subchapter G of this Chapter;
 - (3) Wagering Facilities comply with Subchapter H of this Chapter;
- (6) all other applicable policies and procedures required pursuant to these Rules.

Rule 1D-008 Information Processing.

The Internal Controls shall include a **summary** description of the Operator’s or its Affiliates’ use of computerized algorithms, automated decision-making, machine learning, artificial intelligence, or any similar system **that analyzes patron information**, which shall include:

- (1) a description of permissible and impermissible uses of such practices and capabilities;
- (2) the purposes for which such practices and capabilities are used;
- (3) the types of input and output data utilized **and an a summary** accounting of the sources of each;
- (1) a description of how these systems are used to:
 - (a) minimize risky play behavior; and
 - (b) market or advertise to Players.

Staff Recommendations

Rule 1D-009 Reporting Requirements in the Event of a Cyber Incident

- (a) The Internal Controls shall ensure that an Operator that experiences a cyber incident to its information system resulting in a material loss of control, compromise, unauthorized disclosure of data or information, or any other similar occurrence shall:
- (1) Provide written notification of the incident to the Director as soon as practicable but no later than seventy-two hours after becoming aware of the incident. Upon request, the Operator shall provide the Director with specific information regarding the incident;
 - (2) Perform, or have a third party perform, an investigation into the incident, prepare a report documenting the results of the investigation, notify the Director of the completion of the report, and make the report available to the Director for review upon request. The report shall include, without limit, the root cause of the incident, the extent of the incident, including detailed information about injuries to North Carolina Players, if any, planned or proposed measures to mitigate any harm to North Carolina Players, and any actions taken or planned to be taken to prevent similar events that allowed the incident to occur; and
 - (3) Notify the Director when any investigation or similar action taken by an entity external to the Operator is completed and make the results of such investigation or similar action available to the Commission upon request.
- (b) For purposes of this rule:
- (1) “cyber incident” means:
 - (A) any material act or material attempt to gain unauthorized access to an information system for purpose of disrupting, disabling, destroying, or controlling the system or destroying or gaining access to the information contained therein; or
 - (B) An incident of unauthorized access to and acquisition of unencrypted and unredacted records or data containing Personal Information where illegal use of the Personal Information has occurred or is reasonably likely to occur or that creates a material risk of harm to a consumer. Any incident of unauthorized access to and acquisition of encrypted records or data containing Personal Information along with the confidential process or key shall constitute a cyber incident; however, good faith acquisition of Personal Information by an employee or agent of the Operator for a legitimate purpose is not a cyber incident, provided that the Personal Information is not used for a purpose other than a lawful purpose of the business and is not subject to further unauthorized disclosure.
 - (2) “information system” means a set of resources organized for the collection, processing, maintenance, use, sharing, dissemination, or disposition of information. Elements of an information system include, without limit, hardware, software, information, data, applications, communications, and people.

- (c) The requirements in this Rule are supplemental to any requirements applicable to Licensees arising under State or federal law.

Staff Recommendations

Rule 1D-011 Financial Audits.

(a) Upon submitting an application, and annually thereafter, Operators shall submit to the Director, within one hundred and twenty Days of the Operator’s fiscal year end, its financial audit for that fiscal year.

(b) The financial audit shall be performed by an independent certified public accountant authorized to practice in North Carolina and presented in accordance with generally accepted accounting principles and containing the opinion of the independent certified public accountant as to its fair preparation and presentation in accordance with generally accepted accounting principles. If an Operator’s audited financial statements are produced at the parent company level, the audited financial statements of the parent company may be submitted, only if North Carolina’s information is identified and accessible separately from the entire parent company information. If prepared in another U.S. State or jurisdiction, the financial audit shall be reviewed and certified as outlined herein by an independent certified public accountant authorized to practice in North Carolina.

(c) The Director shall determine the number of copies of audits or reports required under these Rules. The audits or reports shall be received by the Commission **via approved electronic methods** or postmarked no later than the required filing date.

Rule 1D-012 Retention, Storage and Destruction Records.

The Internal Controls shall include a records retention schedule, and provisions related to the storage and destruction of records that at a minimum incorporates the following provisions:

(1) An Operator shall maintain, in a place secure from theft, loss, or destruction, adequate records of its business and accounting operations.

(2) An Operator shall organize and index required records in a manner that enables the Commission to locate, inspect, review, and analyze the records with reasonable ease and efficiency.

(3) An Operator shall make the records available to the Commission or Director, on request, within a reasonable time provided for by the Commission or Director. The records shall include, but not be limited to:

- (a) a listing of all current and former employees along with their titles, chains of command, and history of employment status;
- (b) all relevant correspondence with, or reports to, the Commission or any local, state, or federal governmental agency;
- (c) all relevant correspondence concerning the business of an Operator, its Service Providers, Suppliers, or other third party with whom it contracts;
- (d) the business and organizational structure of the record holder;
- (e) any acquisition, construction, remodeling, relocation, or maintenance of a proposed or existing Wagering Facility; and
- (f) for Sports Wagering, the Written Designation Agreement, pursuant to Rule 2B-006.

(4) An Operator shall keep and maintain, in a manner and form required by the Commission, accurate, complete, and legible records of books, records, or documents, including electronic storage media, pertaining to, prepared in, or generated by, the Operator, including but not limited to:

- (a) forms;
- (b) reports;
- (c) accounting records;
- (d) ledgers;
- (e) subsidiary records;
- (f) internal and external audit records;
- (g) correspondence; and
- (h) personnel records.

(5) An Operator shall retain the records for not less than five years or for a period required by law for inspection by authorized State or federal government agents or officials. If a litigation, claim, or audit is started before the expiration of the five-year period, the records shall be retained until litigation, claims, or audit findings involving the records have been resolved.

(6) Compliance with G.S. 18C-910(b).

(7) An Operator shall, except as otherwise provided, notify the Director in writing at least sixty Days prior to the scheduled destruction of records required to be retained in accordance with this Rule. This notice shall list the types of record scheduled for destruction, including a description sufficient to identify the records included, the retention period, and the date of destruction. If documents are to be destroyed in the normal course of business in accordance with document retention policies previously set forth in the Internal Controls approved by the Director, no notice to the Director shall be required.

(8) The Commission or Director may prohibit the destruction of records required to be retained in accordance with this Rule by so notifying the Operator in writing within forty-five Days of receipt of the notice of destruction pursuant to Paragraph (7) of this Rule or within the specified retention period. Any original records in this regard may thereafter be destroyed only after notice from the Commission or Director, or by order of the Commission on the petition of the Operator or by the Commission or Director on its own initiative.

(9) The Operator may use the services of a disposal company for the destruction of records required to be retained in accordance with this Rule.

(10) Nothing in this Chapter shall be construed as relieving an Operator from meeting an obligation to prepare or maintain a book, record or document required by another federal, state or local governmental body, authority or agency.

Rule 1D-018 Integrity Monitoring and Suspicious Behavior

(a) An Operator shall implement and maintain an effective Integrity Monitoring system. This solution may be provided in-house by a unit capable of performing this function with appropriate segregation of functions and reporting duties, or by a Supplier.

(b) The Internal Controls shall include provisions for an Operator, **or an Integrity Monitoring Supplier acting on Operator's behalf and direction**, to report to the Director as soon as practicable, but in no event longer than seventy-two hours after discovery:

(1) information regarding irregularities in volume or changes in odds identified as Abnormal Wagering Activity;

(2) information relating to the following which shall also be reported to the relevant Sports Governing Body, racing regulatory body, or equivalent:

(A) Abnormal Wagering Activities or other patterns that may indicate a concern with the integrity of a Wagering Event or Events;

(B) potential breaches of the internal rules and codes of conduct pertaining to Wagering of a relevant Sports Governing Body, racing regulatory body, or the equivalent, to the extent the Operator has actual knowledge of the potential breach;

(C) other conduct that corrupts a Wagering outcome of a Wagering Event or events for purposes of financial gain, including Event Corruption; or

(3) information relating to Suspicious or Illegal Wagering Activities, including the use of funds derived from illegal activity, the placement of Wagers to conceal or launder funds derived from illegal activity, the use of agents to place Wagers, and the use of false identification in placing Wagers.

(c) An Operator shall maintain the confidentiality of information provided by a Sports Governing Body, racing regulatory body, or the equivalent for purposes of investigating or preventing the conduct described in Paragraph (b) of this Rule, unless disclosure is required by the Act, the Commission, or other law or court order, or unless the Sports Governing Body, racing regulatory body, or equivalent consents to disclosure.

(d) An Operator receiving a report of Suspicious or Illegal Wagering Activity shall be permitted to suspend Wagering on Wagering Events or Wager Types related to the report and may place a hold on suspicious Wagers while investigating, but may only cancel or void Wagers related to the report after receiving approval from the Commission or Director.

(e) On request by the Commission or Director and following reasonable notice, an Operator or an Integrity Monitoring Supplier acting on Operator's behalf and direction shall provide remote, read-only access and the required software and hardware for the Commission to evaluate or monitor the systems used for Wagering. If requested, the Operator shall provide the Commission with remote access or other approved mechanism that shall provide at a minimum:

- (1) all reports of Abnormal Wagering Activity;
- (2) if the Abnormal Wagering Activity was subsequently determined to be Suspicious or Illegal Wagering Activity;
- (3) all reports considered at the outset to be Suspicious or Illegal Wagering Activity; and
- (4) the actions taken by the Operator according to its Integrity Monitoring system.

(f) Nothing in this Rule shall require an Operator to provide information that is prohibited from being shared pursuant to federal, state or local law or regulation, including, but not limited to, laws and regulations relating to privacy and Personal Information.

(g) An Operator shall maintain records of Integrity Monitoring services and activities, including reports and Suspicious or Illegal Wagering Activity and supporting documentation, for a minimum of ~~three~~ five years after a Wagering Event occurs or for a period required by law for inspection by agents or officials of the State or federal government. If a litigation, claim, or audit is started before the expiration of the five-year period, the records shall be retained until litigation, claims, or audit findings involving the records have been resolved.

(h) The Operator shall disclose these records to the Commission on request.

(i) The Commission may require an Operator to provide access to hardware or software to the Commission, or to an Independent Testing Laboratory, for evaluation of its Wagering offering or to conduct further monitoring of Wagering data.

Rule 1D-020 Personal Information Security.

(a) Information an Operator obtains with respect to the creation and maintenance of a Wagering Account, including Personal Information and authentication credentials, shall be collected in compliance with the Operator's privacy policies set forth in its Internal Controls; local privacy regulations; applicable state and federal law; and standards enforced by the Commission or Director. Both Personal Information and the Wagering Account funds shall be considered to be critical assets for risk assessment.

