

DEPARTMENT OF TREASURY  
MICHIGAN GAMING CONTROL BOARD  
INTERNET SPORTS BETTING RULES

Filed with the secretary of state on December 2, 2020

These rules take effect immediately upon filing with the secretary of state unless adopted under section 33, 44, or 45a(6) of the administrative procedures act of 1969, 1969 PA 306, MCL 24.233, 24.244, or 24.245a. Rules adopted under these sections become effective 7 days after filing with the secretary of state.

(By authority conferred on the Michigan Gaming Control Board by section 10 of the lawful sports betting act, 2019 PA 149, MCL 432.410)

R 432.711, R 432.712, R 432.713, R 432.713a, R 432.714, R 432.714a, R 432.714b, R 432.714c, R 432.714d, R 432.714e, R 432.715, R 432.715a, R 432.716, R 432.716a, R 432.716b, R 432.717, R 432.718, R 432.721, R 432.721a, R 432.721b, R 432.721c, R 432.721d, R 432.721e, R 432.721f, R 432.721g, R 432.721h, R 432.721i, R 432.721j, R 432.721k, R 432.722, R 432.723, R 432.724, R 432.724a, R 432.725, R 432.725a, R 432.725b, R 432.725c, R 432.726, R 432.727, R 432.728, R 432.728a, R 432.728b, R 432.728c, R 432.729, R 432.731, R 432.732, R 432.732a, R 432.732b, R 432.733, R 432.734, R 432.735, R 432.736, R 432.737, R 432.737a, R 432.738, R 432.739, R 432.739a, R 432.741, R 432.742, R 432.743, R 432.744, R 432.745, R 432.746, R 432.746a, R 432.747, R 432.748, R 432.749, R 432.751, R 432.751a, R 432.751b, R 432.751c, R 432.752, R 432.753, R 432.754, R 432.755, R 432.755a, R 432.755b, R 432.755c, R 432.755d, R 432.755e, R 432.756, R 432.757, R 432.758, R 432.759, R 432.761, R 432.762, R 432.763, R 432.763a, R 432.763b, R 432.763c, R 432.764, R 432.765, R 432.765a, R 432.765b, R 432.766, R 432.767, R 432.768, R 432.771, R 432.772, R 432.773, R 432.774, R 432.775, and R 432.776 are added to the Michigan Administrative Code, as follows:

PART 1. GENERAL PROVISIONS

R 432.711 Definitions.

Rule 711. As used in these rules:

- (a) “Act” means the lawful sports betting act, 2019 PA 149, MCL 432.401 to 432.419.
- (b) “Affiliate” means a person that, directly or indirectly, through 1 or more intermediaries, controls or is controlled by a sports betting operator.
- (c) “Affiliate marketer” means a person involved in promoting, marketing, and directing business to online gaming sites who is compensated based on the volume of customer referrals to an online gaming site or customer activity, including but not limited to,

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number of registrations, number of depositing registrations, or wagering activity, or both.

- (d) "Agent" means any individual who is employed by any agency of this state, other than the board, the state police, or attorney general, and who is assigned to perform full-time services on behalf of or for the benefit of the board regardless of the title or position held by that individual.
- (e) "Authorized participant session" means the period of time that an authorized participant is logged on to an internet sports betting platform.
- (f) "Conflict of interest" means a situation, relationship, or association in which the private interest of employees, agents, and contractors of the board may influence the judgment of the employee, agent, or contractor in the performance of his or her public duty under the act.
- (g) "Contractor" means any individual not employed by this state who performs services on behalf of or for the benefit of the board and requires unescorted access to board facilities.
- (h) "Event category" means a specific type of athletic event or other event governed by a specific sports governing body or other oversight body (for example, professional basketball governed by the National Basketball Association).
- (i) "Event wagering system" means the hardware, software, firmware, communications technology, other equipment, as well as the sports betting operator procedures implemented to allow an authorized participant to participate in wagering, and, if supported, the corresponding equipment related to the display of the wager outcomes, and other similar information necessary to facilitate an authorized participant's participation. The event wagering system provides the authorized participant with the means to place and manage wagers. The event wagering system provides the sports betting operator with the means to review internet sports betting accounts, if supported, suspend events, generate various wagering/financial transaction and account reports, input outcomes for events, and set any configurable parameters. The term does not include computer equipment or communications technology used by an authorized participant to access the internet sports betting platform. Unless otherwise specified in these rules, the term internet sports betting platform includes the entire event wagering system.
- (j) "Excluded person" means any individual who has been involuntarily placed in the responsible gaming database by the executive director and who is prohibited from establishing an internet sports betting account or participating in internet sports betting, or both, offered under the act or these rules.
- (k) "Executive Director" means the executive director of the Michigan gaming control board, appointed under section 4 of the Michigan Gaming Control and Revenue Act, 1996 IL 1, MCL 432.204.
- (l) "Independent integrity monitoring provider" means an independent person who is registered with the board as a vendor and who receives reports of unusual wagering activity from a sports betting operator or internet sports betting platform provider for the purpose of assisting in identifying suspicious wagering activity.
- (m) "Key person" means any of the following except as otherwise provided in paragraph (vii):
  - (i) A director of the applicant.

