

112-201-1. Definitions. Each of the following words and terms, when used in article 112-201, 112-202, and 112-203 of the Kansas racing and gaming commission's regulations, shall have the meaning specified in this subsection unless the context indicates otherwise:

- (a) "Affiliate" means an entity that provides goods or services to a Kansas-certified integrated sports wagering platform and required to be registered under K.A.R. 112-202-5, but not to be certified as an interactive sports wagering platform.
- (b) "Age and identity verification" means a method, system, or device used by a lottery gaming facility manager or its interactive sports wagering platform provider to verify the validity of a patron's age and the patron's identity.
- (c) "Canceled wager" means a wager that has been canceled by the lottery gaming facility manager or its interactive sports wagering platform provider through the interactive sports wagering platform due to an issue with an event that prevents the wager completion.
- (d) "Cash equivalents" means instruments with a value equal to United States currency or coin, including certified checks, cashier's checks, traveler's checks, money orders, gaming tickets, winning sports wagering tickets, sports wagering vouchers, and coupons.
- (e) "Communications Technology" means a process in which components are employed to facilitate the transmission of information including, but not limited to, transmission and reception systems based on wire, cable, radio, microwave, light, optics or computer data networks and the internet.
- (f) "Dormant account" means a sports wagering account that has had no login for a period of three years.

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(g) "Executive Director" means the executive director of the Kansas racing and gaming commission and/or anyone within the agency he designates to carry out the duties on behalf of the agency.

(h) "Gaming Day" means the period that corresponds with the lottery gaming facility manager's gaming day that has been approved by the executive director.

(i) "House Rules" means policies established by a lottery gaming facility manager to explain methods used to settle bets on events that occur outside the normal completion of an event.

(j) "Internet" means the international computer network of both federal and non-federal interoperable packet switched data networks.

(k) "Interactive sports wagering platform provider" means a sports wagering supplier that contracts with a lottery gaming facility manager to provide an interactive sports wagering platform. If a lottery gaming facility manager develops its own interactive sports wagering platform, the lottery gaming facility manager is also considered an interactive sports wagering platform provider for the purposes of this article.

(l) "Kansas Lottery" means the state agency created by the Kansas Lottery Act, K.S.A. 74-87001 *et seq.*, to operate a lottery or lotteries pursuant to the act, including sports wagering.

(m) "Kansas Racing and Gaming Commission" and "KRGC" means the state agency responsible for licensing and regulating all Kansas lottery gaming facilities, including its employees, gaming equipment, gaming and non-gaming suppliers, and interactive sports wagering platforms.

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(n) "Layoff wager" means a wager placed by an interactive sports wagering platform provider with another interactive sports wagering platform provider for the purpose of offsetting patron wagers.

(o) "Marketing Plan" means a plan that must be submitted to the executive director for creation of sports wagering accounts.

(p) "Market" means a wager type (e.g. money line, spread, over/under) on which opportunities are built for wagering on one or more events.

(q) "Mobile application" means any application on a mobile device through which an individual is able to place a sports wager through an interactive sports wagering platform.

(r) "Payout" means the total payment due on a winning wager whether or not:

- (1) The patron collects the total payment due at one time;
- (2) all or a portion of the payment due is made in the form of cash, chips or other form of payment; or
- (3) all or portion of the payment due is used by the patron to place another wager.

(s) "Penetration Testing" means an authorized simulated cyberattack performed to evaluate security of a system.

(t) "Personally Identifiable Information "PII" means any information or data used to confirm an individual's identity. Personally identifiable information includes, but is not limited to, name, address, IP address, phone number, social security number, and driver's license number.

(u) "Prohibited sports wagering participant" means any involuntarily-excluded person, any voluntarily-excluded person, and all of the following:

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- (1) any person who is under the age 21;
- (2) any person placing wagers while not within the State of Kansas;
- (3) a lottery gaming facility manager, and any director, officer, owner and employee of such manager, and any relative living in the same household as such persons, placing wagers with the manager at the manager's location or through the manager's interactive sports wagering platform;
- (4) an interactive sports wagering platform, any director, officer, owner and employee of such platform, and any relative living in the same household as such persons, placing wagers through such platform or at the manager's location;
- (5) any director, officer, owner and employee of the interactive sports wagering platform, and any relative living in the same household as such persons, placing wagers with the manager;
- (6) any owner, officer, athlete, coach, referee, or other employee of a team, player union or referee union or any other person participating in any sporting event approved for wagering by the Kansas Lottery;
- (7) any person with access to nonpublic confidential information held by the lottery gaming facility manager when attempting to place wagers ~~from placing wagers~~ with such manager;
- (8) any person placing wagers as agents or proxies for other person; and
- (9) any person placing wagers who has been convicted of any felony or misdemeanor offense involving sports wagering, including, but not limited to, the use of funds derived from illegal activity to make wagers, placing wagers to conceal money derived from illegal activity, the use of other individuals to place wagers as part of any wagering scheme to circumvent any

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provision of federal or state law and the use of false identification to facilitate the placement of any wager or the collection of any prize in violation of federal or state law, from placing wagers;

(v) "Satellite cage" means cashiering windows located in an area separated from the main cashiering facility.

(w) "Sports book" means a designated area in a lottery gaming facility offering sports wagering in accordance with established regulations.

(x) "Sports wagering account" means an account established through a lottery gaming facility manager or its interactive sports wagering platform provider for an individual patron to use for sports wagering.

(y) "Sports wagering count sheet" means a form used to inventory and balance a bank or ticket writer's drawer.

(z) "Sports wagering kiosk" means an automated device that may be used for sports wagering ticket processing and other automated functions as approved by the executive director.

(aa) "Sports Wagering Manager" means a licensed sports book employee who is responsible for operating the interactive sports wagering platform and providing final approval of all odds established on an agreed upon wager.

(bb) "Sports wagering operation" means the Kansas Lottery business of accepting wagers pursuant to the Kansas Expanded Lottery Act, K.S.A. 74-8733 through 74-8773, and amendments thereto, and K.S.A. 74-8781 through 74-8794, and amendment thereto, ~~as amended~~, at a lottery gaming facility, through an interactive sports wagering platform or pursuant to a marketing agreement approved by the executive director of the Kansas Lottery.

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(ccx) “Sports wagering promotional credit” means any cashable or non-cashable credit, free play, patron incentives, coupon or voucher redeemable by a patron and issued in accordance with a promotional program or activity approved by the Kansas Lottery.

(dd) “Sports wagering registrant” means an individual or entity that is contracted to provide goods or services that the executive director determines affects the conduct of sports wagering but falls outside the scope of an interactive sports wagering platform certification or a vendor’s certification.

(ee) “Sports wagering ticket” means a printed record issued or an electronic record maintained by the interactive sports wagering platform that evidences a sports wager.

(ff) “Sports wagering voucher” means a printed record, or digital representation thereof, issued by an interactive sports wagering platform that may be used to fund a wager or may be redeemable for cash.

(gg) “Strong authentication” means a method that has been demonstrated to the satisfaction of the executive director to effectively provide higher security than a username and password alone.

(hh) “Structured wagers” means the act of parcelling bets or winnings that would otherwise be a large financial sum into smaller transactions.

(ii) “Suspicious transaction” means a transaction which a lottery gaming facility manager or its interactive sports wagering platform provider knows or, has reason to suspect:

(1) The transaction is part of a plan to violate or evade, any federal, state, or local law or regulation;

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(2) the wager is placed by, or on behalf of, a coach or participant in a sporting event or other event on such event;

(3) the transaction is a structured wager; or

(4) the transaction has no business or apparent lawful purpose or is not the sort of transaction the patron would normally be expected to perform.