(b) No employee or agent of the Operator shall divulge to any Person Personal Information or Confidential Player Information, information about the placing of a Wager, or other Sensitive Information related to the operation of the Operator without the consent of the Player, except as required by this Rule, the Commission, and as otherwise required or allowed by state or federal law. By way of illustration, an Operator may obtain consent from the Player via agreement to the Operator's Privacy Policy or other similar means.

(c) The Operator shall implement procedures for the security and sharing of Personal Information, information about funds in a Wagering Account, and other Sensitive Information as required by the Commission, including, but not limited to the:

- (1) designation and identification of one or more employees, including but not limited to contractors or other personnel, having primary responsibility for the design, implementation, and ongoing evaluation of these procedures and practices;
- (2) procedures to be used to determine the nature and scope of information collected, the locations and manner in which this information is stored, and the storage devices on which this information may be recorded for purposes of storage or transfer;
- (3) measures to be used to protect information from unauthorized access; and
- (4) procedures to be used if a breach of data security has occurred, including required notification to the Commission.

Rule 1D-021 Disputes Pertaining to Wagering

(a) The Operator’s Internal Controls shall set forth its procedures for receiving, investigating, responding to and reporting on disputes submitted to it by Players.

(b) An Operator shall include on their websites, mobile applications, and if applicable, within the Wagering Lounge, a clear mechanism to inform Players of their right to submit a dispute against the Operator, including

- (1) information explaining how to submit a dispute to the Operator;
- (2) how the Operator seeks to respond to or resolve the dispute submitted by the Player; and
- (3) how the Player may submit to the Commission a report of their dispute.

(c) When a Player submits a dispute to the Operator, the Operator shall immediately create a written dispute report, setting out the:

- (1) name of the Player **or the Player’s email address;**
- (2) nature of the dispute asserted;
- (3) name of the Persons against whom the dispute was made, including employees or contractors;
- (4) date and time of the purported conduct or incident giving rise to the dispute;
- (5) date the Player submitted the dispute; and
- (6) the nature of relief or action sought by the Player and, if applicable, the action taken or proposed to be taken by the Operator to address the dispute.

(d) An Operator shall investigate and attempt to resolve disputes with the Player.

- (1) An Operator shall respond to disputes in writing within ten Days or may seek an extension of time from the Director not to exceed ten Days by providing information about why a response cannot be provided within that time period.
- (2) If the Operator will not grant or provide the Player the relief requested to resolve the dispute, then the Operator shall state in writing and with specificity the reason(s) why the requested relief or action will not be provided.
- (3) If an Operator’s response to a dispute is that more information is needed to address the dispute, the Operator shall provide specific information to the Player about the form and nature of the needed information. When the Player provides the Operator additional information, the Operator shall provide to the Player any further response within seven Days.
- (4) In its written response to the dispute asserted by the Player, the Operator shall advise the Player of their right to submit the dispute to the Commission in the form and manner prescribed by the Commission or Director.

(e) Unless otherwise directed by the Commission, for disputes related to Wagering Accounts, settlement of Wagers, or activity that is contrary to the law related to Wagering that cannot be resolved to the satisfaction of the Player, the Operator shall promptly notify the Director of the dispute, including all information submitted by the Player and the Operator’s response, along with other pertinent information and documentation.

(f) On receipt of a dispute from a Player or notification of an unresolved dispute from an Operator, the Director may investigate as they consider to be appropriate and may direct an Operator to take corrective action the Commission or Director considers appropriate, consistent with law and these Rules.

(g) Disputes received by an Operator from a Player and the Operator's responses to disputes, including internal records such as dispute reports, shall be retained for five years thereafter or for a period required by law for inspection by agents or officials of the State or federal government.

- (1) If a litigation, claim, or audit is started before the expiration of the five-year period, the records shall be retained until litigation, claims or audit findings involving the records have been resolved.
- (2) The Operator shall produce these records to the Commission or Director within ten Days of a request by the Commission or Director or may seek an extension of time in writing from the Director not to exceed ten Days by providing information about why the requested records cannot be provided within that time period and identifying when these records will be produced.

Rule 1D-025 Wagering Reports of Operators

(a) The Internal Controls shall detail the Operator’s ability to prepare reports for Wagering Activities as required by the Commission including reports detailing, as applicable:

- (1) for Sports Wagering, the Gross Wagering Revenue, as defined by G.S. 18C-901(7);
- (2) for Pari-Mutuel Wagering associated with a Wagering Account, the total Wagers placed by residents of this State;
- (3) for Pari-Mutuel Wagering not associated with a Wagering Account, the total Wagers placed within a Wagering Facility;
- (4) Wagering liability and payouts; and
- (5) other reports required by the Commission.

(b) The Operator shall timely file with the Commission additional reports required by the Act or by Rules prescribed by the Commission.

(c) The Operator shall provide all data and reports required by the Commission or the Director in the report format prescribed.

Staff Recommendations

Rule 1E-002 Acceptance of Wagers.

- (a) Wagers shall be placed through a Wagering Account or within a Wagering Lounge.
- (b) Available Wagers shall be displayed to Players and include the lines or odds, the Wager Type, and Wagering Event on which Wagers are being accepted.
- (c) An Operator may not set lines or odds or offer Wagering propositions designed to ensure that a Player will win a Wager or a series of Wagers, unless the lines, odds, or Wagering propositions are offered in connection with a promotion or bonus conducted in accordance with Rule 1E-003. An Operator may not accept a Wager on a Wagering Event unless a Wagering proposition is posted on the Operator’s websites, mobile applications, or if applicable, within the Wagering Lounge.

~~An Operator shall not advise or encourage Individual Players to place a specific Wager of any specific type, kind, subject, or amount. This restriction does not prohibit general advertising or promotional activities.~~

- (d) Wagers may only be made by Players using:
 - (1) Cash;
 - (2) Cash Equivalents converted to Cash;
 - (3) credit cards or debit cards;
 - (4) electronic funds transfers (EFTs) including automated clearing house and other electronic methods;
 - (5) promotional or bonus credits;
 - (6) winning Wagering Tickets or Vouchers;
 - (7) funds within a Wagering Account;
 - (8) A Player’s reloadable prepaid account or card, which has been verified as being issued to the Player and is nontransferable; and
 - (9) other forms of payment approved by the Commission.
- (e) The Operator shall debit the amount Wagered by a Player from their Wagering Account. Wagers shall not be accepted in an amount in excess of an Account balance.
- (f) No Operator shall accept a Wager from a Person through the use of the Wagering Account of or for another Person. No Operator shall knowingly allow a Person to make a Wager utilizing the Wagering Account of another Person.

- (g) An Operator shall file with the Commission, in a manner and form developed by the Commission, a report of an error that occurs in offering a Wagering Event or Wager or if an unapproved event or Wager Type is offered to the public.

Staff Recommendations

Rule 1E-003 Promotional or Bonus Wagering.

(a) An Operator may conduct promotions or bonuses in accordance with this Rule. Procedures for the issuance, acceptance, and tracking of promotions or bonuses shall be defined in the Internal Controls.

(b) An Operator shall maintain a record of promotions or bonuses related to Sports Wagering or Pari-Mutuel Wagering to facilitate the Commission’s tracking of promotional or bonus activity, which shall address the:

- (1) unique identification for the promotion or bonus;
- (2) date and time the promotion or bonus was or is scheduled to be available;
- (3) current balance for promotional or bonus awards;
- (4) total amount of promotional or bonus awards issued;
- (5) total amount of promotional or bonus awards redeemed;
- (6) total amount of promotional or bonus awards expired;
- (7) total amount of promotional or bonus award adjustments;
- (8) current status of the promotion or bonus; and
- (9) date and time the promotion or bonus was or is scheduled to discontinue.

(c) All promotion or bonus rules shall be full, accurate, concise, transparent, and shall not contain misleading information. Promotion or bonus rules shall be accessible by the Player and provide unambiguous notice of the:

- (1) date and time the promotion or bonus is active and expires;
- (2) rules of play;
- (3) nature and value of prizes or awards;
- (4) eligibility restrictions or limitations;
- (5) Wagering and redemption requirements, including limitations;
- (6) how the Player is notified when they have received an award;
- (7) order in which funds are used for Wagers;
- (8) eligible events or Wagers; and
- (9) cancellation requirements.

(d) Promotions or bonuses shall not be described as:

- (1) “free” unless those promotions or bonuses are in fact free and without any cost to the Player. If the Player has to risk or lose their own money or if there are conditions attached to the Player’s own money, the promotion or bonus rules shall disclose those terms and may not be described as free; or

(2) “risk-free” if those promotions or bonuses require the Player to incur a loss or risk the Player’s own money to use or withdraw Winnings from the purportedly risk-free Wager.

(e) An Operator shall provide a clear and conspicuous method for a Player to cancel their participation in a promotion or bonus that uses restricted Wagering credits that cannot be cashed out until a Wagering requirement or other restrictions associated with the credits is met. The Operator’s cancellation method shall include the following:

(1) On a request for cancellation, the Operator shall inform the Player of the amount of unrestricted funds that will be returned after cancellation and the value of restricted Wagering credits that will be removed from the Wagering Account.

(2) If a Player elects to proceed with cancellation, unrestricted funds remaining in a Player’s Wagering Account shall be returned according to the rules of the applicable promotion or bonus.

(f) Once a Player has met the terms of a promotion or bonus, an Operator shall not limit Winnings earned while participating in the promotion or bonus.

(g) No promotion or bonus offer available to new Players may contain terms that delay full implementation of the ability to redeem the promotion or bonus for a period of longer than thirty Days, or require the Player to maintain an Account with the Operator for longer than thirty Days to be eligible for the promotion or bonus, regardless of the amount of Wagering in that period by the Player. Nothing in this section (g) shall prohibit a promotion or bonus offer that extends for a period of longer than thirty Days so long as such promotion or bonus is (i) available to all North Carolina Players that maintain an Account with the applicable Operator and (ii) not contingent upon the Player establishing a new Wagering Account.

Rule 1F-004 Involuntary Exclusion

- (a) When the Commission is notified of an Individual who has been adjudicated by law as prohibited from engaging in Wagering in the State, the Individual shall be excluded from establishing or maintaining a Wagering Account or placing Wagers for a set period, up to and including that Individual's lifetime.
- (b) The Commission shall attempt to provide notice of exclusion to an Involuntarily Excluded Person.
- (c) An Involuntarily Excluded Person who wishes to contest their involuntary exclusion may request in writing an informal review by the Commission. This request for review shall fully state the reasons the Individual believes the involuntary exclusion was not supported by statute, Rule, procedure, or practice. The Commission's conclusion shall be final and binding on parties.
- (d) Nothing in this Rule shall prohibit an Operator from preventing Individuals from entering its Wagering Facility.