- (ii) A managerial employee of the applicant that performs the function of principal executive officer, principal operations officer, or principal accounting officer.
- (iii) A person who holds more than 5% ownership interest in the applicant.
- (iv) An affiliate of the applicant.
- (v) A director of an affiliate of the applicant.
- (vi) A managerial employee of an affiliate of an applicant that performs the function of principal executive officer, principal operations officer, or principal accounting officer.
- (vii) Key person does not include an elected or appointed representative of any applicant or licensee that is a federally recognized Indian tribe located in this state unless the representative is also a full-time employee of the applicant's or licensee's internet sports betting operations. A key person for an Indian tribe includes a primary management official of the applicant who has management responsibilities for the applicant's internet sports betting operations.
- (n) "Layoff wager" means a wager placed by a sports betting operator or internet sports betting platform provider with another sports betting operator or internet sports betting platform provider for the purpose of offsetting authorized participant internet sports betting wagers.
- (o) "Licensee" means a person who holds a license under the act.
- (p) "Prohibited person" means any excluded person, any voluntarily-excluded person, and all of the following:
  - (i) An individual who is under the age of 21.
  - (ii) Any employee of, or appointee to, the Michigan gaming control board.
  - (iii) Employees of a sports betting operator. An employee of a sports betting operator shall not create an internet sports betting account or place an internet sports betting wager with the sports betting operator for which he or she is employed unless using a test account under R 432.739a.
  - (iv) Employees of an internet sports betting platform provider. An employee of an internet sports betting platform provider shall not create an internet sports betting account or place an internet sports betting wager with the sports betting operator for which the internet sports betting platform provider supplies the internet sports betting platform unless using a test account under R 432.739a.
  - (v) Employees and appointees of a tribal gaming regulatory agency with jurisdiction over internet gaming being operated under such tribe's gaming ordinance and the Indian gaming regulatory act, 25 USC 2701 to 2721.
  - (vi) Occupational licensees and applicants. Occupational licensees and applicants shall not place wagers with the sports betting operator or internet sports betting platform provider for which they are employed or for which they had to qualify.
  - (vii) An individual not in an authorized location to make a wager.
  - (viii) An individual placing an internet sports betting wager on behalf of another.
  - (ix) An individual with access to non-public/exclusive information related to an event or an individual who may impact the outcome of an event or wager type is prohibited from wagering on any event overseen by the relevant sports governing body.

- (x) Athletes, coaches, managers, owners, and anyone with sufficient authority to influence the outcome of an event are prohibited from wagering on events overseen by the relevant sports governing body.
- (xi) Employees of a sports governing body or its members teams are prohibited from wagering on any event overseen by the relevant sports governing body.
- (xii) Owners of a sports governing body or member team are prohibited from wagering on any event overseen by the sports governing body or any event in which a member team of that sports governing body participates.
- (xiii) At the board's discretion, an individual on a list provided by a team or sports governing body may be prohibited from wagering on any event overseen by the relevant sports governing body.
- (xiv) An individual wagering in violation of state, tribal, or federal law.
- (xv) Other prohibited persons as determined by the board.
- (q) "Publicly traded corporation" means any corporation or other legal entity regulated by the U.S. Securities and Exchange Commission under the securities exchange act of 1934, 15 USC 78a to 78qq, or securities act of 1933, 15 USC 77a to 77aa.
- (r) "Secure transaction file" means a file that contains data that cannot be modified without detection.
- (s) "Self-authentication process" means a method used by a system to verify the validity of software and includes the following:
  - (i) The method requires the calculation of an output digest that is compared to a secure embedded value.
  - (ii) The output digest must be of 128-bit complexity, at a minimum.
  - (iii) Software is authenticated if the calculated digest equals the secure embedded value.
- (t) "Self-exclusion list" means a list of individuals who voluntarily excluded themselves from establishing or maintaining an internet sports betting account with a sports betting operator or internet sports betting platform provider.
- (u) "Strong authentication" means a method that has been demonstrated to the satisfaction of the board to effectively provide higher security than a username and password alone.
- (v) "Suspended account" means an internet sports betting account that has been temporarily disabled from engaging in wagering activity.
- (w) "Suspicious wagering activity" means unusual wagering activity that cannot be explained and is indicative of any of the following:
  - (i) Match-fixing.
  - (ii) The manipulation of an event.
  - (iii) Misuse of inside information.
  - (iv) A potential breach of a sports governing body's internal rules or code of conduct pertaining to sports betting.
  - (v) Any other conduct that corrupts the outcome of an event.
  - (vi) Any other prohibited activity.
- (x) "Targeted mailing" means an advertisement or promotional offer from a sports betting operator or an internet sports betting platform provider directed to an individual on the basis of specific criteria, such as being a member or former member of a rewards club or a participant in social games. "Targeted mailing" does

not include mass communication, including mailings or e-mailings, made to an entire area or zip code or targeted list, nor does it include an advertisement that arrives in a packet of 5 or more non-gaming advertisements, if the packet of advertisements is addressed to "resident," "occupant," or some similar wording and not to a specific individual. "Targeted mailing" further does not include any "pop-up" advertisement that appears on an individual's computer or mobile device on the basis of his or her IP Address.