(jj) "Ticket writer" means a cashier that handles sports wagering transactions.

(kk) "Voided wager" means a sports wager voided by an employee of the lottery gaming facility manager or interactive sports wagering platform operator and approved pursuant to the internal controls or house rules.

(ll) "Wager" means any commitment of credits or money by the patron on the results of events.

(mm) "Wagering Communication" means the transmission of a wager between a point of origin and a point of reception by aid of a communications technology.

(nn) "Wagering Instructions" means the instructions given by a patron on the grounds of a sports book who maintains a sports wagering account to effect a wagering communication to an interactive sports wagering platform. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-201-2. Accounting controls for the Sports book. (a) A ticket writer shall begin a shift with an imprest amount of sports wagering funds, consisting of currency and coin. No funds shall be added to or removed from the sports wagering funds during such shift except:

- (1) in collection of sports wagers;
- (2) in order to make change for a patron buying a sports wagering ticket;
- (3) in collection for the issuance of sports wagering vouchers;
- (4) in payment of winning or properly canceled or refunded sports wagering tickets;
- (5) in payment of sports wagering vouchers; or
- (6) in exchanges with the ticket writer's cage, a satellite cage, or the sports book bank

supported by proper documentation, and which documentation shall be sufficient for accounting reconciliation purposes.

(b) A sports wagering count sheet shall be completed and signed by a supervisor, and the following information, at a minimum, shall be recorded thereon at the commencement of a shift:

(1) The date, time, and shift of preparation.
(2) The denomination of currency and coin in the sports wagering inventory issued to the ticket writer.

(3) The total amount of each denomination of currency and coin in the sports wagering inventory issued to the ticket writer.

(4) The sports wagering window number to which the ticket writer is assigned.

(5) The signature of the sports wagering shift supervisor.

(c) A ticket writer assigned to a ticket writer window shall count and verify the sports wagering inventory at the sports wagering bank and shall agree with the count to the sports

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wagering count sheet. The ticket writer shall sign the count sheet attesting to the accuracy of the information recorded thereon. The sports wagering inventory shall be placed in the ticket writer's drawer and transported directly to the appropriate ticket writer-window by the ticket writer.

(d) If the system generated sports wagering window net receipts for the shift do not agree with the sports wagering count sheet total plus the sports wagering inventory, the shift supervisor shall record any overage or shortage. If the count does not agree, the ticket writer and the shift supervisor shall attempt to determine the cause of the discrepancy in the count. Any discrepancy that cannot be resolved by the ticket writer and the shift supervisor shall be reported in writing to the department supervisor in charge at such time. Any discrepancy in excess of \$500 shall be reported to the Kansas racing and gaming commission. The 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 supervisor;
- (5) window number; and
- (6) amount of the discrepancy.

(e) The sports book shift supervisor shall compare the ticket writer window net for the shift as generated by the ticket writer's computer terminal, and if it agrees with the sports wagering count sheet total plus the sports wagering inventory, shall agree with the count of the sports wagering count sheet and sign the sports wagering count sheet attesting to the accuracy.

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112-201-3. Reserve requirements. All lottery gaming facility managers or their interactive sports wagering platforms providers shall maintain a reserve in the form of cash, cash equivalents, payment processor reserves, payment processor receivables, an irrevocable letter of credit, a bond, or a combination thereof, of not less than the greater of \$500,000 or the amount necessary to ensure the ability to cover all unclaimed winnings and future liability.

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112-201-4. Issuance and sports wagering ticket control requirements. (a) Immediately upon accepting a wager, the interactive sports wagering platform shall create a sports wagering ticket on which the terms of the wager are written.

(b) Printed sports wagering tickets must bear the name and address of the sports book.

(c) An interactive sports wagering platform shall be capable of processing lost or destroyed sports wagering tickets.

(d) When a sports wager is voided or canceled, the lottery gaming facility manager or its interactive sports wagering platform provider shall clearly indicate that the sports wager is voided or canceled ensuring it is nonredeemable and log it into the interactive sports wagering platform indicating the void or cancellation and the identity of the cashier or automated process.

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112-201-5. General wagering requirements. (a) Lottery gaming facility managers or their interactive sports wagering platform providers may not accept wagers unless made with:

- (1) Cash and cash equivalents;
- (2) electronic bank transfers of money, including transfers through third parties;
- (3) bank and wire transfers of money;
- (4) debit and credit cards;
- (5) online and mobile application payment systems that support online money transfers;
- (6) sports wagering promotional credits provided by a lottery gaming facility manager;

and

- (7) any other payment method approved by the executive director.

(b) A lottery gaming facility manager or its interactive sports wagering platform provider shall accept wagers only on its licensed premises, and only at ticket writers or sports wagering kiosks approved by the executive director or through an interactive sports wagering platform that has been approved by the executive director.

(c) A lottery gaming facility manager or its interactive sports wagering platform provider shall not knowingly accept money or its equivalent purportedly as a wager upon an event whose outcome has already been determined. A lottery gaming facility manager or its interactive sports wagering platform provider shall not accept a wager on an event unless the date and time at which the outcome of the event is determined or can be confirmed from reliable sources satisfactory to the executive director.

(d) All accepted wagers shall be listed in the house rules.

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(e) The lottery gaming facility manager or its interactive sports wagering platform provider shall ensure that any statistics/line data that is made available to the patron pertaining to an event uses a source allowed by the Kansas lottery. The source providing the statistics/line data shall be accurate at the time of the event.

(f) No lottery gaming facility manager, interactive sports wagering platform provider, agent or employee of lottery gaming facility manager or an interactive sports wagering platform provider may accept a wager from a person who the lottery gaming facility manager, interactive sports wagering platform provider, agent or employee knows or reasonably should know is a messenger bettor or is placing the wager in violation of state or federal laws.

(g) No lottery gaming facility manager or its interactive sports wagering platform provider may hold a patron's money or its equivalent on the understanding that the lottery gaming facility manager or its interactive sports wagering platform provider will accept the money as a wager only upon the occurrence of a specified, future contingency, unless a sports wagering ticket documenting the wager and contingency is issued immediately when the lottery gaming facility manager or its interactive sports wagering platform provider receives the money or its equivalent.

(h) A lottery gaming facility manager or its interactive sports wagering platform provider shall limit each patron to one active and continuously used sports wagering account and username for each interactive sports wagering platform.

(i) A lottery gaming facility manager or its interactive sports wagering platform provider shall implement rules and publish procedures to suspend all, but one active account for any sports wagering patron that establishes, or seeks to establish, multiple active accounts in a single

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interactive sports wagering platform, whether directly or by use of another person as a proxy.

(j) In the event a patron has a pending wager and then self-excludes, the wager shall settle, and the funds shall be remitted to the problem gambling grant fund established under K.S.A. 79-4805, and amendments thereto, if the wager settles as a win or push.

(k) A full age and identity verification must be undertaken before a patron is allowed to place a wager on an interactive sports wagering platform as follows:

(1) Only patrons 21 years of age and older may deposit funds or participate in wagering. The lottery gaming facility manager and interactive sports wagering platform provider must deny the ability to deposit funds or participate in wagering to any person that submits a birth date that indicates the person is under 21 years of age.

(2) Age and identity verification must use commercially reasonable standards to confirm that the patron is not a prohibited sports wagering participant.

(3) Details of age and identity verification must be kept in a secure manner.

(4) Third-party service providers may be used for age and identity verification of patrons.