Rule 1F-006 Operator Duties

- (a) The Operator shall maintain ~~their~~ its own copies of the exclusion lists and shall establish Internal Controls to ensure that its copies of the lists are kept up to date. The Operator shall ~~retrieve~~ obtain the lists from the Commission in a secure and confidential manner, such as via SFTP, at minimum every seventy-two hours. The lists may only be accessed by Individuals authorized in accordance with the Internal Controls.
- (b) The Operator shall establish and implement Internal Controls to ensure that it, at minimum, undertakes commercially reasonable efforts to:
- (1) Prevent Voluntarily Excluded Persons and Involuntarily Excluded Persons from opening a new Wagering Account;
 - (2) Identify and suspend any Wagering Accounts of Voluntarily Excluded Persons and Involuntarily Excluded Persons;
 - (3) Seize any Winnings that accrue after an Individual’s Exclusion;
 - (4) Eject or refuse Voluntarily Excluded Persons and Involuntarily Excluded Persons from entry into a Wagering Facility;
 - (5) Refund any remaining Account balances to Voluntarily Excluded Persons and Involuntarily Excluded Persons provided the Operator acknowledges that the funds have cleared;
 - (6) Ensure that Voluntarily Excluded Persons and Involuntarily Excluded Persons receive targeted or personalized mailings, Advertisements, marketing materials, promotions, Player club materials, reward materials, or other promotional materials or incentives related to Wagering via any channel, including, but not limited to, U.S. Mail, email, text message, push notification, social media messaging, or phone. For purposes of this subparagraph, “targeted” means that materials or messages are sent directly to an address, email address, telephone number, or other contact associated with the excluded Individual on their application or in the Operator’s demographic record or files.
 - (7) Notify the Director in a manner prescribed by the Director if a Voluntarily Excluded Person or an Involuntarily Excluded Person is found in its Wagering Facility or attempting to place a Wager;
 - (8) in cooperation with the Commission, and where reasonably possible, determine the amount Wagered and lost by an Individual identified as a Voluntarily Excluded Person or an Involuntarily Excluded Person; and
 - (9) if a Player has pending Wagers prior to being excluded, handle these Wagers in accordance with the terms and conditions.
- (c) At the request of the Director or Commission, Operators shall identify the parties or entities with whom it shares Voluntarily Excluded Person and Involuntarily Excluded Person data, and the technical method(s) it uses to share the information securely.

- (d) Winnings seized from Voluntarily Excluded Persons and Involuntarily Excluded Persons and amounts Wagered and lost by such Persons shall be deemed unclaimed prizes under G.S. 18C-132(b).

- (e) Nothing in the Act or these Rules shall be construed to preclude an Operator from seeking the payment of a debt accrued by an Individual during a period when the Individual was not participating in the Voluntary Exclusion Program.

Staff Recommendations

Rule 1G-001 Wagering Account Requirements.

(a) The Operator shall adopt Internal Controls related to Account registration. An Individual shall have an established Wagering Account with the Operator to participate in Wagering over the Internet. Nothing in this Rule shall be interpreted to prohibit the Operator from accepting anonymous Wagers by a Wagering Kiosk or Ticket Writer Station within the Wagering Lounge.

(a) A Wagering Account shall only be established in the name of a Registered Player who is a natural person and may not be in the name of a beneficiary, custodian, joint trust, corporation, partnership, or another entity.

(b) An Operator shall collect the following ~~Personal Information~~ information from Players:

- (1) the Player's full legal name;
- (2) the Player's date of birth;
- (3) the Player's principal residential address, a post office box is not acceptable;
- (4) the Player's Social Security number, or the last four digits of the Social Security number, or an equivalent government identification number for a noncitizen, for example, a passport or taxpayer identification number; and
- (5) other information collected from the Player used to verify their identity and to prove the Player is not an Ineligible Person.

(c) During the Wagering Account registration process, the Player shall:

- (1) be denied the ability to register for an Account if they submit a birth date which indicates that they are an Underage Person;
- (2) if not all fields are "required," be informed on the Account application which information fields are "required," which are not, and what will be the consequences of not filling in the required fields;
- (3) agree to the terms and conditions and privacy policies of the Operator, ~~considering that the Operator may not, as a condition of registration, require a Registered Player to waive any right, forum, or procedure otherwise available to the Registered Player under State or federal law in accordance with~~ which shall comply with applicable law, including, but not limited to, G.S. 18C-910(i);
- (4) consent to the monitoring and recording of the use of their Account by the Operator and the Commission;
- (5) affirm that:
 - (A) the Player meets eligibility requirements for registration; and
 - (B) the Personal Information the Player is providing to open the Account is accurate; and

- (6) authorize the provision of notices and other required communications either through a designated mobile or other interface or to an electronic mail address designated by the Player
- (d) An Operator shall maintain an electronic Player file, which shall include the following for Wagering Accounts, as applicable:
- (1) The unique Wagering Account ID and username, if different;
 - (2) the information indicated in Paragraph ~~(b)~~ (c) of this Rule to register a Player and create the Account;
 - (3) the date and method of identity verification, including, where applicable, the document number of the government issued identification credential examined and its date of expiration, if applicable. If a government issued identification credential is not required for registration, the electronic record that details the process used to confirm the Player’s identity shall be recorded;
 - (4) the date of Player agreement to the terms and conditions and privacy policies;
 - (5) previous Wagering Accounts and reason for de-activation;
 - (6) the date and method from which the Wagering Account was registered;
 - (7) the date and time a Wagering Account is accessed by an Individual, including IP address;
 - (8) a history of financial transactions, including deposits, withdrawals, and Account adjustments;
 - (9) Account details and current balance, including restricted Wagering credits and unrestricted funds. Restricted Wagering credits and unrestricted funds that have a possible expiration shall be maintained separately; and
 - (10) the current status of the Wagering Account.
- (e) The following information maintained as part of the electronic Player file shall be encrypted ~~in transit and at rest~~ or hashed to other cryptographic algorithms as allowed by the Director:
- (1) the Registered Player’s government identification number, or portions thereof;
 - (2) the Registered Player’s previous and current passwords, pins, or other authentication credentials, including biometric information; and
 - (3) the Registered Player’s previous and current debit instrument numbers, debit card numbers, bank account numbers or other personal financial information.
- (f) An Operator may allow the Registered Player to update authentication credentials, registration information and the account used for financial transactions. A Multi-Factor Authentication process shall be used for these purposes.

Rule 1G-002 Age and Identity Verification.

- (a) The Operator shall put in place and utilize sufficient measures to verify the age and, identity, and other information of the Registered Player that is necessary for the remote, electronic establishment of Wagering Accounts.
- (b) The Operator is responsible for ensuring that only eligible Persons may create a Wagering Account, deposit funds, or participate in Sports Wagering or Pari-Mutuel Wagering through such Account. The Operator shall deny the ability to create a Wagering Account, deposit funds, or participate in Sports Wagering or Pari-Mutuel Wagering to an Ineligible Person. This Rule shall not be construed to prevent an Individual from creating a Wagering Account and depositing funds to an Account even if they are prohibited from placing certain wagers.
- (c) At the time of Account establishment, the Operator shall use electronic verification using one or more secure online databases, which government or business regularly use to verify and authenticate age and identity, or by examination of gover28-0nment-issued photo identification, or similar identified in the Operator’s Internal Controls, and the review of a supplemental, contemporaneous photograph of the Person to verify the Player’s name, date of birth, and government identification number, or portions thereof.
- (d) The following data shall be verified as an exact match before Players may initiate deposits, withdrawals and Wagering:
- (1) the Player’s last name;
 - (2) the Player’s date of birth; and
 - (3) the Player’s government identification number or credential, or portions thereof.
- (e) Operators shall ensure that reasonable measures to ensure the Person providing the identity information is truly the owner of the identity and that all identity information provided is accurate before a Player may initiate deposits, withdrawals, or Wagering. One of the following options is required:
- (1) correctly answer three dynamic knowledge-based questions compiled from public and private data including public records, credit reports, marketing data, and other recorded facts;
 - (2) verification that the Player’s phone number and email address match the information provided by the Player;
 - (3) valid government issued identification credential;
 - (4) verification that the Player’s device is associated with the user via historical location data and mobile phone identity authentication, or Multi-Factor Authentication; or

- (5) other methods approved by the Commission or Director.

- (f) The Operator shall refuse to establish an Account if it is found that the information supplied is untrue or incomplete.

- (g) An Operator shall use commercially available and demonstrable standards to confirm that an Individual attempting to create a Wagering Account is not an Ineligible Person and shall also use commercially available and demonstrable standards to prevent Wagers from being placed by an Ineligible Person.

- (h) An Operator shall re-verify a Player’s identification after it has or should have reasonable suspicion that the Player’s identification may have been compromised.

Staff Recommendations

Rule 1G-004 Terms and Conditions and Privacy Policies for Wagering Accounts.

- (a) All terms and conditions and privacy policies for Wagering Accounts shall be readily accessible to the Player before and after registration and noticed when materially updated beyond grammatical or other minor changes.
- (b) All terms and conditions for Wagering Accounts shall address aspects of the Operator, including, but not limited to:
- (1) a statement that only Individuals located in the authorized geographic boundaries within the State of North Carolina may place Wagers;
 - (2) a statement that Ineligible Persons are prohibited from Wagering;
 - (3) advice to the Player to keep their authentication credentials, including password and username, secure;
 - (4) all processes for dealing with lost authentication credentials, forced password changes, password strength and other related items as required by the Commission;
 - (5) full explanation of rules applicable to dormant Wagering Accounts, including the conditions under which an Account is declared dormant and what actions will be undertaken on the Account once this declaration is made;
 - (6) actions that will be taken on the Player’s pending Wagers placed prior to an exclusion or Suspension, including the return of Wagers, or settling Wagers, as appropriate;
 - (7) information about timeframes and limits regarding deposits to or withdrawals from Wagering Accounts, including a clear and concise explanation of fees, if applicable;
 - (8) statements indicating that the Operator has the right to:
 - (A) refuse to establish a Wagering Account for what it considers good and sufficient reason;
 - (B) refuse deposits to or withdrawals from Wagering Accounts for what it considers good and sufficient reason;
 - (C) unless there is a pending investigation or Player dispute, suspend or close a Wagering Account at any time pursuant to the terms and conditions between the Operator and the Player;
 - (9) statements indicating that the Players are prohibited from:
 - (A) transferring or selling an Account or Account balance;
 - (B) using a virtual private network or other technology that may obscure or falsify their physical location;
 - (C) allowing an unauthorized Person to access or use their Account; and
 - (D) collusion, cheating, or other unlawful activity.

(c) All privacy policies for Wagering Accounts shall address aspects of the Personal Information protection, including, but not limited to:

- (1) the Personal Information required to be collected;
- (2) the purpose and legal basis for Personal Information collection and of every processing activity for which consent is being sought;
- (3) the period in which the Personal Information is stored, or, if no period can be possibly set, the criteria used to set this;
- (4) the conditions under which Personal Information may be disclosed and the categories of third-party entities with whom the Operator shares such data;

(A) Upon written request of the Director or a Registered Player, the Operator shall identify the names of the third-party entities with whom the Operator shares Personal Information.