- (y) "Things of value" means anything of value that may be used to place an internet sports betting wager.
- (z) "Unusual wagering activity" means abnormal wagering activity exhibited by one or more authorized participants and considered by a sports betting operator or internet sports betting platform provider as a potential indicator of suspicious wagering activity. Unusual wagering activity may include the size of an authorized participant's internet sports betting wager or increased wagering volume on a particular event or wager type.
- (aa) "Voluntarily-excluded person" means any individual whose name is included, at his or her own request, in the responsible gaming database or on a self-exclusion list, or both.
- (bb) "Wager type" means a type of internet sports betting wager, which may include, but is not limited to, the following:
  - (i) Single-game bets.
  - (ii) Teaser bets.
  - (iii) Parlays.
  - (iv) Over-under.
  - (v) Moneyline.
  - (vi) Pools.
  - (vii) Exchange betting.
  - (viii) In-game betting.
  - (ix) Proposition bets.
  - (x) Straight bets.

R 432.712 Terms defined in act.

Rule 712. Terms defined in the act have the same meaning when used in these rules.

R 432.713 Board duties, jurisdiction, and authority.

Rule 713. (1) To execute and administer the act for the purpose of licensing, regulating, and enforcing lawful internet sports betting the board may do all of the following:

- (a) Determine its practices and internal policies or procedures.
- (b) Delegate to the executive director all powers and authority to act in the name of the board with respect to all reasonable, necessary, and appropriate actions to administer and carry out the administrative and executive functions of the board including, but not limited to, the power to do any of the following:
  - (i) Execute and enter into contracts on behalf of the board.
  - (ii) Hire and fire employees of the board and administer oaths.
  - (iii) Issue subpoenas for the attendance of witnesses and the production of documents.

- (iv) Issue and renew licenses.
  - (v) Register vendors.
  - (vi) Conduct investigations, inspections, and audits, share information with law enforcement agencies, conduct hearings, and settle alleged violations of the act and these rules.
  - (vii) Engage in other functions necessary to the proper administration and enforcement of the act and these rules.
  - (viii) Grant requests and waivers, answer inquiries, issue interpretations, and otherwise take any action that is reasonably requested by applicants, licensees, and vendors in furtherance of, and consistent with, the efficient administration and enforcement of the act and these rules, as determined to be necessary or appropriate by the executive director.
- (2) The board may set hiring standards for employees.
- (3) The board has general responsibility for the implementation of the act. The board's duties include, but are not limited to, all of the following:
- (a) Deciding in a reasonable period of time all license applications.
  - (b) Investigating applicants for licenses or registration. The board may grant licenses or register persons in accordance with the act and these rules.
  - (c) Supervising sports betting operations authorized by the act.
  - (d) Investigating alleged violations of the act or these rules and taking appropriate disciplinary action against a licensee or any other person, or instituting appropriate legal action for enforcement, or both.
  - (e) Conducting investigative and contested case hearings, issuing subpoenas, and administering oaths and affirmations to the witnesses to exercise and discharge the powers and duties of the board under the act.
  - (f) Revoking or suspending licenses and registrations, and imposing fines as the board considers necessary and in compliance with applicable laws of this state.
  - (g) Imposing fines against individuals, sports betting operators, and sports betting suppliers for engaging in a fraudulent practice, for each violation of the act, these rules, or any resolution or order of the board, or for any other action that the board determines is a detriment or impediment to sports betting.
  - (h) Taking any other action as may be reasonable or appropriate to enforce the act and these rules.
- (4) The board may seek and shall receive the cooperation and assistance of other departments and agencies in conducting background investigations and in fulfilling its responsibilities under the act.

R 432.713a Member, employee, or agent of board; conduct generally.

Rule 713a. (1) By January 31 of each year, each member, the executive director, and all employees of the board shall file 1 or more board disclosure forms. The board shall determine the contents of the form, but it must include such information as necessary to ensure the integrity of internet sports betting and disclosure of all relevant financial information. The form may be combined with similar forms required by other acts or rules.

(2) If a member, the executive director, an employee, or an agent of the board negotiates for, or acquires by any means, any interest in a licensee, applicant, or person affiliated

with a licensee or applicant, he or she must immediately provide written notice of the details of the interest to the chairperson. The member, executive director, employee, or agent of the board must not act on behalf of the board with respect to that licensee, applicant, or person affiliated with the licensee or applicant.

(3) A member, the executive director, an employee, or an agent of the board may enter into any negotiations for employment with a licensee, applicant, or affiliate of a licensee or applicant. The member, executive director, employee, agent, licensee, applicant, or affiliate must immediately notify the chairman and the executive director once the invitation to negotiate has been extended. A potential employer asking if an individual would be interested in a position or explaining the nature of a position does not constitute negotiations for employment. Further, an individual completing an employment application does not constitute negotiations for employment. The member, executive director, employee, or agent of the board must not take any action on behalf of the board with respect to that licensee, applicant, or person affiliated with a licensee or applicant while the negotiations are ongoing. All members, the executive director, board employees, agents, and contractors must, to the maximum extent possible, avoid situations, relationships, or associations that may represent or lead to an actual or perceived conflict of interest.

(4) A member, the executive director, an employee, or an agent or their spouse, may not accept any gift, gratuity, compensation, travel, lodging, or anything of value, directly or indirectly, from any licensee, applicant, or an affiliate or representative of an applicant or licensee, unless the acceptance conforms to a written policy issued by the chairperson. The chairman may exempt attendance at a reception, and food and drink for immediate consumption from this policy. The policy must be publicly available and shared with all licensees.

(5) A licensee, applicant, or an affiliate or representative of an applicant or licensee, shall not, directly or indirectly, give or offer to give any gift, gratuity, compensation, travel, lodging, or things of value to any member, the executive director, an employee, or an agent of the board that the member, employee, or agent of the board is prohibited from accepting under subrule (4) of this rule.