(5) The lottery gaming facility manager and interactive sports wagering platform provider must have a documented policy for the handling of patrons discovered to be using a sports wagering account in a fraudulent manner, including, but not limited to:

(A) The maintenance of information about any patron's activity, such that if fraudulent activity is detected, the Kansas racing and gaming commission has all of the necessary information to take appropriate action;

(B) The suspension of any patron account discovered to be providing access to fraudulent patrons; and

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(C) The treatment of deposits, wagers, and wins associated with a fraudulent patron's sports wagering account. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-201-6. Multiple wagers. (a) A lottery gaming facility manager and its employees shall not knowingly allow, and each interactive sports wagering platform provider shall take reasonable steps to prevent, the circumvention of K.A.R. 112-104-6 by multiple cash wagers within its designated gaming day. As part of a lottery gaming facility manager's and its interactive sports wagering platform provider's efforts to prevent such circumventions relative to K.A.R. 112-104-6, a lottery gaming facility manager or its interactive sports wagering platform provider shall establish and implement wagering multiple transaction logs.

(b) Each lottery gaming facility manager or its interactive sports wagering platform provider shall record in the wagering multiple transaction log, all cash wagers of \$3000 or more and properly complete a currency transaction report for all single cash transactions and for a series of multiple cash transactions in excess of \$10,000.

(c) Each log entry in a wagering multiple transaction log shall be made by the employee accepting or approving the cash wager.

(d) When aggregated cash wagers exceed \$10,000, the lottery gaming facility manager and its interactive sports wagering platform provider shall complete the recordkeeping and reporting requirements of K.A.R. 112-201-6. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-201-7. Structured wagers. (a) A lottery gaming facility manager or its interactive sports wagering platform provider shall not encourage or instruct the patron to structure or attempt to structure wagers. This subsection does not prohibit a lottery gaming facility manager or its interactive sports wagering platform provider from informing a patron of the regulatory requirements imposed upon the sports book, including the definition of structured wagers.

(b) A lottery gaming facility manager or its interactive sports wagering platform provider shall not knowingly assist a patron in structuring or attempting to structure wagers. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-201-8. Recordkeeping and reporting requirements. (a) The lottery gaming facility manager and its interactive sports wagering platform provider shall maintain records of:

- (1) All wagers placed, including personally identifiable information of the person placing the wager;
- (2) the amount and type of wager;
- (3) the time the wager was placed;
- (4) the location of the wager, including the IP address, if applicable;
- (5) the outcome of the wager;
- (6) any records of abnormal wagering activity; and
- (7) video camera recordings, in the case of in-person wagers.

(b) Lottery gaming facility managers shall maintain personally identifiable information of persons placing a sports wager. Use of personally identifiable information shall be limited to purposes that facilitate placing of a sports wager or payment of any prize as well as for compliance with any federal or state law.

(c) Personally identifiable information, including the IP address from which a sports wager is placed, will be used by sports wagering platforms to allow placement of sports wagers on an approved mobile app. Permissible use of personally identifiable information include, but are not limited to, age verification; voluntary exclusions; geolocation; detection of location anonymizers such as proxy servers, VPNs, and TOR exit nodes; re-geolocation; fraud detection and investigation; and FinCen reporting.

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(d) A patron may elect to prohibit collection of personally identifiable information by a sports wagering platform or gaming facility manager if that election does not interfere with the ability of a platform to initiate a sports wager or facilitate payment of a prize.

(e) Sports wagering platforms and gaming facility managers shall not use for marketing purposes any person's personally identifiable information who has elected to not have their personally identifiable information collected for any purpose other than placing a sports wager or receiving payment of a prize. The person's election to prohibit collection of personally identifiable information shall be maintained by the sports wagering platform and facility manager until the person affirmatively, through the platform or by other written means, cancels such election. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T-
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112-201-9. Payment of winning wagers. (a) Except as otherwise provided in this subsection, lottery gaming facility manager or their interactive sports wagering platform providers shall make a payment on a winning-wager to the patron who presents the patron's original sports wagering ticket representing the wager. A lottery gaming facility manager or its interactive sports wagering platform provider shall not make payment to a patron who the interactive sports wagering platform knows or reasonably should know is collecting the payment on behalf of another patron-or in violation of law. A lottery gaming facility manager or its interactive sports wagering platform provider may withhold payment of a winning wager if a patron refuses to supply identification or any other documentation required by state law.

(b) The lottery gaming facility manager or its interactive sports wagering platform provider shall honor winning sports wagering tickets for 180 days after the event has concluded. The lottery gaming facility manager or its interactive sports wagering platform provider shall state the redemption period on each sports wagering ticket, on the house rules, and on notices conspicuously placed about the licensed premises. Interactive sports wagering platforms shall maintain the information and documentation presented for a period of two years.

(c) Any patron unclaimed winnings shall meet all requirements of K.A.R. 112-104-32.

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112-201-10. Wager Cancellations. Lottery gaming facility managers or their interactive sports wagering platform providers shall establish internal controls pertaining to wagering transactions that can be voided or cancelled.

(a) A lottery gaming facility manager or its interactive sports wagering platform provider may, in its discretion, void or cancel an accepted wagering transaction due to an obvious error. An obvious error must be defined in the internal controls.

(b) Except as otherwise provided in this article, a lottery gaming facility manager or its interactive sports wagering platform provider shall not unilaterally void or cancel any wager without the prior approval of the executive director. (Authorized by and implementing K.S.A.

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112-201-11. Reporting of suspicious activity. (a) A lottery gaming facility manager shall utilize an independent supplier to identify non-normal irregularities in volume or odds swings that could signal suspicious activity and further investigation.

- (1) Internal controls shall state details for how integrity monitoring efforts and notifications pertaining to them will be handled.
- (2) In situations requiring immediate attention, such as large odd swings or irregularities in volume, the lottery gaming facility manager shall immediately notify the on-site Kansas racing and gaming commission agent in addition to filing a report-within 24 hours.

(b) Nothing in this regulation shall be construed as relieving a lottery gaming facility manager or its interactive sports wagering platform provider from meeting any obligation to prepare or maintain any book, record, or document required by any other federal, state, or local governmental body, authority, or agency. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-201-12. Wagers, terms and conditions. (a) An interactive sports wagering platform provider or a licensed lottery gaming facility manager where the sports book is located or an affiliate of one or more of those entities that holds a gaming license may provide room, food, and beverage, that are available to the public from other sources, including spa services, movies, bowling and entertainment admissions and limousine or other car service transportation to and from the gaming establishment where the sports book is located.

(b) A lottery gaming facility manager or its interactive sports wagering platform provider, including all marketing entities that have contracted with the lottery gaming facility manager or its interactive sports wagering platform provider to provide sports wagering, may award loyalty program points based on wagers placed by a patron; however, such points may only be redeemed in accordance with the rules of the program. The lottery gaming facility manager shall include a description and controls for player loyalty programs related to sports wagering in their internal controls.

(c) A lottery gaming facility manager or its interactive sports wagering platform provider shall not, in an attempt to provide a benefit to the patron in violation of subsection (a), offer a wagering proposition, or set or move its wagering odds, lines or limits, or do anything that would violate their house rules.

(d) Other than as part of an approved promotional mechanism, an interactive sports wagering platform provider shall not set lines or odds, or offer wagering propositions, designed for the purposes of ensuring that a patron will win a wager or series of wagers. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-201-13. Wagering communications, establishing patron wagering for sporting events.

(a) A lottery gaming facility manager or its interactive sports wagering platform provider shall only accept sport wagering initiated from within the state of Kansas. Each lottery gaming facility manager or its interactive sports wagering platform provider shall conspicuously display signs to that effect on its premises.

(b) A lottery gaming facility manager or its interactive sports wagering platform provider shall not accept wagering instructions for sport wagers unless the transmission of the wagering instructions is initiated from within the state of Kansas.

(c) Each lottery gaming facility manager or its interactive sports wagering platform provider that accepts wagering communications shall establish and implement a system of internal controls for such transactions and comply its system of internal controls.