- (5) an affirmation that measures are in place to prevent the unauthorized or unnecessary disclosure of the Personal Information;
- (6) the identity and contact details on the Operator who is seeking the consent;
- (7) a statement that the Operator will not discriminate against an Individual because the Individual does not consent to the sale of their data;
- (8) instructions providing the Player with information about how to opt out of Operator’s data collection activities, subject to any exception as required by applicable law or regulation;
- (9) a statement that the Operator will honor the individual’s request for the Operator to delete or cease use of the Personal Information and other data collected concerning that individual and direct its agents and affiliates to do the same; the Operator may deny an Individual’s request to delete or cease use of the Personal Information if maintaining the Personal Information is necessary to:
 - (i) Perform any obligations under these Rules or the General Statutes.
 - (ii) Complete the transaction for which the Personal Information was collected, provide a good or service requested by the Individual, or reasonably anticipated within the context of a business’s ongoing business relationship with the Individual, or otherwise perform a contract between the business and the Individual.
 - (iii) Detect security incidents, protect against malicious, deceptive, fraudulent, or illegal activity; or prosecute those responsible for that activity.
 - (iv) Debug to identify and repair errors that impair existing intended functionality.
 - (v) To enable solely internal uses that are reasonably aligned with the expectations of the consumer based on the consumer’s relationship with the business.
 - (vi) Comply with any other legal obligation.

- (10) contact information for the Operator’s privacy office or officer, or a point of contact at the Operator for privacy-related questions; and
- (11) other privacy requirements specified by the Commission.

Staff Recommendations

Rule 1G-005 Responsible Gaming and Problem Gambling Information.

An Operator shall provide the following Commission-approved responsible gaming and problem gambling information that shall be readily accessible to a Player:

- (1) a Commission-approved telephone number(s) or website(s) that an Individual may use to obtain information about problem gambling and resources addressing addiction and compulsive behavior and where to seek assistance with these issues;
- (2) a notification that underage gambling is a criminal offense and that anyone who facilitates an Underage Person to place a Wager has committed a criminal offense and shall be prohibited from Sports Wagering and Pari-Mutuel Wagering;
- (3) a list of the available responsible gaming limits and restrictions that may be invoked by the Player, including a means to initiate a “break” or interruption in play to discourage excessive play, and information on how to invoke those measures;
- (4) a link to the Voluntary Exclusion Program and enrollment information;
- (5) mechanisms in place for Players to detect unauthorized use of their Wagering Account, including the Player reviewing financial statements against known deposits;
- (6) a method for filing a dispute with the Operator; and
- (7) a method for filing with the Commission an unresolved dispute after reasonable means to resolve the dispute with the Operator have been exhausted utilizing forms and, in the manner prescribed by the Commission.

Rule 1G-008 Account Deposits.

- (a) A Wagering Account may be funded using approved methods which shall produce a sufficient audit trail for verification of the source of the Wagers. Approved methods for funding Wagering Accounts include:
- (1) Cash;
 - (2) Cash Equivalents converted to Cash;
 - (3) credit cards and debit cards;
 - (4) electronic funds transfers (EFTs) including automated clearing house and other electronic methods;
 - (5) promotional or bonus credits;
 - (6) Winnings;
 - (7) adjustments made by the Operator with documented notification to the Player;
 - (8) a reloadable prepaid account or card, which has been verified as being issued to the Player and is nontransferable; and
 - (9) other forms of payment approved by the Commission including those which are initiated with Cash.
- (b) The Wagering Account shall be credited for deposits in accordance with the Internal Controls as submitted by the Operator and approved by the Commission.

Rule 1G-010 Account Withdrawals.

- (a) An Operator shall not restrict the Registered Player from withdrawing the Registered Player’s own funds or withdrawing Winnings from Wagers placed using the Registered Player’s own funds, whether the Account is open or closed, except as otherwise provided in these Rules, or other applicable state or federal laws.
- (b) An Operator shall use a mechanism that may detect and prevent withdrawal activity initiated by a Registered Player that would result in a negative balance of the Wagering Account.
- (c) An Operator shall not allow a Wagering Account to be overdrawn unless caused by payment processing issues outside the control of the Operator.
- (d) An Operator shall honor the Registered Player's request to withdraw funds within five Days after the request unless the conditions set forth in Paragraph (e) of this Rule are met.
- (e) The Operator may decline to honor a Registered Player's request to withdraw funds only if the Operator believes in good faith that the Registered Player engaged in fraudulent conduct, Event Corruption, or other conduct that would put the Operator in violation of the Act and these Rules. In these cases, the Operator shall:
 - (1) suspend the Registered Player’s Wagering Account and provide notice to the Registered Player; and
 - (2) conduct its investigation in a reasonable and expedient fashion, providing the Registered Player additional written notice of the status of the Wagering Account every fourteenth Day starting from the Day the original notice was provided to the Registered Player.
- (f) For purposes of this Rule, a request for withdrawal is considered honored if it is processed by the Operator apart from a delay by a payment processor, debit card issuer, ~~or~~ the custodian of a financial account, or ordinary course delays in the U.S. Mail for a mailed check.

Rule 1G-012 Account information.

On request of the Registered Player, the Operator shall provide a statement detailing Account activity for the past year, including Wagers, deposit amounts, withdrawal amounts, and bonus or promotion information, including amounts remaining for a pending bonus or promotion, and amounts released to the Registered Player.
Upon request, an Operator shall provide to a Registered Player an a written Account statement to each Registered Player via U.S. Mail or electronic mail on an annual basis.

Staff Recommendations

Rule 1G-015 Account Closure.

An Operator shall provide a conspicuous and readily accessible method for a Registered Player to close their Wagering Account through the Account management or similar page or through the Operator's customer support team.

- (1) Upon closure by the Registered Player, funds remaining in the Wagering Account shall be refunded to the Player, if pursuant to the Operator's internal controls the Operator acknowledges that the funds have cleared and no Commission investigation by the Commission or other government authority regarding the funds is pending.
- (2) As part of the of the Account closure process, the Registered Player shall be provided the opportunity to elect to have their Personal Information deleted or rendered no longer useable or accessible by the Operator, its agents, or its Affiliates. The Operator may deny such request from a Registered Player's if maintaining the Personal Information is necessary to:
 - (vii) Perform any obligations under these Rules or the General Statutes.
 - (viii) Complete the transaction for which the Personal Information was collected, provide a good or service requested by the Individual, or reasonably anticipated within the context of a business's ongoing business relationship with the Individual, or otherwise perform a contract between the business and the Individual.
 - (ix) Detect security incidents, protect against malicious, deceptive, fraudulent, or illegal activity; or prosecute those responsible for that activity.
 - (x) Debug to identify and repair errors that impair existing intended functionality.
 - (xi) To enable solely internal uses that are reasonably aligned with the expectations of the consumer based on the consumer's relationship with the business.
 - (xii) Comply with any other legal obligation.

Rule 1H-002 Facility Naming Rights.

~~(a) No Operator shall contract for or purchase the right to name a Sports Facility or racetrack, or any physical locations within the Sports Facility or racetrack, including but not limited to seating locations, luxury boxes, parking lots, concourses, track, playing field, court, golf holes, locker rooms, benches, concession stands, and the like.~~

~~(b) An Operator shall disclose to the public that it operates a Wagering Facility within the Sports Facility or racetrack. Notwithstanding Paragraph (a) of this Rule, the name of the Wagering Facility may bear or utilize the Operator's tradename.~~

Staff Recommendations

Rule 1H-003 Floor Plan.

- (a) The Operator shall establish and submit to the Director for approval a detailed floor plan of the Wagering Facility. The proposed floor plan shall detail:
- (1) a drawing to scale of the building Wagering Facility, and each floor thereof, in which Sports Wagering or Pari-Mutuel Wagering shall be conducted, at a scale sufficient to identify the information established in this Rule. The drawing shall depict:
 - (A) the total square footage of the Wagering Lounge;
 - (B) a diagram, outlined in red, of the proposed designated Wagering area on each floor within the building;
 - (C) the Wagering Lounge, including Wagering Windows;
 - (D) the locations and number of Wagering Kiosks, though the Wagering Facility may move Wagering Kiosks from one location to another with approval of the Director;
 - (E) Wagering Lounges that are, or are from time to time, a restricted Wagering Lounge, specifying the nature of the restrictions and when they will apply;
 - (F) the cage;
 - (G) the count room;
 - (H) the vault;
 - (I) other restricted areas; and
 - (J) all areas subject to surveillance.
 - (2) a certificate of compliance approved by the local fire and building officials which has been approved; and
 - (3) a written statement by the appropriate local official that handicapped access to the designated Wagering Facility has been provided; and
 - (4) when a Wagering Facility is located in a Sports Facility, a drawing depicting the location of the Wagering Facility within the Sports Facility.
- (b) A floor plan may be amended on request by the Operator and upon approval by the Commission or Director. A request shall be filed with the Director in writing at least five Days prior to the time for which implementation of the amendment is sought.

Rule 1H-007 Wagering Windows.

- (a) A Wagering Facility may have one or more Wagering Windows located in the Wagering Lounge or in other window locations as approved by the Commission. A Wagering Window shall:
- (1) be designed and constructed to provide maximum security for the materials stored and the activities performed therein, in a manner approved by the Director;
 - (2) include one or more Ticket Writer Stations, which shall:
 - (i) interface with the Wagering system for Wagers placed;
 - (ii) contain a permanently affixed number, which shall be visible to the Surveillance System;
 - (iii) contain manually triggered silent alarm systems, which shall be connected directly to the Surveillance Operation Room and the Commission office if required; and
 - (iv) contain full enclosures, unless funds are either secured in a drop safe or other means approved by the Commission or transferred to the vault or cage;
 - (3) provide for surveillance equipment capable of accurate visual monitoring and recording of activities; and
 - (4) require an emergency exit door that is not a mantrap to be alarmed.
- (b) A Wagering Window shall have access to a secure location, including a vault, to store funds issued by a cage to be used in the operation of Sports Wagering or Pari-Mutuel Wagering. The secure location shall:
- (1) be a fully enclosed room, located in an area not accessible to the public;
 - (2) have a metal door with a locking mechanism that shall be maintained and controlled by the Wagering manager responsible for the Wagering Lounge;
 - (3) have an alarm device that signals surveillance personnel if the door to the secure location is opened; and
 - (4) have surveillance equipment capable of accurate visual monitoring and recording of activities in the secure location.
- (c) A Wagering Window shall have an operating balance not to exceed an amount specified in the Internal Controls and approved by the Director. Funds in excess of the operating balance shall be transferred to the cage in a secured container by an employee of the counter with a Wagering Facility facility security officer. Prior to transporting the funds, Wagering Facility facility security personnel shall notify surveillance personnel that the transfer will take place. Surveillance personnel shall monitor the transfer. The funds shall be transferred with appropriate documentation as set forth in the Internal Controls.
- (d) The assets for which a Ticket Writer is responsible shall be maintained on an imprest basis. A Ticket Writer shall not permit another Person to access the Ticket Writer's imprest inventory.