(6) A licensee, applicant, or an affiliate or representative of an applicant or licensee must not engage in ex parte communications with a member of the board. A member of the board must not engage in any ex parte communications with a licensee, applicant, or affiliate or representative of an applicant or licensee.

(7) Any member, licensee, applicant, or affiliate or representative of a board member, licensee, or applicant who receives any ex parte communication in violation of subrule (6) of this rule, or who is aware of an attempted communication in violation of subrule (6) of this rule, must immediately report details of the communication or attempted communication in writing to the chairperson.

(8) A member, the executive director, an employee, or an agent of the board must not have an internet sports betting account or participate in or wager on any sports betting conducted in this state except as part of the individual's surveillance, security, or other official duty authorized by the board.

(9) Violation of this rule by a licensee, applicant, or affiliate or a representative of a licensee, applicant, or affiliate, may result in denial of an application for licensure, revocation or suspension of a license, or other action by the board.

(10) Violation of this rule does not create a civil cause of action.

R 432.714 Denial or non-renewal hearings.

Rule 714. (1) A person whose application for a license or a transfer of ownership has been denied, whose license has not been renewed, or who has been denied an approval from the board required in these rules may request a hearing. The hearing must be de novo.

(2) The person must submit an original hearing request, pleading, or other written document to the board, serve each party or attorney of record, and provide a proof of service on each party or attorney of record.

R 432.714a Request for hearing.

Rule 714a. (1) A request for hearing must meet all of the following requirements:

- (a) Be in writing.
- (b) State the name, current address, and current telephone number of the petitioner.
- (c) State in detail the reasons why, and the facts upon which the petitioner will rely to show that, the petitioner's application for a license should not have been denied, the license should have been renewed, the transfer of ownership should have been approved, or approval should have been granted.
- (d) Be signed, verified, and dated. A petitioner must have the verification notarized and include a certification stating, "Under the penalty of perjury, the undersigned has examined this request for hearing and to the best of my knowledge and belief, it is true, complete, and correct."

(2) A request for hearing must be submitted within 21 days after service of the notice of denial, notice of nonrenewal, or disapproval. A request for a hearing submitted by certified mail or overnight express mail is considered submitted in a timely manner if it is postmarked no later than 21 days after service of a notice of denial, notice of nonrenewal, or disapproval.

(3) A request for a hearing is considered granted unless denied.

(4) A request for a hearing may be withdrawn by the petitioner. If the request for hearing is withdrawn, then the initial denial, nonrenewal, or disapproval becomes a final board order.

(5) Unless the board denies a request for hearing, the board shall submit the request for hearing to the appropriate state agency.

(6) Default judgment or dismissal may result at any stage of the proceeding.

R 432.714b Proceedings.

Rule 714b. (1) The burden of proof is at all times on the petitioner. The petitioner has the affirmative responsibility of establishing, by clear and convincing evidence, any of the following:

- (a) The petitioner should have been awarded a license.
- (b) The license should have been renewed.
- (c) The transfer of ownership should have been approved.
- (d) Approval should have been granted.



(2) The hearing must be conducted in accordance with the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, except as otherwise provided in these rules or the act.

R 432.714c Prohibition on ex parte communication.

Rule 714c. A party or its attorney must not communicate directly or indirectly with the hearing officer regarding any pending matter, except upon notice and opportunity for all parties to participate. A party that engages in ex parte communication with the hearing officer may be subject to sanctions and penalties.

R 432.714d Sanctions and penalties.

Rule 714d. (1) The hearing officer may recommend sanctions and penalties if the hearing officer finds that a party has failed to appear at a scheduled hearing, has acted in bad faith for the purpose of delay, or has otherwise abused the hearing process. Sanctions and penalties include, but are not limited to, a fine or default judgment or a directed finding on 1 or more issues.

(2) If a petitioner refuses to testify on his or her own behalf with respect to any question propounded to him or her, then the hearing officer may infer that the testimony or answer would have been adverse to the case of the petitioner.

(3) If the petitioner or attorney of record fails to answer a subpoena or refuses to testify fully at the request of the board, then the failure may be considered independent grounds for a finding that the petitioner should have been denied a license or the transfer of ownership. The hearing officer may also infer from the failure to answer a subpoena or refusal to testify fully that the testimony would have been adverse to the petitioner.

R 432.714e Recording proceedings; transmittal of record and board action.

Rule 714e. (1) Oral proceedings involving contested issues must be recorded to ensure the preservation of the testimony. A party may request a transcript of the proceedings. The requesting party must pay for the transcript.

(2) Unless otherwise specified by the board, the hearing officer, within 60 days after the conclusion of the hearing, or the submission of post-hearing briefs or proposed findings of fact, shall issue, to the board and to the parties, written findings of fact, conclusions of law, and recommendations. Findings of fact must be based exclusively on testimony, evidence, and matters within the record. The findings of fact must be stated separately.

(3) Unless otherwise agreed to by the parties or as set by the hearing officer, the parties have 21 days after the service of the findings of fact, conclusions of law, and recommendations of the hearing officer to file objections.

(4) Unless otherwise agreed to by the parties or as set by the hearing officer, the parties may file a response to the objections within 21 days after service of the objections.

(5) After the time period for the parties to file objections and responses to those objections, the hearing officer must transmit the entire record to the board.