(d) Each lottery gaming facility manager or its interactive sports wagering platform provider shall prepare a written description of its house rules and procedures for wagering communications and shall make a copy available to all patrons upon request.

(e) Before each lottery gaming facility manager or its interactive sports wagering platform provider accepts a wagering communication on any sports wager or any other event wager over the internet, a patron shall register and create a sports wagering account, either remotely or in person.

(1) To create the required sports wagering account remotely, the patron must confirm their identity by providing the following:

(i) The patron's full legal name;

(ii) the patron's date of birth;

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- (iii) the patron's permanent residential address (other than P.O. Box);
- (iv) the patron's Social Security number, or the last four (4) digits of the Social Security number, or an equivalent identification number for a noncitizen patron, such as a passport or taxpayer identification number; and
- (v) any other information collected from the patron used to verify his or her identity and to prove the patron is at least 21 years of age.

(2) A lottery gaming facility manager or its interactive sports wagering platform provider may register and create sports wagering accounts for patrons in-person, by inspecting and confirming a patron's registration information identified in (e).

(i) A lottery gaming facility manager or its interactive sports wagering platform provider must file a request with the executive director requesting approval for its employees to register and create sports wagering accounts for patrons.

(ii) The request must include a comprehensive marketing plan including the types of locations and types of potential patrons which a lottery gaming facility manager or its interactive sports wagering platform provider intends to send its employees for the purposes of registering and creating sports wagering accounts for patrons.

(iii) A lottery gaming facility manager or its interactive sports wagering platform provider may not act under its marketing plan prior to the executive director approving the request. The executive director may impose limitations and conditions on any approved request. The executive director may rescind approval of a request of a lottery gaming facility manager or its interactive sports wagering platform provider to have its employees register and create

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accounts upon written notice to the lottery gaming facility manager or its interactive sports wagering platform provider.

(f) Prior to creation of the sports wagering account under (e) the patron shall affirm that the patron has been informed and acknowledges that patrons are prohibited by law from placing sports wagers and other event wagers while physically located outside of Kansas and that the interactive sports wagering platform is prohibited from accepting such wagers.

(g) A lottery gaming facility manager or interactive sports wagering platform provider may place a layoff wager with another sports wagering platform licensee located in the state of Kansas for the purpose of offsetting patron wagers provided that:

(1) The lottery gaming facility manager or interactive sports wagering platform placing the layoff wager discloses the identity to the interactive sports wagering platform receiving the layoff wager;

(2) The receiving sports wagering platform agrees to accept the layoff wager; and

(3) both the platform placing the wager and the platform receiving the wager include in their internal controls processes for placing and accepting layoff wager.

(h) In addition to the posting of the wager in the interactive sports wagering platform, all wagering communications shall be electronically recorded and retained for a period of two years. Such recordings shall be made immediately available to any enforcement agent upon request.

(i) All sports wagering account applications or amendments thereto for active accounts shall be retained by the lottery gaming facility manager or its interactive sports wagering platform. All sports wagering account applications or amendments thereto for rejected applications shall be retained by the lottery gaming facility manager or its interactive sports

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wagering platform for no less than two years following the rejection of the related application.

All sports wagering account applications or amendments thereto for closed accounts shall be retained by the lottery gaming facility manager or its interactive sports wagering platform provider for no less than two years following the closure of the related sports wagering account.

(Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T-

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112-201-14. Lottery gaming facility manager or interactive sports wagering platform provider duties. (a) A lottery gaming facility manager or its interactive sports wagering platform shall report to the commission's security staff, within 24 hours, any facts the facility manager or its interactive sports wagering platform has reasonable grounds to believe indicate a violation of law, violation of the facility managers minimum control standards, or violations of KRGC regulations, including the performance of activities different from those permitted under the person's license or certificate;

(b) A lottery gaming facility manager or its interactive sports wagering platform provider shall provide for the patron's review and confirmation of all wagering information before the wagering communication is accepted by the interactive sports wagering platform. This confirmation of the wager shall be deemed an actual transaction of records, regardless of whether or not that wager was recorded by the interactive sports wagering platform.

(c) A lottery gaming facility manager or its interactive sports wagering platform provider shall prohibit wagers from being changed after the patron has reviewed and confirmed the wagering information, and the specific wagering communication transaction has been completed.

(d) A lottery gaming facility manager or its interactive sports wagering platform provider shall prohibit the acceptance of wagers after post time.

(e) A lottery gaming facility manager or its interactive sports wagering platform provider shall prohibit an interactive sports wagering platform from accepting an account wager, or a series of account wagers, in an amount in excess of the available balance of the wagering account;

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(f) A lottery gaming facility manager or its interactive sports wagering platform provider shall post payment on winning account wagers as a credit to the patron's wagering account based on approved house rules approved under this article.

(g) A lottery gaming facility manager or its interactive sports wagering platform provider shall maintain complete records of every deposit, withdrawal, wager, winning payoff and other debit or credit for each account;

(h) A lottery gaming facility manager or its interactive sports wagering platform provider shall not permit a patron to transfer funds from a sports wagering account to another sports wagering account.

(i) Lottery gaming facility managers or their interactive sports wagering platform providers shall provide an account statement with account details to a patron on demand, which shall include detailed account activity for at least the last six months. In addition, a lottery gaming facility manager or its interactive sports wagering platform provider shall, upon request, be capable of providing a summary statement of all patron activity during the past two years.

(j) A lottery gaming facility manager and its interactive sports wagering platform provider shall periodically re-verify a patron's identification upon reasonable suspicion that the patron's identification has been compromised.

(k) The utilization of funds to place a wager under this regulation shall be initiated only by a patron using an access control, such as a password. Access controls shall require the use of a unique access code for each patron. The access code shall be selected by and available to only the patron.

(l) A patron's sports wagering account may be funded using approved methods which shall produce a sufficient audit trail for verification of the source of the deposits. Approved

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methods include:

- (1) Cash and cash equivalents;
- (2) electronic bank transfers of money, including transfers through third parties;
- (3) bank and wire transfers of money;
- (4) debit and credit cards;
- (5) online and mobile application payment systems that support online money transfers;
- (6) sports wagering promotional credits provided by a lottery gaming facility manager or an interactive sports wagering platform provider; and

(m) Lottery gaming facility managers or their interactive sports wagering platform providers shall provide a conspicuous and readily accessible method for a patron to close the patron's account through the account management page or through the lottery gaming facility manager's or interactive sports wagering platform provider's customer support team. Any balance remaining in a patron's sports wagering account closed by a patron shall be returned to the patron under the lottery gaming facility manager's or its interactive sports wagering platform provider's internal controls.

(n) A patron must be allowed to withdraw the funds maintained in the patron's open sports wagering account once all patron obligations have been fulfilled.

(o) A lottery gaming facility manager or interactive sports wagering platform provider must honor such patron request to withdraw funds within five calendar days of the request, unless the conditions set forth in subsection (p) are met.

(p) The lottery gaming facility manager or interactive sports wagering platform provider may decline to honor a patron request to withdraw funds only if the lottery gaming facility manager or its interactive sports wagering platform provider believes in good faith that the

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patron engaged in either fraudulent conduct or other conduct that would put the lottery gaming facility manager or interactive sports wagering platform provider in violation of the law. In such cases, the lottery gaming facility manager or its interactive sports wagering platform provider shall conduct its investigation in a reasonable and expedient fashion, providing the patron additional written notice of the status of the investigation every 10th calendar day starting from the day of the patron request.

(q) For purposes of this provision, a request for withdrawal will be considered honored if it is processed by the lottery gaming facility manager or its interactive sports wagering platform provider notwithstanding a delay by a payment processor, credit card issuer, or the custodian of a financial account.