(e) A Ticket Writer shall begin a shift with an imprest amount of currency and coin to be known as the "Wagering inventory." No funds shall be added to or removed from the Wagering inventory during a shift except:

- (1) in collection of Wagers;
- (2) to make change for a Player placing a Wager;
- (3) in collection for the issuance of Vouchers;
- (4) in payment of winning or properly canceled or refunded Wagers;
- (5) in payment of Vouchers;
- (6) to process deposits or withdrawals to or from a Wagering Account, where supported;
- (7) in exchanges with the cashier's cage, a satellite cage, or vault supported by proper documentation which documentation shall be sufficient for accounting reconciliation purposes; or
- (8) in payment of appeasement payments to resolve a dispute with a Player.

(f) A Wagering inventory slip shall be completed by the Wagering manager, and the following information shall be recorded thereon at the start of a shift:

- (1) the date, time, and shift of preparation;
- (2) the denomination of currency and coin in the Wagering inventory issued to the Ticket Writer;
- (3) the total amount of each denomination of currency and coin in the Wagering inventory issued to the Ticket Writer;
- (4) the Ticket Writer Station to which the Ticket Writer is assigned; and
- (5) the written or digital signature of the Wagering manager.

(g) A Ticket Writer assigned to a Ticket Writer Station shall count and verify the Wagering inventory at the vault or other approved location and shall reconcile the count to the Wagering inventory slip. The Ticket Writer shall sign the count sheet attesting to the accuracy of the information recorded thereon. The Wagering inventory shall be placed in a Ticket Writer's drawer and transported directly to the appropriate Ticket Writer Station by the Ticket Writer.

(h) If funds are transferred from the vault to a Ticket Writer, the Wagering manager responsible for the vault shall prepare a two-part writer transfer-out form. On completion of the form, the original shall be retained by the vault manager and the duplicate shall be retained by the Ticket Writer. The form shall include the:

- (1) date and time of the transfer;
- (2) designation of the vault location;
- (3) Ticket Writer Station to where the funds are being transferred;

- (4) amount of each denomination being transferred;
- (5) total amount of the transfer;
- (6) written or digital signature of the preparer of the transfer;
- (7) written or digital signature of the manager verifying and issuing the funds; and
- (8) written or digital signature of the Ticket Writer verifying and receiving the funds.

(i) If funds are transferred from the Ticket Writer to a vault, a two-part writer transfer-In form shall be prepared in a manner outline in the Operator's Internal Controls. Upon completion of the form, the original shall be retained by the Ticket Writer and the duplicate shall be immediately returned with the funds to the vault. The form shall include the:

- (1) date and time of the transfer;
- (2) designation of the vault location to where the funds are being transferred;
- (3) Ticket Writer Station from which the funds are being transferred;
- (4) amount of each denomination being transferred;
- (5) total amount of the transfer;
- (6) written or digital signature of the Ticket Writer verifying and sending the funds to the vault; and
- (7) written or digital signature of the manager verifying and receiving the funds.

(j) At the conclusion of a Ticket Writer's shift, the Ticket Writer's drawer and its contents shall be transported directly to the vault or to a location in the Wagering Window approved by the Director where the Ticket Writer shall count the contents of the drawer and record on the Wagering inventory slip the:

- (1) date, time, and shift of preparation;
- (2) denomination of currency and coupons in the drawer;
- (3) total amount of each denomination of currency and coupons in the drawer;
- (4) total of the writer transfer-out forms;
- (5) total of the writer transfer-in forms;
- (6) total amount in the drawer; and
- (7) written or digital signature of the Ticket Writer.

(k) The Wagering manager shall compare the Ticket Writer closing balance to the Wagering inventory slip total, record over or short amounts, and sign the Wagering inventory slip.

(l) If the Wagering Inventory Slip lists an overage or shortage, the Ticket Writer and the Wagering manager shall attempt to determine the cause of the discrepancy in the count. If the discrepancy cannot be resolved, a discrepancy shall be reported to surveillance personnel and the Wagering manager or supervisor in charge at

the time. Discrepancies in excess of five hundred dollars (\$500.00) shall be reported to the Commission. This report shall include the:

- (1) date on which the discrepancy occurred;
- (2) shift during which the discrepancy occurred;
- (3) name of the Ticket Writer;
- (4) name of the Wagering manager;
- (5) Ticket Writer Station number; and
- (6) amount of the discrepancy.

(m) If funds are transferred from the vault to the cashier's cage, the Wagering manager responsible for the vault shall prepare a two-part vault transfer-out form. On completion of the form, the original shall be retained by the vault manager and the duplicate shall be transferred with the funds to the cashier's cage. The form shall include the:

- (1) date and time of the transfer;
- (2) designation of the vault location;
- (3) designation of the cage location;
- (4) amount of each denomination being transferred;
- (5) total amount of the transfer;
- (6) written or digital signature of the preparer of the transfer;
- (7) written or digital signature of the vault manager verifying and issuing the funds; and
- (8) written or digital signature of the cage cashier verifying and receiving the funds.

(n) If funds are transferred from the cashier's cage to a vault, a two-part vault transfer-in form shall be prepared. On completion of the form, the original shall be retained by the cage cashier and the duplicate shall be transferred with the funds to the vault. The form shall include the:

- (1) date and time of the transfer;
- (2) designation of the vault location to which the funds are being transferred;
- (3) cashier location from which the funds are being transferred;
- (4) amount of each denomination being transferred;
- (5) total amount of the transfer;
- (6) written or digital signature of the cage cashier verifying and sending the funds to the vault; and
- (7) written or digital signature of the vault manager verifying and receiving the funds.

(o) In lieu of separate Wagering Windows with live Ticket Writers, cage personnel may write and Cash Tickets.

Rule 1H-013 Cashiers, Windows, and Cages

- (a) The Wagering Facility shall have within or immediately adjacent to the Wagering Lounge a physical structure known as a cashiers' cage (cage) to house the cashiers. A Wagering Facility may also have within or immediately adjacent to the Wagering Lounge, one or more satellite cages.
- (b) A cage or satellite cage shall be fully enclosed and shall, at a minimum:
- (1) perform financial transactions related to Sports Wagering or Pari-Mutuel Wagering;
 - (2) be designed and constructed to provide maximum security for the materials stored and the activities performed therein. This design and construction shall be approved by the Commission;
 - (3) include openings at one or more numbered cashier windows, each of which shall contain a cashier's drawer and through which financial transactions related to Sports Wagering or Pari-Mutuel Wagering will be conducted;
 - (4) include manually triggered silent alarm systems, which shall be connected directly to the surveillance and the Wagering Facility facility security monitoring rooms;
 - (5) provide for surveillance equipment capable of accurate visual monitoring and recording of activities; and
 - (6) include a mantrap if the cage or satellite cage secure assets, including, but not limited to, currency having a value greater than an amount established by the Director. The outer door of the mantrap shall be controlled by Wagering Facility facility security personnel and the inner door shall be controlled by accounting personnel or another department personnel approved by the Director that are not the same as the personnel controlling the outer door. The doors of the mantrap shall have separate and distinct locking mechanisms on doors of the double door entry and exit system. The mantrap shall be subject to continuous surveillance coverage.
- (b) A cage or satellite cage may have one or more service windows to serve as a location in the Wagering Facility facility to conduct financial transactions. These windows shall be designed and constructed in accordance with this Rule, and access shall be controlled by an accounting supervisor.
- (c) If approved paperless systems are not in use, the Internal Controls shall require that documents regarding the funds stored in cages shall be transported between cages in a secure manner approved by the Commission and with Wagering Facility facility security personnel.
- (d) A Wagering Facility shall have on hand in the cage, or readily available including in a restricted bank account or by bond, a reserve of Cash to pay winning Players.
- (e) A cashiers' cage and any satellite cage shall be segregated by personnel so that no single Person has both control and approval for any aspects of cage operations is maintained.

- (f) A qualified supervisor may perform the functions of a cashier provided that the functions are not incompatible with proper separation of duties outlined in Internal Controls . A supervisor shall not operate from another cashier or supervisor's imprest inventory.
- (1) The assets for which a general cashier is responsible shall be maintained on an imprest basis. A general cashier shall not permit another Person to access their imprest inventory. General cashier functions shall include, but are not limited to:
- (A) Performing check consolidations, total or partial redemptions, or substitutions for Players;
 - (B) Receiving Cash, authorized Cash Equivalents and authorized electronic transfers from Players in exchange for currency or Wagering Vouchers;
 - (C) Performing deposit and withdrawal transactions for Wagering Accounts, where supported;
 - (D) Processing exchanges with cashiers, supported by documentation with written or digital signatures thereon, for the effective segregation of functions in the cashiers' cage;
 - (E) Receiving Wagering Tickets or Vouchers from Players or authorized employees in exchange for Cash;
and
 - (F) Exchanging and reconciling imprest funds used by attendants, including imprest change/pouch payout funds.
- (1) The Wagering Facility may consolidate the cashier functions if the cashier is qualified to perform functions and performs no functions incompatible with proper separation of duties outlined in Internal Controls.

Rule 1H-014 Surveillance System and Procedures

The Wagering Facility shall install, maintain, and operate a Surveillance System that has the capability to monitor and record continuous unobstructed views of Wagering and financial transactions as well as dynamic displays of Wagering information. In addition, Internal Controls shall ensure there is general surveillance coverage for other areas of the Wagering Facility in a manner approved by the Director with exclusions for areas where Player privacy is expected including bathrooms and changing rooms.

- (1) The Surveillance System shall:
 - (a) have the capability to display camera views on a monitor;
 - (b) record camera views; and
 - (c) time stamp all recordings with the current local time which shall be synchronized to the official United States Naval Observatory Master Clock.

- (2) The Surveillance System shall be maintained and operated from a Surveillance Operation Room or, when authorized by the Commission, a secured location, including a locked cabinet.
 - (a) The Surveillance Operation Room shall be secured to prevent unauthorized entry.
 - (b) The location of the Surveillance Operation Room shall ensure that the interior is not visible to the public or other employees who do not work in the surveillance room.
 - (c) Access to the Surveillance Operation Room shall be limited to surveillance personnel, the Commission, and other authorized Persons.
 - (d) Surveillance Operation Room access logs shall be maintained, recording entries and exits.
 - (e) Personal recording devices are not permitted in the Surveillance Operation Room. This includes, but is not limited to, cameras, video recorders, and mobile phones.
 - (f) Surveillance Operation Room equipment shall have total override capability over other satellite surveillance equipment.

- (3) In the event of power loss to the Surveillance System, alternative ~~Wagering Facility facility~~ security procedures, including additional supervisory or facility security personnel, shall be implemented immediately.