(6) Before issuing a final order, the board must consider the record as a whole.

(7) After considering the record, the board may take any of the following actions:

- (a) Affirm the written recommendations, findings of fact, and conclusions of law submitted by the hearing officer as its final board order.

- (b) Issue a final order modifying the written recommendations, findings of fact, and conclusions of law submitted by the hearing officer.
- (c) Issue a final order rejecting the written recommendations, findings of fact, and conclusions of law submitted by the hearing officer.
- (d) Issue an order remanding the matter, with instructions, to the hearing officer for further proceedings.
- (8) The board must serve copies of its orders on the parties.
- (9) A board order becomes effective upon service.

R 432.715 Request for declaratory ruling; form; contents.

Rule 715. (1) An individual who requests a declaratory ruling from the board as to the applicability to an actual state of facts of a statute, rule, resolution, or order administered, promulgated, or issued by the board, must do so in writing.

(2) The written request must contain the relevant and material facts along with a reference to the statute, rule, resolution, or order applicable.

R 432.715a Declaratory ruling; notice of issuance; request for information or arguments; hearing.

Rule 715a. (1) Within 90 days after the receipt of a request for a declaratory ruling, the board shall issue a written notification by regular first-class mail to the petitioner and the petitioner's legal counsel, if any, stating whether or not a declaratory ruling will be issued.

(2) If the board decides to issue a declaratory ruling, the board may do any of the following:

- (a) Request more information from the individual.
- (b) Request information from other interested parties.
- (c) Request information from experts outside the board.
- (d) Request oral or written arguments from interested parties.
- (e) Hold a hearing upon proper notice to all interested parties.
- (f) Decline to issue a declaratory ruling.

R 432.716 Reasons for investigation of, or disciplinary action against, licensee; hearing procedure.

Rule 716. (1) The board may initiate an investigation or a disciplinary action, or both, against a licensee if the board has reason to believe that at least 1 of the following applies:

- (a) The licensee is not maintaining suitability for licensure as provided by the act.
- (b) The licensee is not complying with licensure conditions.
- (c) The licensee is not complying with all laws, rules, orders, and resolutions.

(2) Before initiating disciplinary proceedings, the board must give notice and an opportunity to show compliance under section 92 of the administrative procedures act of 1969, 1969 PA 306, MCL 24.292.

(3) A sports betting operator is responsible for the conduct of any licensee it uses to conduct internet sports betting wagering under the act. A sports betting supplier is also responsible for its conduct under the act and these rules. Any violation of the act or these rules by the sports betting operator in which the sports betting supplier participated in the

action is also considered a violation by the sports betting supplier, and the board may hold both, or either, accountable for the violation.

(4) The board may initiate a disciplinary proceeding by designating a member or the executive director to conduct a hearing or by initiating proceedings with the appropriate state agency under the contested case provisions of chapter 4 of the administrative procedures act of 1969, 1969 PA 306, MCL 24.271 to 24.288, and the rules promulgated under that chapter.

#### R 432.716a Actions available to hearing officer.

Rule 716a. (1) A hearing officer may recommend sanctions and penalties if the hearing officer finds that a party has failed to appear for a scheduled hearing, acted in bad faith for the purpose of delay or has otherwise abused the hearing process.

(2) If a respondent fails to testify on the respondent's own behalf with respect to any question propounded to the respondent, the hearing officer may infer that the testimony or answer would have been adverse to the case of the respondent.

(3) If the respondent or attorney of record fails to answer a subpoena or refuses to testify fully at the request of the board the failure may be considered independent grounds for a finding that the respondent should be disciplined. The hearing officer may also infer that the testimony would have been adverse to the respondent.

#### R 432.716b Actions available to the board.

Rule 716b. The board may take any of the following disciplinary actions against a licensee:

- (a) Suspend, revoke, restrict, or place conditions on the license of a licensee.
- (b) Require the removal of a licensee or the removal of an employee of a licensee.
- (c) Impose a civil penalty for each violation of the act, rules, orders, or resolutions.
- (d) Impose against an occupational licensee, for each violation of the act or these rules, a civil penalty of not more than \$10,000.00 as a result of the violation or attempted violation of the act or these rules.
- (e) Any other action considered necessary by the board to ensure compliance with the act or these rules.

#### R 432.717 Special proceedings.

Rule 717. (1) The board may suspend a license without notice or hearing if the board determines that the safety or health of persons or employees or the integrity of internet sports betting is jeopardized by continuing an operation or that the action is necessary for the immediate preservation of the integrity of internet sports betting, public peace, health, safety, morals, good order, or general welfare.

(2) The suspension may remain in effect until the board determines that the cause for suspension has been abated.

(3) Following a hearing, the board may revoke the license upon a determination that satisfactory progress toward abating the hazard has not been made.

#### R 432.718 Waiver of requirements.

Rule 718. The board may, in writing, waive, restrict, or alter any requirement or procedure set forth in these rules, if the board determines any of the following:

- (a) That the requirement or procedure is impractical or burdensome.
- (b) That the waiver, restriction, or alteration is in the best interest of the public and the internet sports betting.
- (c) That the waiver, restriction, or alteration is not outside the technical requirements necessary to serve the purpose of the requirement or procedure.

## PART 2. LICENSING: OPERATOR, SUPPLIER, OCCUPATIONAL; VENDOR REGISTRATION

R 432.721 Required notification of anticipated or actual changes in key person of sports betting operator and sports betting supplier.