(r) A lottery gaming facility manager or its interactive sports wagering platform provider shall consider a patron account to be dormant if the patron has not logged into the account for at least three years.

(1) The lottery gaming facility manager or its interactive sports wagering platform provider shall provide notice to the patron prior to closing a dormant account. The notice shall provide options to reactivate or close the account. Funds of patrons that remain in a dormant patron account 30 days after notice was given shall be presumed abandoned.

(2) The lottery gaming facility manager or is interactive sports wagering platform provider shall report and deliver all funds of patrons that are presumed abandoned as required under the Kansas Expanded Lottery Act and applicable regulations. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-201-15. House rules requirements. (a) The Lottery gaming facility manager shall create house rules that must be submitted to the KRGC executive director for review.

(b) House rules shall establish operational procedures on how to deal with the following anomalies:

- (1) Wager adjustments;
- (2) event cancellations;
- (3) schedule changes;
- (4) rain delays/Game rainouts;
- (5) rejected wagers;
- (6) canceled wagers;
- (7) overtime/end of regulation;
- (8) handling of wagers with multiple events such as parlays when one or more legs are canceled.
- (9) injuries; and
- (10) any situation that can potentially affect the terms of the wager.

(c) House rules are not effective until approved by KRGC. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-201-16. Assign regulatory staff. The executive director at any time may require a lottery gaming facility manager or its interactive sports wagering platform provider to allow Kansas racing and gaming commission staff to be permanently present on the sport book's premises, and to require the costs and expenses for such Kansas racing and gaming commission staff to be borne by the lottery gaming facility manager or its interactive sports wagering platform provider in a manner deemed reasonable by the executive director. Kansas racing and gaming commission staff shall have full and complete access to all books, records, and emails. (Authorized by K.S.A. 2022 Supp. 74-8772 and implementing K.S.A. 2022 Supp. 74-8752 and K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-201-17. Records and forms. Lottery gaming facility managers or their interactive sports wagering platform providers shall create and maintain the records and reports required by this article by using forms that the executive director approves. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-201-18. Sports wagering requirements. (a) The sports book, professional sports team, or auto racetrack facility shall utilize ticket writers or sports wagering kiosks for wagering transactions in a location approved by the executive director. Sports wagering kiosks shall be subject to the approvals and other requirements of the Kansas racing and gaming commission. This does not preclude the use of a remote wagering devices throughout the lottery gaming facility, or at a professional sports team or auto racetrack facility.

(b) Each lottery gaming facility manager shall file with the Kansas racing and gaming commission a schedule setting forth the specific times at which the canisters will be brought to or removed from the sports wagering kiosks. The sports wagering kiosk drop shall be monitored and recorded by surveillance. All changes to the sports wagering kiosk drop schedule and drop route shall be approved by the executive director. All sports wagering kiosk drop procedures shall be incorporated in the internal controls.

(1) The bill validator and bill validator canisters, as defined in K.A.R. 112-104-1, must meet the requirements of K.A.R. 112-104-17.

(2) The issuance, receipt, and reconciliation of imprest funds used by sports wagering kiosks shall be completed in accordance with KAR 112-201-2.

(c) Whenever a point-of-sale is opened or closed for wagering or turned over to a new ticket writer, the ticket writer signs on or off and the interactive sports wagering platform creates a point-of-sale session record indicating the ticket writer's identity, the date and time, the point-of-sale number, and the fact that the point-of-sale was opened or closed. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-201-19. Sports Wagering voucher requirements. (a) Payment by sports wagering voucher as a method of credit redemption is only permissible when the interactive sports wagering platform supports this functionality.

(b) A sports wagering voucher shall contain the following information:

- (1) voucher serial number;
- (2) Sports book name and /site identification
- (3) ticket writer or sports wagering kiosk which issued the voucher;
- (4) date and time the sports wagering voucher was issued;
- (5) numeric value of the sports wagering voucher in dollars and cents;
- (6) voucher number that appears on the leading edge of the sports wagering paper voucher;
- (7) bar code or any machine readable code representing the validation number;
- (8) indication if the sports wagering voucher is a “duplicate”;
- (9) responsible gambling information; and
- (10) indication of an expiration date which is 180 days from the date of issue.

(c) The interactive sports wagering platform provider is required to keep and maintain a record of sports wagering vouchers issued by ticket writers or sports wagering kiosks. The sports wagering voucher record on the interactive sports wagering platform shall contain the following sports wagering voucher information:

- (1) Voucher number;
- (2) date and time the sports wagering voucher was issued;
- (3) type of transaction or other method of differentiating sports wagering voucher types;

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- (4) numeric value of the sports wagering voucher in dollars and cents;
- (5) status of sports wagering voucher;
- (6) date and time the sports wagering voucher will expire;
- (7) ticket writer or sports wagering kiosk which issued the sports wagering voucher; and
- (8) date and time the sports wagering voucher was redeemed, voided, or expired.

(d) Before redeeming a sports wagering voucher, the complete validation number of the unredeemed sports wagering voucher shall only be available to the interactive sports wagering platform provider.

(e) Sports wagering vouchers can be redeemed at a sports wagering kiosk, point-of-sale, ticket writer booths or other kiosks provided they support sports wagering voucher validation with an interactive sports wagering platform.

(f) Upon presentation of a sports wagering voucher for redemption, the interactive sports wagering platform shall be used to verify the validity of the serial number and value of the voucher, and if valid, the platform shall immediately update the sports wagering voucher status and permit the redemption of the voucher for the value indicated thereon.

(g) The interactive sports wagering platform shall have the ability to identify these occurrences and notify the cashier or ticket writer that one of the following occurrences exists:

- (1) Sports wagering voucher serial number cannot be found;
- (2) sports wagering voucher has already been paid; or
- (3) amount of sports wagering voucher for confirmation by a cashier or ticket writer

during the redemption process. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-201-20. Patron Disputes. A lottery gaming facility manager and interactive sports wagering platform providers must include on its interactive sports wagering platform a notice or link to advise patrons of their right to make a complaint against the lottery gaming facility manager or interactive sports wagering platform provider, including information explaining how complaints may be filed, how complaints are resolved, and how the patron may submit a complaint to the Kansas racing and gaming commission. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-201-21. Sports Wagering Transactions. A lottery gaming facility manager shall submit sports wagering internal controls along with a sports wagering floor plan and corresponding surveillance floor plan to the Kansas racing and gaming commission.

- (a) Sports wagering at a lottery gaming facility shall not commence until the floor plan is approved by the executive director.
- (b) Sports wagering internal controls at a lottery gaming facility shall not be effective until approved by the Kansas racing and gaming commission.
- (c) Sports wagering transactions shall be conducted from:
 - (1) A counter or window located in the sports book or other cage cashier window locations as approved by the executive director;
 - (2) sports wagering kiosks in locations as approved by the executive director; or
 - (3) a mobile application installed on a mobile device or accessed over the internet through a website within the geographical boundaries of Kansas. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-201-22. Sports wagering exclusion list. The lottery gaming facility manager shall include internal controls for the following:

- (a) Preventing wagering by prohibited sports wagering participants;
- (b) identifying and restricting prohibited sports wagering participants;
- (c) procedures for voluntary or involuntary exclusion of patrons, including the following:
 - (1) Providing a notification containing the voluntary or involuntary exclusion status and general instructions for resolution or change of status, if applicable;
 - (2) Confirmation that immediately upon executing the voluntary or involuntary exclusion, no new wagers or deposits are accepted from the patron, until such time as the sports wagering exclusion has been revoked; and
 - (3) Confirmation that the patron is not prevented from withdrawing any or all of their account balance, provided that the lottery gaming facility manager or the interactive sports wagering platform provider acknowledges that the funds have cleared, and that the reason(s) for exclusion would not prohibit a withdrawal.
 - (4) Confirmation that the lottery gaming facility manager excludes patrons who applied for and became participants in the VEP program after September 1, 2022 from sports wagering while participating in the VEP program established by article 112 of the commission's regulations. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T-
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112-201-23. Waiver of requirements. (a) One or more of the requirements of this article applicable to sports wagering may be waived by the Kansas racing and gaming commission on its own initiative, upon the Kansas racing and gaming commission's determination that the compensating control or procedure, as documented in a lottery gaming facility manager's or its interactive sports wagering platform provider's internal control system, meets the operational integrity requirements of the act and this article.