- (4) The Surveillance System shall record an accurate date and time stamp on recorded events. The displayed date and time shall not significantly obstruct the recorded view.

- (5) All surveillance employees shall be trained in the use of the equipment and about the Wagering Rules.

(6) A periodic inspection of the Surveillance Systems shall be conducted. When a dedicated camera stops providing coverage in the Wagering Lounge, the coverage failure and required repairs shall be documented, and repairs initiated within seventy-two hours.

(a) If a dedicated camera stops providing coverage, alternative ~~Wagering Facility facility~~ security procedures, including additional supervisory or facility security personnel, shall be implemented immediately.

(b) The Commission shall be notified in writing of a coverage failure for more than twenty-four hours and whenever the alternative ~~Wagering Facility facility~~ security measures are implemented.

(7) Surveillance coverage shall be provided for the following areas as follows:

(a) For public entrances to the Wagering Facility:

(i) Entrances shall have sufficient coverage that two or more cameras shall be able to positively identify a Person entering.

(ii) ~~Wagering Facility Facility~~ security check-in points at the entrances shall have a dedicated camera to capture an unobstructed facial view of Persons entering the Wagering Facility.

(b) For non-public entrances to the Wagering Facility, including loading docks and emergency exits:

(i) Entrances shall have sufficient surveillance coverage such that there are two or more cameras with sufficient image quality to be able to positively identify a Person entering.

(ii) Employee entrances shall be secured either via the use of digitally controlled access systems or by in-person verification conducted by facility security personnel.

(iii) Internal Controls shall be in place requiring that employees entering the Wagering Facility be identifiable and of sufficient quality to positively identify a Person entering.

(c) For restricted areas of the Wagering Facility:

(i) All restricted areas shall have surveillance coverage sufficient that Persons in the area can be clearly identified.

(ii) All restricted areas shall have sufficient coverage and resolution such that controlled equipment and currency and currency equivalents are identifiable.

(iii) All restricted areas shall have additional camera coverage sufficient to provide asset protection as approved by the Commission.

(iv) Access to coverage of the Surveillance Operation Room is limited to senior management and the Commission.

- (d) For Wagering Lounges:
 - (i) The Surveillance System shall monitor and record general activities, to include the Ticket Writer and cashier areas, with Sufficient Clarity to identify the personnel performing the different functions.
 - (ii) All Wagering Lounges shall have sufficient coverage that a Player may be tracked throughout the entirety of the Wagering Lounge.

- (e) For Ticket Writer Stations:
 - (i) All Ticket Writer Stations shall have sufficient coverage to identify currency amounts.
 - (ii) Ticket Writer Stations that may be used for placing Wagers shall have surveillance coverage sufficient to identify the Player and employee involved in the transaction.
 - (iii) Surveillance personnel shall have access to the Ticket Writer Stations to access transaction amounts.

- (f) For all exits from the Wagering Facility:
 - (i) Exits shall have sufficient coverage that two or more cameras shall be able to positively identify a Person exiting.

- (g) For Wagering Kiosks, the Surveillance System shall monitor and record a general overview of activities occurring at the Kiosks with accurate time stamps and Sufficient Clarity to identify the activity and the Individuals performing it, including maintenance, drops or fills, and redemption of Wagering Tickets or Vouchers.

- (h) For the cage and vault:
 - (i) The Surveillance System shall monitor and record a general overview of activities occurring in the cage and vault areas with accurate time stamps and Sufficient Clarity to identify Individuals within the cage and Players and staff members at the window areas and to confirm the amount of Cash transactions;
 - (ii) Cashier stations shall be equipped with one dedicated overhead camera covering the transaction area; and
 - (iii) The cage or vault area in which exchange and transfer transactions occur shall be monitored and recorded by a dedicated camera or motion activated dedicated camera that provides coverage with Sufficient Clarity to identify the amounts on the exchange and transfer documentation. Amounts provided by a computerized exchange and transfer system constitute an adequate alternative to viewing the amounts on the exchange and transfer documentation.

- (i) For count rooms, the Surveillance System shall:
 - (i) Monitor and record with Sufficient Clarity a general overview of areas where Cash or Cash Equivalents may be stored or counted; and
 - (ii) Provide coverage of count equipment with Sufficient Clarity to view attempted manipulations of the recorded data.

- (j) All machines capability of dispensing Cash shall have sufficient coverage to view the transition and the currency amount being dispensed and the Individuals at the machine.

Staff Recommendations

Rule 1H-015 Facility Security Procedures

- (a) The Internal Controls shall include appropriate ~~Wagering Facility facility~~ security procedures to enable a suitable response to a security issue within the Wagering Lounge and prevent a Person from tampering with or interfering with the operation of Sports Wagering or Pari-Mutuel Wagering.
- (b) The Wagering Facility shall establish provisions describing the duties and operation of its facility security department, which shall include details relative to the design, construction, and location of primary and secondary armored car routes, including provisions for the security of these routes.
- (c) The Wagering Facility shall use an incident reporting system to document incidents and activities within the Wagering Facility.
- (1) Facility security procedures approved by the Directors shall be implemented for reporting:
- (A) an Individual engaged in, attempting to engage in, or suspected of cheating, theft, embezzlement, or other illegal activities;
- (B) an Individual possessing a firearm, electronic control device, dangerous weapon, or other device or object prohibited under the Act and these Rules;
- (C) an Individual in the Wagering Lounge who is a prohibited Person, impaired due to alcohol or other substance ingestion, or a potential victim of human trafficking;
- (D) all camera, system or recording outages;
- (E) routine tasks accomplished by ~~Wagering Facility facility~~ security or surveillance personnel at the request of another team; and
- (F) suspicious incidents observed.
- (2) Violations of the Act or these Rules shall be identified in the incident reporting system.
- (3) The Commission and the Director shall have real-time read-only access to the incident reporting system.
- (4) The incident reporting system shall be capable of generating reports that detail incident types and these reports shall be delivered to the Commission or Director on request or as required on a schedule set by the Commission or Director.
- (5) The incident reporting system shall be in an electronic format equipped with software that prevents modification of an entry after it has been initially entered into the system.
- (6) The incident reporting system shall document the:

- (A) assignment number of the incident;
 - (B) incident category or type;
 - (C) date and time;
 - (D) name and position of the Individual(s) documenting and responding to the incident;
 - (E) nature of the incident; and
 - (F) resolution of the incident.
- (7) All recordings required by this Rule shall be retained for a minimum retention period of thirty Days. Suspected crimes, recordings of Player disputes subject to Rule 1D-021, illegal activity, or detentions by Wagering Facility facility security personnel discovered within the initial retention period shall be copied and retained for a period not less than five years.
- (8) At minimum, all security video recordings shall be retained for a minimum of 15 days.

Staff Recommendations

Subchapter I – Advertising and Marketing

Rule 11-001 Advertising and Marketing Generally.

- (a) The Operator shall ensure that its Advertisements, marketing, branding, and other promotional materials published, aired, displayed, disseminated, or distributed by or on behalf of any Operator:
- (1) disclose the identity of the Operator and its brand.
 - (2) contain a statement that Underage Persons are not allowed to Wager, or a statement that Underage Persons are not allowed to open or have access to Wagering Accounts.
 - (3) do not include or depict:
 - (i) Underage Persons, except live footage or images of professional athletes who may be Underage Persons in permitted Wagering Events;
 - (ii) college students or those wearing collegiate-affiliated apparel;
 - (iii) schools or colleges; or
 - (iv) school or college settings.
 - (4) do not state or imply endorsement or participation by:
 - (i) Underage Persons, other than professional athletes who may be Underage Persons;
 - (ii) colleges; or
 - (iii) college athletic associations.
 - (5) do not target Underage Persons, other Ineligible Persons, Individuals with gambling problems, or other vulnerable Individuals.
 - (6) if sent via phone, mail, email, or other electronic communication, include a means for the receiver to opt out of a phone, mail, email, or other electronic communication advertising or marketing distribution list, where the advertising and marketing was sent directly to the recipient using these lists.
- (b) Incidental depiction of nonfeatured Persons, locations, settings, or organizations listed in Subparagraph (a)(3) of this Rule does not violate this Rule.

Rule 11-002 Advertising to Underage Persons Prohibited

- (a) Advertising, marketing, ~~branding~~, and other promotional materials published, aired, displayed, disseminated, or distributed by or on behalf of any Operator shall state that Players shall be twenty-one years of age or older to participate.
- i) This requirement does not apply to the display of a logo that does not include additional inducements to Wagering.
 - ii) The Commission may provide for alternative methods of stating that Wagering is limited to individuals at least 21 years old when the nature, size, or placement of the Advertising make it impractical or impossible to include such messaging within the Advertising itself. The Commission may establish “safe harbors” for alternative methods for such messaging and the Director may approve alternative methods outside of those safe harbors on a case-by-case basis.
- (b) No Operator shall allow, conduct, or participate in any advertising, marketing, or branding for Wagering that is aimed at Underage Persons.
- (c) No advertising, marketing, branding, and other promotional materials published, aired, displayed, disseminated, or distributed by or on behalf of any Operator shall contain images, symbols, celebrity or entertainer endorsements, music, or language that appeal primarily to an audience below the age of 21 or have been used primarily in connection with media or other programming specifically targeted at Underage Persons. Materials that broadly appeal to people regardless of age, such as sports team mascots, are not considered to be specifically targeted at Underage Persons absent clear and compelling evidence to the contrary.
- (d) No advertising, marketing, branding, and other promotional materials published, aired, displayed, disseminated, or distributed by or on behalf of any Operator shall be placed, published, aired, displayed, disseminated, or distributed:
- (1) in media outlets, including social media platforms, that are used primarily by Underage Persons;
 - (2) at events aimed at Underaged Persons or where twenty-five percent or more of the audience is reasonably expected to be Underaged Persons, unless such advertising is static and permanently affixed at a location that hosts events that generally cater to persons who are of legal age to Wager;
 - (3) at any elementary, middle, or high school, or at any sports venue exclusively used for such schools; or
 - (4) on any college or university campus, or in college or university news outlets such as school newspapers and college or university radio or television broadcasts; however, this prohibition shall not apply to generally available advertising, including television, radio, and digital advertising.

- (e) Operator-owned websites and profiles that include Wagering content, including social media platforms, shall include a message, such as “21+”, regarding the legal age for Wagering in the State.
- (f) No Wagering Advertisements, including logos, trademarks, or brands, shall be used, or licensed for use, on products, clothing, toys, games, or game equipment designed or intended for Underage Persons.
- (g) The knowing use of Wagering brands, Advertisements, logos, or trademarks is prohibited on products that are sold in North Carolina and intended primarily for Underage Persons.