Rule 721. A sports betting operator applicant or licensee must notify the board before any anticipated or actual change in key person. A sports betting supplier applicant or licensee must notify the board of any change in key person within 30 days after appointment.

R 432.721a Notification of new financial sources of sports betting platform providers.

Rule 721a. A sports betting platform provider applicant or licensee must notify the board, in writing, as soon as practicable, after it becomes aware that it intends to enter into a transaction related in any way to its development and operations that may result in any new financial backers, investors, mortgagees, bondholders, or holders of indentures, notes, or other evidences of indebtedness of the applicant or licensee. A publicly traded corporation is considered to have complied with this rule if it has complied with the reporting requirements in R 432.721d.

R 432.721b Notification by applicants or licensees required.

Rule 721b. (1) A sports betting operator or sports betting supplier applicant or licensee, affiliate that has control of a sports betting operator applicant or licensee, or other person that has control of a sports betting operator or sports betting supplier applicant or licensee must notify the board, as soon as practicable after it becomes aware that, with regard to any such company, any person or individual has:

- (a) Beneficially acquired more than 5% of any class of the company's equity securities.
- (b) The ability to control the company.
- (c) The ability to elect 1 or more directors of the company.

(2) To the extent known by the sports betting operator license or sports betting supplier license applicant or licensee, the required notification must include the name, business address, phone number, and other personal identification information for each person.

(3) A person applying for or holding a sports betting operator license or sports betting supplier license must report to the board the election or appointment of a director or officer of that applicant or licensee or a holding company of that applicant or licensee who is actively and directly engaged in the administration or supervision of that applicant's or licensee's internet sports betting operation.

(4) A person who applies for or holds a sports betting operator license and all other persons covered by this part must file any other document requested by the board to

ensure compliance with the act or this part within 30 days after the board request or at another time established by the board.

(5) A publicly traded corporation is considered to have complied with this rule if it has complied with the reporting requirements in R 432.721d.

R 432.721c Required notification of formation, dissolution, or transfer of subsidiaries.

Rule 721c. (1) A sports betting operator or sports betting supplier applicant or licensee, affiliate that has control of a sports betting operator applicant or licensee, or other person that has control of a sports betting operator or sports betting supplier applicant or licensee, must report, in writing, to the board, as soon as practicable, the formation or dissolution of, or any transfer of, a nonpublicly traded or publicly traded interest in the sports betting operator or sports betting supplier applicant or licensee, affiliate that has control of a sports betting operator applicant or licensee, or other person that has control of a sports betting operator or sports betting supplier applicant or licensee.

(2) A publicly traded corporation is considered to have complied with this rule if it has complied with the reporting requirements in R 432.721d.

R 432.721d Publicly traded corporation reporting requirements.

Rule 721d. (1) A publicly traded corporation or other person that applies for or holds a sports betting operator license or sports betting supplier license who is a public reporting company under the securities exchange act of 1934, 15 USC 78a to 78qq, or the securities act of 1933, 15 USC 77a to 77aa, must submit a copy of all submissions required by the U.S. Securities and Exchange Commission to the board in a format prescribed by the board. The submissions are due within 14 days of the filing dates required by the U.S. Securities and Exchange Commission.

(2) If a publicly traded corporation or other person that applies for or holds a sports betting operator license or sports betting supplier license receives any material document filed with the U.S. Securities and Exchange Commission by any other person relating to the publicly traded corporation, the person must file 1 copy of the document with the board within 14 days after receipt of the material.

(3) A publicly traded corporation or other person that applies for or holds a sports betting operator license or sports betting supplier license must file a list of record holders of its voting securities with the board annually.

R 432.721e Exemption for institutional investors.

Rule 721e. (1) An institutional investor who acquires beneficial ownership of a person that has applied for or holds a sports betting operator license or sports betting supplier license must notify the board within 14 days after the institutional investor acquires the interest or files form 13-D or 13-G with the U.S. Securities and Exchange Commission, or both, and must provide additional information, and may be subject to a finding of suitability, as required by the board.

(2) An institutional investor who acquires and holds a less than 25% interest for investment purposes only in a person that has applied for or holds a sports betting operator license or sports betting supplier license in this state may, in a manner and form prescribed by the board, file an exemption form to establish exemption from the eligibility and suitability requirements of the act.

(3) The licensee in whom the institutional investor acquires the interest must file an application for approval of the transfer within 30 days after the transfer. Within the same time period, the institutional investor must file either an exemption form if the institutional investor holds the interest for investment purposes only or an application and disclosure forms as part of the licensee's application if the institutional investor does not hold the interest for investment purposes only.

(4) The board may require that any person, including an institutional investor, seeking approval to hold ownership interests subject to this part apply for a finding of suitability in accordance with this rule if the board considers the finding of suitability necessary to ensure compliance with the act and these rules. If the board denies a request for an institutional investor exemption, the institutional investor must, within 30 days, either divest itself of the interest or file application and disclosure forms as part of the relevant licensee's license.