(b) Any lottery gaming facility manager or interactive sports wagering platform provider may submit a written request to the Kansas racing and gaming commission for a waiver for one or more of the requirements in this article. The request shall be filed on an amendment waiver and request form and shall include supporting documentation demonstrating how the proposed auditing and internal controls for which the waiver has been requested would meet the operational integrity requirements of the act and this article. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-202-1. Risk management requirements. (a) An approved interactive sports wagering platform provider engaging in risk management may provide direction, management, consultation, and/or instruction to the lottery gaming facility manager concerning:

(1) The management of risks associated with sports wagering and other event wagering;

(2) The determination of where lines, point spreads, odds, or other activity relating to betting or wagering are initially set and the determination of whether to change such lines, point spreads, odds, or other activity relating to betting or wagering;

(3) Whether to accept or reject bets or wagers: and

(4) The use, transmittal, and accumulation of information and data for the purpose of providing risk management.

(b) An approved interactive sports wagering platform provider which intends to provide risk management shall enter into a written agreement with the lottery gaming facility manager to provide risk management. A copy of such executed agreement shall be provided to the executive director no later than the date on which the interactive sports wagering platform provider commences risk management.

(c) Each lottery gaming facility manager's or its interactive sports wagering platform provider's internal controls shall contain details on its risk management framework, including but not limited to:

- (1) Automated and manual risk management procedures;
- (2) employee management, including access controls and segregation of duties;
- (3) information regarding identifying and reporting fraud and suspicious conduct;
- (4) controls ensuring regulatory compliance;

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(5) description of anti-money laundering compliance standards including procedures for detecting structuring to avoid reporting requirements;

(6) description of all software applications that comprise the interactive sports wagering platform;

(7) description of all types of wagers available to be offered by the interactive sports wagering platform;

(8) description of the method to prevent past-post wagers from being placed; and

(9) description of all integrated third-party service providers. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-202-2. Sports wagering registration requirement. (a) An individual or entity that is contracted to provide goods or services or sport governing body personnel that the executive director determines affects the conduct of sports wagering but falls outside of the scope of an interactive sports wagering platform certification or a vendor's certification shall be required to register with the Kansas racing and gaming commission as a sports wagering registrant.

(b) A lottery gaming facility manager shall conduct due diligence in a commercially reasonable manner of each contracted sports wagering registrant. The due diligence check is for high-level company officers and employees with decision making ability that directly affects sports wagering related operations.

(c) A lottery gaming facility manager or its interactive sports wagering platform provider shall have each contracted sports wagering registrant complete a sports wagering registrant form and provide these to the commission.

(d) All information deemed necessary shall be provided to the commission upon request.

(Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-203-1. Communications technology. Before the interactive sports wagering platform accepts any wagering communications, and before the interactive sports wagering platform accepts any wagering instructions, the lottery gaming facility manager shall obtain written approval from the executive director to accept such wagering communications and wagering instructions, and thereafter use only the communications technology approved for that purpose.

(Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T-

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112-203-2. Change management requirements. (a) The interactive sports wagering platform must have a change management program approved by the executive director. The change management program shall ensure that all changes to the interactive sports wagering platform are conducted by an established set of processes. These processes must be:

- (1) developed in accordance with the most current version of Gaming Laboratories International's GLI-CMP Change Management Program Guide version 1.0; and
- (2) approved prior to its deployment and is subject to an audit at an annual interval by the executive director or its designee which may be a Kansas racing & gaming commission-approved independent testing laboratory.

(b) The Change management program shall ensure transparency in relation to changes in the interactive sports wagering platform and the system process behind those changes.

(c) The Change management system framework shall consist of the following:

- (1) Framework for managing system changes;
- (2) definition of responsibilities, to include:
 - (A) license Holder Responsibilities; and
 - (B) responsibility of Change Management System
 - (i) Role – the interactive sports wagering platform shall appoint one or more among their staff to take overall responsibility of system changes.
 - (ii) Skill – The responsible manager(s) shall possess sufficient experience and competence in relation to change management and hold a key position within the interactive sports wagering platform in relation to change management.

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(iii) Log – The responsible manager(s) need not necessarily handle the system changes personally. The interactive sports wagering platform shall keep a log of the persons who have been involved in the decision process.

(3) Program change control procedures shall be adequate to ensure that only authorized versions of programs are implemented on the production environment. These change controls shall include;

(A) An appropriate software version control or mechanism for all software components and source code;

(B) Records kept of all new installations and/or modifications to the system, including:

(i) The date of the installation or modification;

(ii) Details of the reason or nature of the installation or change such as new software, server repair, significant configuration modifications;

(iii) A description of procedures required to bring the new or modified component into service (conversion or input of data, installation procedures, etc);

(iv) The identity of the user(s) performing the installation or modification;

(v) A strategy for reverting back to the previous implementation if install is unsuccessful, including complete backups of previous versions of software and a test of the rollback plan prior to the implementation to the production environment;

(vi) A policy addressing emergency change procedures;

(vii) Procedures for testing and migration of changes;

(viii) Segregation of duties between the developers, quality assurance team, migration team and users; and

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(ix) Procedures to ensure technical and user documentation is updated as a result of a change.

(d) Remote access into the interactive sports wagering platform shall meet the requirements of KAR 112-107-31. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-203-3. Interactive sports wagering platform requirements. (a) A lottery gaming facility manager or its interactive sports wagering platform provider shall document and maintain any system malfunction or deviation from the interactive sports wagering platform for a minimum period of two years.

(b) A lottery gaming facility manager or its interactive sports wagering platform provider shall provide the executive director or the executive director's designee with unlimited access to wagering transactions and related data.

(c) All interactive sports wagering platforms shall be designed to ensure the integrity and confidentiality of all patron communications and ensure the proper identification of the sender and receiver of all communications. If communications are performed across a public or third-party network, the platform shall either encrypt the data packets or utilize a secure communications protocol to ensure the integrity and the confidentiality of the transmission.

(d) The interactive sports wagering platform shall employ a mechanism capable of maintaining a separate copy of all information required on a separate and independent logging device capable of being administered by an employee with no incompatible function. If the interactive sports wagering platform can be configured such that any logged data is contained in a secure transaction file, a separate logging device is not required.

(e) All interactive sports wagering platform data shall be required to be exported in a format accessible by the Kansas racing and gaming commission.

(f) All procedures used to meet the interactive sports wagering requirements shall be submitted in the internal controls. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-203-4. Electronic asset disposal. (a) Prior to disposal of an electronic asset any sensitive and confidential data shall be sanitized from the equipment by performing a data wipe or over-write, or physical destruction overseen by a Kansas racing and gaming commission agent.

(b) The lottery gaming facility manager must provide to the KRGC at least 14 days prior to the requested disposal date the following:

- (1) a written request to destroy an electronic asset;
- (2) proof of the Kansas Lottery approval of the request to destroy an electronic asset; and
- (3) a description of the electronic asset.