Staff Recommendations

Rule 11-003 No Direct Advertising to Voluntarily Excluded ~~Players~~ Persons

- (a) No Operator shall allow, conduct, or participate in any advertising, marketing, or branding for Wagering that is aimed at Persons who have enrolled in the Voluntary Exclusion Program pursuant to G.S. 18C-922.

- (b) No Operator shall direct mail, text, or electronic messages ~~or unsolicited pop-up Advertisements on the Internet~~ to an Individual in the Voluntary Exclusion Program or shall allow any employee or agent of the Operator, or Affiliated entity or a third party pursuant to contract, to take such actions.

Staff Recommendations

Rule 11-004 Disclosure of Operator; Operator Ultimately Responsible

- (a) Advertisements, promotions, and marketing messages used by an Operator or disseminated for the benefit of an Operator shall disclose the identity of the Operator.
- (b) Each Operator shall be responsible for the content and conduct of any and all advertising, marketing, or branding done on its behalf or to its benefit whether conducted by the Operator, an employee or agent of the Operator, or an Affiliated entity or a third party pursuant to contract, regardless of whether such party is also required to be Licensed.
- (c) Each Operator shall provide a copy of the regulations contained herein to all advertising, marketing, branding and promotions personnel, contractors, agents, and agencies retained by the Operator or its agents and shall ensure and require compliance herewith.
- (d) Where an Operator or its agent engages a third-party Individual or entity to create or distribute social media content to advertise, market, or promote the Operator, social media messages or posts shall disclose the existence of the business relationship. Such disclosure may be included in the social media profile of the third-party Individual or entity.
- (e) Each Operator shall be responsible for the content and conduct of any and all advertising, marketing, and branding done on its behalf or to its benefit, whether conducted by such Operator, an employee or agent of such Licensee, or an Affiliated entity or agent of such Operator pursuant to contract or agreement.
- (f) No Operator shall advertise forms of illegal gambling in the State, unless the Advertisement disclaims conspicuously that the Wagering offerings are not available in the State.
- (g) No Operator may enter into an agreement with a third party to conduct advertising, marketing, or branding on behalf of, or to the benefit of, such Operator when compensation for such services is dependent on, or related to, the volume of Players, Wagers placed or the outcome of Wagers. if the third party's compensation for such services is determined in whole or in part by a percentage of net sports wagering revenue that an Operator generates from users that the third party directs or causes to be directed to the Operator or the Operator's Interactive Sports Wagering Platform.

Rule 11-005 Information to Promote Responsible Gaming.

- (a) Advertising, marketing, branding, and other promotional materials published, aired, displayed, disseminated, or distributed by or on behalf of any Operator shall include a link to and phone number for the North Carolina Problem Gambling Helpline or other Commission-approved number or problem gambling resource using language provided by the Commission and such other information regarding responsible gaming as required by the Commission (“Responsible Gaming Messaging”). This subsection does not apply to static advertising, such as the display of a logo, that does not contain additional inducements to Wagering.
- (b) Such advertising, marketing, branding, and other promotional materials shall not use a font, type size, location, lighting, illustration, graphic depiction, or color obscuring conditions or limiting factors associated with the Advertisement of such Problem Gambling Helpline information. If an Advertisement is of insufficient size or duration to provide the information required, the Advertisement shall refer to a website or application that prominently includes this information.
- (c) For digital billboards, Responsible Gaming Messaging shall be visible for the entire time the rest of the Advertisement is displayed.
- (d) The Commission may authorize alternative methods of providing Responsible Gaming Messaging when the nature, size, or placement of the Advertising make it impractical or impossible to include the Responsible Gaming Messaging within the Advertising itself. Any alternative methods for providing the Responsible Gaming Messaging must be approved by the Commission. The Commission or Director may establish “safe harbors” for alternative methods for providing the Responsible Gaming Messaging and the Director may approve alternative methods outside of those safe harbors on a case-by-case basis.

Rule 11-008 Opt-Out from Direct Marketing

- (a) Each direct Advertisement, marketing, branding, or other promotional materials about Wagering shall clearly and conspicuously describe a method by which an Individual may opt out of receiving future direct Advertisements.
- (b) An Operator shall honor any request to opt out as soon as practicable and, in any event, no later than ten Days from the date of such request. If a direct Advertisement is sent via electronic mail, the described opt-out method shall include either an electronic mail address that will accomplish such opt-out or a link to an online website address at which such opt-out may be accomplished as simply as practicable.
- (c) A direct Advertisement sent other than by electronic mail shall include at least one of the following methods to opt out:
- (1) telephone;
 - (2) regular United States mail;
 - (3) online website address or mobile application at which such opt-out may be accomplished as simply as practicable; or
 - (4) electronic mail.

Rule 2C-004 Data Sources for Sports Wagering.

- (a) An Operator shall report to the Commission and Director the Data Sources that it uses to resolve Sports Wagers. The Commission may disapprove of a Data Source for any reason.
- (b) Data Sources shall be subject to the following conditions:
- (1) The Data Source and corresponding data shall be complete, accurate, reliable, timely, and available.
 - (2) The Data Source shall be appropriate to settle the category of Sporting Events and Wager Types for which it is used.
 - (3) The proprietor or manager of a Data Source that provides data directly to an Operator shall be Licensed by the Commission as a Supplier.
 - (4) The Data Source and corresponding data shall meet other conditions set by the Commission.
- (c) Operators are not required to use Official League Data for determining:
- (1) the results of Tier One Sports Wagers on Sporting Events of an organization whether headquartered in the United States or elsewhere; or
 - (2) the results of Tier Two Sports Wagers on Sporting Events of organizations that are not headquartered in the United States.
- (d) A Sports Governing Body headquartered in the United States may notify the Commission that it desires Operators to use Official League Data to settle Tier Two Sports Wagers on Sporting Events of the Sports Governing Body. Notification shall be made in the form and manner as the Commission may require and shall include:
- (1) identification information for the Sports Governing Body;
 - (2) identification and contact information for an Individual who will be the primary point of contact for issues related to the provision of Official League Data and compliance with the Act and these Rules;
 - (3) identification and contact information for designees that are or will be expressly authorized by the Sports Governing Body to provide Official League Data in North Carolina;
 - (4) copies of contracts relevant to the provision of Official League Data in North Carolina, including:
 - (A) copies of contracts between the Sports Governing Body and designees that are or will be expressly authorized by the Sports Governing Body to provide Official League Data in North Carolina; and

- (B) copies of contracts between the Sports Governing Body or its designees and Sports Wagering Operators in North Carolina;
 - (C) a description of the Official League Data the Sports Governing Body desires to provide; and
 - (5) other information required by the Commission.
- (e) A Sports Governing Body may not submit a notification under Paragraph (d) of this Rule unless the Commission has authorized Operators to accept Tier Two Sports Wagers on athletic events of the Sports Governing Body.
- (f) The Director shall notify Operators of a Sports Governing Body's notification within five Days of the Commission's receipt of the notification. If a Sports Governing Body does not so notify the Commission, an Operator is not required to use Official League Data for determining the results of Tier Two Sports Wagers on Sporting Events of that Sports Governing Body.
- (g) Within sixty Days of the Commission notifying Operators of a Sports Governing Body notification to the Commission, or longer period as may be agreed between the Sports Governing Body and the applicable Operator, Operators shall use only Official League Data to determine the results of Tier Two Sports Wagers on Sporting Events of that Sports Governing Body, unless:
- (1) The Sports Governing Body or its designee cannot provide a data feed of Official League Data to determine the results of a particular type of Tier Two Sports Wager, in which case Operators are not required to use Official League Data for determining the results of the applicable Tier Two Sports Wager until a data feed becomes available from the Sports Governing Body on commercially reasonable terms and conditions;
 - (2) An Operator demonstrates to the Commission that the Sports Governing Body or its designee will not provide a data feed of Official League Data to the Operator on commercially reasonable terms and conditions; or
 - (3) The designee of the Sports Governing Body does not obtain a Supplier License from the Commission to provide Official League Data to Operators to determine the results of Tier Two Sports Wagers, if and to the extent required by law.
- (h) Beyond the 60-day period referenced in Paragraph (g), an Operator may demonstrate at any time that the Sports Governing Body or its designee will not provide a data feed of Official League Data to the Operator on commercially reasonable terms and conditions, provided the parties have engaged in good-

faith negotiations in connection with Official League Data and the Operator provides prior written notice to the Sports Governing Body.

(i) During the pendency of the Commission's determination as to whether a Sports Governing Body or its designee will provide a data feed of Official League Data on commercially reasonable terms, an Operator is not required to use Official League Data for determining the results of Tier Two Sports Wagers. The Commission's determination shall be made within sixty Days of the Operator providing the Commission with documentation that the Operator believes demonstrates that the Sports Governing Body or its designees will not provide a data feed of Official League Data to the Sports Wagering Operator on commercially reasonable terms. The following is a non-exclusive list of factors the Commission may consider in evaluating whether Official League Data is being offered on commercially reasonable terms and conditions for purposes of this Rule:

- (1) the extent to which Operators have purchased the same or similar Official League Data on the same or similar terms, particularly in jurisdictions where a purchase was not required by law, or was required by law, but only if offered on commercially reasonable terms.
- (2) the nature and quantity of the Official League Data, including its speed, accuracy, reliability, and overall quality, as compared to comparable non-official data.
- (3) the quality and complexity of the process used to collect and distribute the Official League Data as compared to comparable non-official data.
- (4) the availability of a Sports Governing Body's Tier Two Official League Data to an Operator from more than one authorized source.
- (5) market information, including price and other terms and conditions, regarding the purchase by Operators of comparable data to settle Sports Wagers in this State and other jurisdictions.
- (6) the extent to which Sports Governing Bodies or their designees have made data used to settle Tier Two Sports Wagers available to Operators and terms and conditions relating to the use of that data.
- (7) other information the Commission considers relevant.

(j) At any time, a Sports Governing Body may give written notification to the Commission and Operators to which the Sports Governing Body or its designee provides Official League Data that the Sports Governing Body intends to stop providing Official League Data. The written notification shall specify in the date on which the Sports Governing Body shall stop providing Official League Data. The date shall be no fewer than seven Days later than the date of the written notification. On receipt of the written notification, an Operator may use any Data Source that meets the requirements of Paragraph (b) of this Rule to determine the results of Tier Two Sports Wagers on athletic events of the Sports Governing Body.

(k) A Sports Governing Body on whose Sporting Events Sports Wagering is authorized may enter into commercial agreements with Operators or other entities in which the Sports Governing Body may share in the amount bet from Sports Wagering on Sporting Events of the Sports Governing Body. A Sports Governing Body is not required to obtain a License or another approval from the Commission to lawfully accept these amounts.

Staff Recommendations

Rule 2C-005 Cooperation with Investigations; Confidentiality of Certain Reported Information.