(5) The following activities are considered to be consistent with holding equity securities for investment purposes only under this rule:

- (a) Voting, directly or indirectly, through the delivery of a proxy furnished by the board of directors, on all matters voted on by the holders of the voting securities.
- (b) Serving as a member of a committee of creditors or security holders formed in connection with a debt restructuring.
- (c) Nominating a candidate for election or appointment to the board of directors in connection with a debt restructuring.
- (d) Accepting appointment or election as a member of the board of directors in connection with a debt restructuring and serving in that capacity until the conclusion of the member's term.
- (e) Making financial and other inquiries of management of the type normally made by securities analysts for information purposes and not to cause a change in its management, policies, or operations.
- (f) Other activities that the board determines to be consistent with the investment intent.

(6) If an institutional investor acquires 25% or more ownership interest of a licensee, the institutional investor must notify the board within 14 days of acquiring the ownership interest.

R 432.721f Applicability of part; transfer of ownership interest; limitation.

Rule 721f. (1) An interest in a person applying for or holding a sports betting operator license or sports betting supplier license may only be transferred in accordance with this part.

(2) The following persons must provide notice to the board no later than 30 days after execution of the transfer:

- (a) Except for a sports betting platform provider, a person that transfers or acquires greater than a 5% interest in a person that has applied for or holds a sports betting operator license or sports betting supplier license in this state.
- (b) Except for a sports betting platform provider, a person who, as a result of an acquisition, has acquired an interest totaling greater than 5% in a person that has applied for or holds a sports betting operator license or sports betting supplier license in this state.

(3) Except as stated in subrules (5) and (6) of this rule, the following persons must provide notice to the board 30-days before execution of a transfer:

(a) A person that intends to transfer or acquire greater than a 5% interest in a person that has applied for or holds a sports betting operator license or sports betting platform provider in this state.

(b) A person who, as a result of an acquisition, will acquire an interest totaling greater than 5% in a person that has applied for or holds a sports betting operator license or is a sports betting platform provider in this state.

(4) The board must determine whether the person acquiring the interest is eligible and suitable under the standards set forth in the act and these rules, unless the board grants the person an institutional-investor exemption under these rules or under section 6(13) or 8(10) of the act, MCL 432.406 and 432.408. Once the board determines that the person acquiring the interest is eligible and suitable under the standards set in the act and these rules, the executive director may approve the transfer.

(5) A transfer of interest to an institutional investor that acquires or will have acquired, upon completion of the transfer, less than 25% of the equity securities of a person that applies for or holds a sports betting operator license or sports betting supplier license may occur without first receiving executive director approval if the equity securities are held for investment purposes only but is subject to other requirements of this part.

(6) A transfer of interest in a sports betting operator or sports betting supplier licensee may occur if the transfer is between persons the board has found eligible and suitable for licensure during the licensing period in which the transfer occurs. In those cases, approval of the transfer must be requested no later than 30 days after the transfer, and the executive director may decide the application.

(7) If approval of the transfer of interest is denied by the executive director or the person acquiring the interest is found unsuitable by the board, the transferee must divest itself of the interest within 30 days after the date of the order denying approval.

#### R 432.721g Application for transfer of ownership.

Rule 721g. (1) A person desiring to acquire an ownership interest in a person applying for or holding a sports betting operator license or sports betting supplier license must complete and submit application and disclosure forms, in the manner and form prescribed by the board.

(2) A person desiring to acquire an interest in a person applying for or holding a sports betting operator license or sports betting supplier license must present evidence that the person desiring to acquire the interest is eligible and suitable under the standards and criteria for licensure set forth in the act and these rules.

(3) A person applying for or holding a sports betting operator license or sports betting supplier license that is attempting to transfer an ownership interest must submit any information or documentation considered necessary by the board to ensure compliance with the act and these rules.

#### R 432.721h Transfer investigative costs and fees.

Rule 721h. An investigation fee may be assessed to the extent that there are costs directly associated with the background investigation relating to the person desiring to acquire an interest in a sports betting operator or sports betting supplier. Unless otherwise

determined by the board, approval may be withheld until full payment of the background investigation fees.

#### R 432.721i Denials.

Rule 721i. If an application for a transfer of interest is denied, a notice of denial must be issued.

#### R 432.721j Review of information at licensee's or applicant's premises; costs to sports betting operator and sports betting supplier.

Rule 721j. (1) The board may review, at the premises of the custodian of the information, any information that the act or these rules provide for from any of the following entities:

- (a) A license applicant.
  - (b) A licensee.
  - (c) A key person.
- (2) If information is reviewed at the premises of the custodian of the information, the license applicant or licensee must, as soon as practicable, reimburse the board for all licensure investigation expenses incurred in performing the review at the premises of the custodian of the information, including travel, food, and lodging that exceed the amount of the application fee.

#### R 432.721k Applicant/licensee disclosure of representatives to act on their behalf before the board.

Rule 721k. (1) An applicant or licensee must file, with the board, a list of persons authorized to act on the applicant's or licensee's behalf as to any matter before the board. An attorney appearing on behalf of an applicant or licensee in a matter before the board must promptly file an appearance identifying his or her client and the matter in which the attorney will appear.

(2) A person holding or applying for a license must establish and identify a representative for the purpose of accepting service of process, notices, and other forms of communication from the board for the person holding or applying for a license.