(c) Sanitization may occur by one of the following methods:

- (1) overwriting the media;
- (2) magnetic erasure of the media;
- (3) physical destruction of the media; or
- (4) other method approved by the commission. (Authorized by and implementing K.S.A.

2022 Supp. 74-8772; effective T- _____.)

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112-203-5. Server location and access. (a) The lottery gaming facility manager or its interactive sports wagering platform provider shall locate its primary server responsible for the acceptance of sports wagers in the State of Kansas. The location of the primary server shall have approval from the executive director prior to operation. The executive director may approve of the use of internet or cloud-based hosting of duplicate data or data not related to transactional wagering data upon written request of a lottery facility manager.

(b) The locations selected must have adequate security and twenty-four hour surveillance.

(c) The server shall provide a mechanism for the executive director to query and export all sports wagering data. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-203-6. Geofence Requirement. (a) In order to prevent unauthorized use of the internet or a mobile device to place a sports wager when a patron is not within the state of Kansas, the lottery gaming facility manager or its interactive sports wagering platform provider shall utilize a geofence system that reasonably detects the physical location of a patron attempting to access the interactive sports wagering platform and place a wager, and to monitor and block unauthorized attempts to place a wager when a patron is not within the state of Kansas.

(b) Before being deployed in this state the geofence system shall be certified by a Kansas racing & gaming commission approved independent testing laboratory, including applicable field testing and evaluation of the following geo-location techniques and methods:

(1) basic methods that include IP addresses;

(2) advanced methods using trilateration through;

(A) cell towers;

(B) wi-fi; and

(C) GPS.

(3) Methods utilized in order to prevent unauthorized use of interactive sports wagering platform.

(4) Geo-location techniques reasonably possessing the ability to detect the physical location of a patron attempting to access the interactive sports wagering platform and to monitor and block unauthorized attempts.

(5) Prior to deployment, the geofence system shall have approval from the executive director.

(6) A list of KRGC approved testing laboratories is available upon request. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-203-7. Certification testing. (a) Prior to offering sports wagering, the interactive sports wagering platform and equipment used in conjunction with sports wagering shall be evaluated by a Kansas racing & gaming commission approved independent testing laboratory.

(b) The Kansas racing & gaming commission approved independent testing laboratory shall certify that the interactive sports wagering platform and equipment used in conjunction with the sports wagering operation meets or exceeds version 1 of Gaming Laboratories International's GLI-33, Standards for Event Wagering Systems and its appendices, or equivalent standard as approved by the commission, and the standards established by this document. The list of KRGC approved testing laboratories is available by request. Lottery gaming facility managers are prohibited from offering on behalf of the Kansas lottery, sports wagering in Kansas without equipment approval from the executive director.

(c) Interactive sports wagering platforms and equipment, shall be subject to the following testing:

- (1) wagering account controls/authentication;
- (2) base and peripheral web pages (artwork and functionality);
- (3) wagering disclosure and operation;
- (4) settlement determination and display;
- (5) payment of winnings;
- (6) all supporting wager types (straight, fixed odds, etc.);
- (7) cancellation, voiding, suspension or termination of bets or events;
- (8) financial/operational accounting and reporting;
- (9) wagering history;

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- (10) shutdown and recovery;
- (11) desktop and mobile compatibility;
- (12) technical standards-specific requirements;
- (13) source code review; and
- (14) software and system version control. (Authorized by and implementing K.S.A. 2022

Supp. 74-8772; effective T- _____.)

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112-203-8. Waiver of requirements. (a) One or more of the requirements of this article applicable to technology and interactive sports wagering platform requirements may be waived by the Kansas racing and gaming commission on its own initiative, upon the Kansas racing and gaming commission's determination that the compensating control or procedure, as documented in a lottery gaming facility manager's or its interactive sports wagering platform provider's internal control system, meets the operational integrity requirements.

(b) Any lottery gaming facility manager or interactive sports wagering platform provider may submit a written request to the commission for a waiver for one or more of the requirements in this article. The request shall be filed on an amendment waiver and request form and shall include supporting documentation demonstrating how the proposed auditing and internal controls for which the waiver has been requested would meet the operational integrity requirements.

(Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-204-1. Compliance and audit requirements. (a) Each lottery gaming facility manager or its interactive sports wagering platform provider must have documented revenue audit procedures. Documentation must be maintained evidencing the performance of all revenue audit procedures, any exceptions noted, and follow-up of all exceptions.

(b) The lottery gaming facility manager or its interactive sports wagering platform provider, mobile management services provider, or management services provider must notify the Kansas racing and gaming commission of any report that is filed, or required to be filed, with the Securities and Exchange Commission or other securities regulatory agency. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-204-2. Revenue reporting. (a) Reports generated from the interactive sports wagering platform shall be made available when requested by the Kansas racing and gaming commission. The interactive sports wagering platform shall be capable of issuing reports by wagering day, wagering month, and wagering year. Wagering data shall not be purged until approved by the Kansas racing and gaming commission. The interactive sports wagering platform shall provide for a mechanism to export the data for the purposes of data analysis and auditing or verification. The interactive sports wagering platform shall be able to provide, at a minimum, the following sports wagering information:

- (1) The date and time each event started and ended;
- (2) total amount of wagers collected;
- (3) total amount of winnings paid to patrons;
- (4) total amount of wagers canceled, voided, and expired;
- (5) commission or fees collected;
- (6) total value of promotional play or free play used to purchase or execute a sports wager;
- (7) event status;
- (8) total amount held by the operator for the sports wagering accounts;
- (9) total amount of wagers placed on future events; and
- (10) total amount of winnings owed but unpaid by the lottery gaming facility manager or interactive sports wagering platform provider on winning wagers.

(b) For accounting and revenue audit purposes each lottery gaming facility manager or its interactive sports wagering platform provider must have procedures and systems for the

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preparation, use, and maintenance of complete, accurate, and legible accounting and wagering records, which must include all transactions.

(c) All books, forms, records, documents, and data submitted to the Kansas racing and gaming commission must have the name of the entity, date of completion, and the title of the book, form, record, document, or stored data.

(d) General accounting records must be maintained on a basis consistent with generally accepted accounting principles.

(e) Reports shall be provided in a format approved by the Kansas racing and gaming commission. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T-
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112-204-3. Annual integrity and security audit. (a) If an interactive sports wagering platform provider is conducting sports wagering for a lottery gaming facility manager, an audit of the sports wagering operations for the interactive sports wagering platform provider or parent company of the provider shall be conducted by certified public accountants authorized to practice in the state of Kansas, and the audit shall be provided to the Kansas racing and gaming commission within 120 days of the provider's fiscal year end and meet the following conditions:

- (1) Inclusion of an internal control letter, audited balance sheet, and audited profit-and-loss statement including a breakdown of expenditures and subsidiaries of sports wagering activities.
- (2) inclusion of a supplement schedule indicating financial activities on a calendar-year basis if the provider's fiscal year does not correspond to the calendar year.
- (3) inclusion of a supplement schedule for all Kansas locations in which the provider operates.
- (4) report of any material errors, irregularities that may be discovered during the audit, or notice of any audit adjustments.
- (5) availability, upon request, of an engagement letter for the audit between the provider or parent company of the provider and the auditing firm.
- (6) the annual audit for sports wagering will meet the regulatory requirements of K.A.R.

112-104-6.