(a) The Commission and Responsible Parties shall cooperate with investigations conducted by law enforcement agencies, Sports Governing Bodies or the equivalent, using commercially reasonable efforts to provide or facilitate the provision of Account-level Sports Wagering information. Disclosures under this Rule are subject to a Responsible Party's obligations to comply with federal, state, and local laws and regulations, including those relating to privacy and Personal Information.

(b) If a Sports Governing Body or the equivalent notifies the Commission that real-time information sharing for Wagers placed on its Sporting Events is required and desirable, Operators shall share with that Sports Governing Body or the equivalent or its designee in real-time, at the Account level:

- (1) anonymized information regarding an Individual who places a Wager;
- (2) the amount and Wager Type;
- (3) the time the Wager was placed;
- (4) ~~the location of the Wager,~~ relevant location information, including the the Internet Protocol address if applicable;
- (5) the outcome of the Wager; and
- (6) records of Abnormal Wagering Activity.

(c) For purposes of Paragraph (b) of this Rule, "real-time information sharing" means the sharing of information at a commercially and technologically reasonable periodic interval of not less than once every seventy-two hours.

(d) A Sports Governing Body or the equivalent may use the information described by Paragraph (b) of this Rule solely for Sports Wagering integrity purposes.

(e) An Operator shall maintain the confidentiality of information provided by a Sports Governing Body or the equivalent to the Operator unless disclosure is required by this Chapter, the Commission, Director, law, or court order.

(f) The Commission, Director, Sports Governing Bodies or the equivalent, and Operators shall maintain the confidentiality of information relating to conduct described in Paragraph (b) of this Rule unless disclosure is required by these Rules, other law, or court order, or as authorized by the relevant Sports Governing Body or equivalent.

(g) The Commission shall maintain the confidentiality of information provided by Responsible Parties for compliance purposes unless disclosure is required by these Rules, other law, or court order.

(h) The Commission, Director, and Responsible Parties may disclose confidential information to another Responsible Party, a Sports Governing Body or the equivalent, a Sports Wagering regulating entity, a law enforcement entity, or other party to prevent or investigate potential Event Corruption.

Staff Recommendations

Rule 2C-012 Daily Summary.

The Operator shall provide to the Director a daily summary of Sports Wagering Activity within the State, detailing transactions processed through the Sports Wagering System, provided in a format required by the Director, ~~at~~ after the close of the Gaming Day within a time determined by the Director.

Staff Recommendations

Rule 2D-003 Integration Requirements.

- (a) The Operator shall be responsible for the Sports Wagering realized through other Service Providers and Suppliers, and other Operators where applicable.

- (b) The servers and other equipment of Service Providers and Suppliers critical to the Operator’s sports wagering platform and operations will be considered as part of the Operator’s Sports Wagering System and shall comply with the specifications provided in these Rules.

- (c) The Operator shall guarantee that an integration with the critical servers and other equipment of another Operator is realized in a way that complies with the specifications provided in these Rules.

- (d) An Independent Testing Laboratory shall conduct integration testing and certification for the critical ~~services which comprise servers and other equipment with~~ the Operator’s Sports Wagering System prior to its deployment and as requested by the Commission or Director.

Staff Recommendations

Rule 2D-005 Geolocation Requirements.

Sports Wagers shall be initiated, received, and otherwise placed in the authorized geographic boundaries within the State of North Carolina and may not be intentionally placed or routed outside the State. The authorized geographic boundaries shall be made available by the Director and shall not include Indian Lands. Consistent with the intent of the United States Congress as articulated in the Unlawful Internet Gambling Enforcement Act of 2006, 31 U.S.C. § 5361, the intermediate routing of electronic data relating to intrastate Sports Wagering authorized under the Act and these Rules shall not determine the location in which Sports Wagers are initiated and received.

(1) The Operator shall use geolocation services to

- (a) ensure that the Registered Player is located in the authorized geographic boundaries within the State of North Carolina when placing a Sports Wager;
- (b) monitor and block unauthorized attempts to place Sports Wagers when an Individual or Player is physically outside the authorized geographic boundaries within of the State of North Carolina at the time the Sports Wager is placed; and
- (c) provide the Director with access to real-time geofence data, including any equipment or software necessary to view the real-time geofence data. The method, format, and equipment to access the real-time geofence data shall be approved by the Director. Operator may facilitate the Director's access to geofence data in conjunction with its geolocation Services Provider.

(2) The Operator shall trigger:

- (a) a geolocation check prior to the placement of the first Wager after login or and after a change of IP address;
- (b) recurring periodic geolocation checks prior to the placement of Wagers as follows:
 - (i) for static connections, at least every twenty minutes or five minutes if within one mile of the border of the authorized geographic boundaries; and
 - (ii) for mobile connections, at intervals to be based on a Player's proximity to the border of the authorized geographic boundaries with an assumed travel velocity of seventy miles per hour or a demonstrated average velocity of a roadway or path. This interval shall not exceed twenty minutes.

(3) Mechanisms shall be in place to detect software, programs, virtualization, and other technology that may obscure or falsify the Player's physical location to place Sports Wagers.

(4) The geolocation services used by an Operator shall be certified by an Independent Testing Laboratory, including applicable field testing, before its deployment.

(5) At least every ninety Days, an Operator shall review the functionality of the geolocations services to ensure the system detects and mitigates existing and emerging location fraud risks.

(6) Neither the location of the Registered Player nor the location of the Registered Player’s device shall be checked or tracked when the Registered Player is not attempting to access an Operator's website or mobile application.

Staff Recommendations

Rule 2D-008 Integrity and Security Assessments.

Operators shall, within ninety Days after commencing operations in North Carolina, and annually thereafter, have integrity and security assessments of the Sports Wagering System conducted by a third-party contractor experienced in security procedures, including, without limitation, computer security and systems security. The third-party contractor shall be selected by the Operator and shall be subject to approval by the Director.

(1) Integrity and security assessments shall include a review of network vulnerability, application vulnerability, website vulnerability, wireless security, security policy and processes, security and privacy program management, technology infrastructure and security controls, security organization and governance, and operational effectiveness.

(2) The scope of the integrity and security assessments is subject to approval of the Director and shall include:

- (a) a vulnerability assessment of digital platforms, Internet websites, mobile applications, internal, external, and wireless networks with the intent of identifying vulnerabilities or potential vulnerabilities of devices, the Sports Wagering System, and applications transferring, storing, or processing Personal Information or other Sensitive Information connected to or present on the networks;
- (b) a penetration test of digital platforms, Internet websites, mobile applications, and internal, external, and wireless networks to confirm if identified vulnerabilities of devices, the Sports Wagering System, and applications are susceptible to compromise;
- (c) a review of the firewall rules to verify the operating condition of the firewall and the effectiveness of its security configuration and rule sets performed on the perimeter firewalls and the internal firewalls;
- (d) a security control assessment against the provisions adopted in these Rules, including those standards adopted in the technical security controls of the GLI-33 Standards, with generally accepted professional standards and as approved by the Director;
- (e) if a cloud Service Provider is in use, an assessment performed on the access controls, account management, logging and monitoring, and over security configurations of their cloud tenant;
- (f) an evaluation of information security services, payment services, geolocation services, and other services which may be offered directly by the Operator or involve the use of Service Providers or Suppliers; and
- (g) other specific criteria or standards for the documented system security testing as prescribed by the Commission.

(3) To qualify as a third-party contractor, the third-party contractor shall:

- (a) have relevant education background or in other ways provide relevant qualifications in assessing Sports Wagering Systems;
- (b) obtain and maintain certifications sufficient to demonstrate proficiency and expertise as a network penetration tester by recognized certification boards, either nationally or internationally;
- (c) three or more years' experience performing integrity and security assessments on Sports Wagering Systems; and
- (d) meet other qualifications as prescribed by the Director.

(4) The full third-party contractor's security audit report containing the overall evaluation of Sports Wagering in terms of aspects of security shall be presented to the Director not later than thirty Days after the assessment is conducted and shall include:

- (a) scope of review;
- (b) name and company affiliation, contact information, and qualifications of the Individual or Individuals who conducted the assessment;
- (c) date of assessment;
- (d) findings, including identified or potential vulnerabilities;
- (e) recommended corrective action, if applicable; and
- (f) the Operator's response to the findings and recommended corrective action.

(5) It is acceptable for the audit report to leverage the results of prior assessments within the past year conducted by the same third-party contractor against standards, for example, ISO/IEC 27001, ISO/IEC 27017, ISO/IEC 27018, the NIST Cybersecurity Framework (CSF), the Payment Card Industry Data Security Standards (PCI-DSS), or the equivalent. This leveraging shall be noted in the third-party contractor's security audit report. This leveraging does not include critical components of a Sports Wagering System unique to the State which will require fresh assessments.

(6) If the third-party contractor's security audit report recommends corrective action, the Operator shall provide the Director with a remediation plan and risk mitigation plans which detail the Operator's actions and schedule to implement the corrective action.

- (a) The remediation and risk mediation plans shall be presented within a time period prescribed by the Director, which shall be based on:
 - (i) the severity of the problem to be corrected;
 - (ii) the complexity of the problem to be corrected; and
 - (iii) the risks associated with the problem to be corrected.

- (b) ~~The Director may require suspension of an Operator's operations until implementation of critical corrective actions~~ If an Operator does not implement critical corrective actions within the prescribed timeline, then it may be subject to Disciplinary Action, including Summary Suspension under Rule 1C-034. Before seeking to institute Disciplinary Action, the Director shall evaluate the Operator's efforts to implement available or potential mitigating controls regarding the critical items, including the timeliness of Operator's efforts, its compliance with internal controls and relevant audit report recommendations, and the scope of relevant remediation and risk plans.
- (c) Once any corrective action has been completed, the Operator shall provide the Director with documentation evidencing completion.

Staff Recommendations

Rule 2D-009 Quarterly Vulnerability Scans.

(a) Either a qualified employee of the Operator or a qualified third-party contractor selected by the Operator and subject to approval of the Director shall run internal and external network vulnerability scans at least quarterly and after significant changes to the Sports Wagering System or network infrastructure.

(b) Testing procedures shall verify that four quarterly internal and external scans took place in the past twelve months and that re-scans occurred until “High Risk” or “Critical” vulnerabilities were resolved or accepted via a formal risk acceptance program.

(1) The Operator shall submit their documented vulnerability management program that describes their risk acceptance program to the Director.

(2) Internal scans shall be performed from an authenticated scan perspective. External scans may be performed from an uncredentialed perspective.

(c) Verification of scans shall be submitted to the Director on a quarterly basis and within thirty Days of running the scan. The scan verifications shall include a remediation plan and risk mitigation plans for those vulnerabilities not able to be resolved. The severity of the vulnerabilities may be adjusted by the Operator if adhering to a formal, accepted vulnerability management plan.

(d) The Commission or Director may impose Disciplinary Action in the event of critical unresolved vulnerabilities or vulnerabilities that continue unabated **that are not a result of the implementation of a mitigating control.**