(b) Each lottery gaming facility manager or its interactive sports wagering platform provider must contract with an independent third party to perform an IT audit. The third party must be approved by the executive director as qualified, independent, and capable of performing the audit. The audits must be performed, and a copy of the report provided to the Kansas racing

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and gaming commission, within 90 days of commencing initial operations and at least once each calendar year. The audit and corresponding report must assess the following:

(1) The design, controls, maintenance, and security of the interactive sports wagering platform's IT systems, including:

(A) document review

(i) reviewing system architecture

(ii) policies and procedures review

(B) onsite audits

(i) physical and environmental security

(ii) verification of procedures

(B) network security

(i) vulnerability assessment (internal and external)

(ii) penetration testing (network and application layer)

(iii) firewall rules review; and

(2) The lottery gaming facility manager's or its interactive sports wagering platform provider's compliance with the IT and interactive sports wagering platform requirements of this chapter.

(c) The required system validations shall consist for the following:

(1) laboratory document review

(A) reviewing system architecture;

(B) policies and procedures review;

(2) onsite audits;

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(A) physical and environmental security; and

(B) verification of procedures.

(d) The lottery gaming facility manager or its interactive sports wagering platform provider must file with the commission the report required by paragraph (j) of this rule in a format determined by the executive director within one hundred twenty days following the end of the fiscal year or upon receipt, whichever is earlier.

(e) At any time, the executive director may require a special audit of a lottery gaming facility manager or its interactive sports wagering platform provider, by Kansas racing and gaming commission personnel. Any data or records necessary for conduct of a special audit shall be made available to KRGC. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-204-4. Sports promotional contests, tournaments, or promotional activities. (a) Sports promotional contests, tournaments, or promotional activities may be conducted by the lottery gaming facility manager or its interactive sports wagering platform provider providing the rules have prior approval by the executive director.

(1) Rules shall be made available to participants for review prior to registering. Rules shall include, at a minimum: all conditions registered patrons must meet to qualify to enter or advance through the event, available prizes or awards, fees, and distribution of prizes or awards based on specific outcomes.

(2) Changes to rules shall not be made after participants have registered, unless approved by the KRGC.

(3) Results for promotional contests with an entry fee shall be made available for the registered patrons to review at the same location at which or in the same manner in which patrons registered. Results shall include, at a minimum: name of the event, date of the event, total number of entries, amount of entry fees, total prize pool, and amount paid for each winning category.

(4) Fees collected less any prizes paid will be considered sports wagering revenue.

(5) All emails or digital advertisements promoting contests, tournaments, and promotional activities shall include a link or other easily obtainable source that includes rules or terms and conditions.

(6) Promotional contests and tournaments must comply with all federal, state, and local laws including 18 U.S.C. §1084.

(7) Rules shall be submitted at least 30 days prior to the event.

(i) The lottery gaming facility manager or its interactive sports wagering platform provider

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may obtain pre-approval of promotional, contest and tournament mechanics by submitting them to the Kansas racing and gaming commission. Notification must be provided at least 5 days prior to the event to the Kansas racing and gaming commission for promotions utilizing the pre-approved mechanics.

(ii) The lottery gaming facility manager or its interactive sports wagering platform provider shall maintain a digital log of all promotions, contests and tournaments. The digital log shall be made available to the Kansas racing and gaming commission.

(b) A lottery gaming facility or its interactive sports wagering platform are prohibited from using the term “risk free” in advertising and promotional activity. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-204-5. Internal Audit. (a) Each lottery gaming facility manager's internal control system or its interactive sports wagering platform provider shall include internal controls for internal audit standards. The internal controls shall be submitted to and approved by the Kansas racing and gaming commission according to K.A.R. 112-104-1. Lottery gaming facility managers or their interactive sports wagering platform providers shall maintain a separate internal audit department, located on-site, which is independent of the sports wagering operation and may be the internal audit department of a parent entity of the lottery gaming facility manager or interactive sports wagering platform provider.

(b) The internal audit department shall audit the lottery gaming facility manager's or its interactive sports wagering platform provider's compliance with rules and regulations adopted by the Kansas racing and gaming commission, the internal controls as approved by the Kansas racing and gaming commission, and the house rules.

(c) The internal audit department shall follow the standards, conventions, and rules governing audits in accordance with "international standards for the professional practice of internal auditing" or "generally accepted auditing standards".

(d) The audit satisfying the requirements of this rule shall be performed at least semi-annually with the results documented in an audit report that must be provided to the Kansas racing and gaming commission within 30 days of the audit being performed.

(e) Documentation shall be maintained to evidence all work performed as it relates to the requirements of this rule, including all instances of noncompliance.

(f) Follow-up observations and examinations by the internal audit department shall be performed to verify that corrective action has been taken regarding all instances of

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noncompliance cited by internal audit, the independent accountant, and the Kansas racing and gaming commission. The verification shall be performed within three months of the issuance of the audit report.

(g) Whenever possible, internal audit observations shall be performed on an unannounced basis.

(h) All deficiencies disclosed during audits shall be investigated and resolved, with the results being documented and retained for seven years.

(i) Additional audits may be ordered by the Kansas racing and gaming commission to verify corrective action or when noncompliance with rules and regulations adopted by the Kansas racing and gaming commission, the internal controls as approved by the Kansas racing and gaming commission, and the house rules is discovered or suspected.

(j) All internal audit findings shall be reported to management, who shall be required to respond to internal audit findings stating corrective measures to be taken to avoid recurrence of the audit exception. The management responses shall be included in the internal audit reports that are delivered to the lottery gaming facility manager's management, the Kansas racing and gaming commission, or other entity designated by the executive director. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-204-6. External audits and other reports. (a) Each lottery gaming facility manager or its interactive sports wagering platform provider, must have its annual financial statements audited by an independent registered certified public accounting firm approved by the executive director and licensed to practice in Kansas. A list of approved certified public accounting firms will be provided upon request. The audit must be in accordance with generally accepted auditing standards and, when applicable, the standards of the Kansas board of accountancy-board. The lottery gaming facility manager or interactive sports wagering platform provider must report to the Kansas racing and gaming commission the name of the independent registered certified public accounting firm as well as the lead audit partner or other individual taking primary responsibility for the financial statement audit engagement before the start of the engagement.

(b) The lead audit partner or other individual taking primary responsibility for the financial statement audit engagement may serve a maximum of five years in such a position before being required to rotate off the engagement.

(c) The annual financial statements audit must be prepared on a comparative basis for the current and prior fiscal years and present financial position and results of operations in conformity with generally accepted accounting principles.

(d) The audit required by paragraph (a) of this rule must be filed with the Kansas racing and gaming commission, in a format acceptable to the Kansas racing and gaming commission within one hundred twenty days following the end of the fiscal year.

(e) All audits and reports required by this rule are to be prepared at the sole expense of the lottery gaming facility manager or its interactive sports wagering platform provider.

(f) The Kansas racing and gaming commission may require the termination of any audit

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engagement due to lack of qualification, independence, or capacity of the auditor or a finding that the contract or conduct performed thereunder poses a material risk to the integrity of sports wagering in Kansas. If an audit engagement contract is terminated, the lottery gaming facility manager or its interactive sports wagering platform provider, must enter into a new audit engagement contract to ensure the requirements of this rule are met. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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112-204-7. Waiver of requirements. (a) One or more of the requirements of this article applicable to auditing and accounting may be waived by the Kansas racing and gaming commission on its own initiative, upon the Kansas racing and gaming commission's determination that the compensating control or procedure, as documented in a lottery gaming facility manager's or its interactive sports wagering platform provider's internal control system, meets the operational integrity requirements of the act and this article.

(b) Any lottery gaming facility manager or its interactive sports wagering platform provider may submit a written request to the Kansas racing and gaming commission for a waiver for one or more of the requirements in this article. The request shall be filed on an amendment waiver and request form and shall include supporting documentation demonstrating how the proposed auditing and internal controls for which the waiver has been requested would meet the operational integrity requirements of the act and this article. (Authorized by and implementing K.S.A. 2022 Supp. 74-8772; effective T- _____.)

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