#### R 432.722 License classifications.

Rule 722. (1) The following licenses may be issued under the act and these rules:

- (a) Sports betting operator license.
  - (b) Sports betting supplier license.
- (2) The following persons are eligible to hold a sports betting operator license:
- (a) A person that holds a casino license under the Michigan Gaming Control and Revenue Act, 1996 IL 1, MCL 432.201 to 432.226.
  - (b) An Indian tribe that lawfully conducts class III gaming in a casino located in this state under a facility license issued in accordance with a tribal gaming ordinance approved by the chair of the National Indian Gaming Commission.
- (3) A person that provides goods or services regarding the operation of internet sports betting to sports betting operators is required to hold a sports betting supplier license. Sports betting supplier includes, but is not limited to, the following:
- (a) Internet sports betting platform providers.



- (b) Geofence providers.
- (c) Sports betting data providers.
- (d) Providers of software that directly affects sports betting or the integrity of sports betting in this state.
- (e) Providers hosting live sports betting data.
- (f) Affiliate marketers that have an agreement based on the sharing of customer revenue.
- (g) Unless otherwise determined by the board, any other person that meets 1 or more of the following criteria:
  - (i) The person manufactures, supplies, or distributes devices, machines, equipment, items, or articles that meet any of the following provisions:
    - (A) Are specifically designed for use in the conduct of internet sports betting.
    - (B) Have the capacity to affect the outcome of an internet sports betting wager.
    - (C) Have the capacity to affect the calculation, storage, collection, or control of gross sports betting receipts.
  - (ii) The person services or repairs sports betting wagering devices, machines, equipment, items, or articles impacting the integrity of internet sports betting.
  - (iii) The person provides services directly related to the operation, security, surveillance, or management of internet sports betting.
  - (iv) The person provides other goods or services determined by the board to be so utilized in, or incidental to, the operation of a sports betting operator that the person must be licensed as a sports betting supplier to protect the public and enhance the credibility and integrity of internet sports betting in this state.
- (4) A person must be licensed as a sports betting supplier before providing goods, software, or services as a sports betting supplier to a sports betting operator.

#### R 432.723 Occupational licensing.

Rule 723. (1) An individual must have an occupational license if his or her duties directly impact the integrity of internet sports betting as determined by the board in its sole discretion subject to the following:

- (a) The board shall exercise its discretion with respect to any sports betting operator applicant or licensee that is an Indian tribe consistent with limitations prescribed in the act.
- (b) A sports betting operator or sports betting supplier may provide an explanation, such as a job description, to support an allegation that a position should not require an occupational license.
- (c) Elected or appointed officials of a federally recognized Indian tribe located within this state are exempt from any occupational licensing requirement unless they are employees of the tribe's internet sports betting operation.
- (2) The following individuals when employed by a sports betting operator or sports betting supplier are considered by the board to directly impact the integrity of internet sports betting:
  - (a) An individual who has the capability to directly affect the outcome of an internet sports betting wager.

- (b) An individual who has the capability of affecting a payout to an authorized participant.
- (3) An individual applying for an occupational license must complete an application in the manner and form prescribed by the board and submit it together with the required application fee and a written statement from a sports betting operator or sports betting supplier indicating that it has employed or will employ the individual if the individual is licensed.
- (4) If a preliminary review of the application and criminal history check does not uncover or indicate any circumstance that may require denial of the application under the licensing standards established in this rule, a temporary occupational license may be issued. The temporary occupational license authorizes the individual to perform the employment duties for which the license is sought, pending action on the license application. A temporary license is valid until the occupational license application is withdrawn or denied, the temporary license is suspended or revoked, or the license is issued by the board.
- (5) An individual has the burden to establish by clear and convincing evidence his or her suitability as to character, reputation, integrity, and responsibility.
- (6) The board may, in its discretion, deny an occupational license to an individual who is or does any of the following:
- (a) Fails to disclose or states falsely any information requested in the application.
  - (b) Has been convicted of a criminal offense involving gambling, dishonesty, theft, or fraud in any jurisdiction. However, the board may waive this requirement if the conviction occurred more than 5 years before the applicant applies for a license and the board is convinced that the applicant does not pose a threat to the integrity of internet sports betting and the applicant otherwise meets the requirements of this rule.
  - (c) Has a history of noncompliance with any regulatory requirements in this state or any other jurisdiction.
  - (d) Lacks the requisite suitability as to integrity, and character as determined by the board.
  - (e) Has had a prior gambling related license or license application suspended, restricted, revoked, or denied for just cause in any other jurisdiction.
- (7) The board shall decide whether to grant or deny the application for an occupational license. The decision must not be arbitrary or capricious.
- (8) Upon granting the application for an occupational license and payment of the licensing fee, the executive director shall issue the occupational license.
- (9) The occupational license is not transferable to another individual.
- (10) An occupational licensee must have on his or her person the license while working for the applicable sports betting operator or sports betting supplier in this state during work hours.
- (11) The board may exempt an individual from any or all of the occupational licensing requirements if any of the following apply:
- (a) The individual is licensed under the Michigan Gaming Control and Revenue Act, 1996 IL 1, MCL 432.201 to MCL 432.226.
  - (b) The individual is licensed under the lawful internet gaming act, 2019 PA 152, MCL 432.301 to MCL 432.322.

- (c) The individual is licensed by another governmental agency.
- (d) The board determines, in its sole discretion that licensing is not considered necessary to protect the public interest or accomplish the policies of the act.
- (12) An individual exempted from occupational licensing may be required to register with the board using a form prescribed by the board.
- (13) The board may suspend, revoke, summarily suspend, or refuse to renew a license for just cause.
- (14) An occupational license is valid for 2 years and must be renewed as prescribed by the board. If the occupational licensee files a renewal request and pays the licensing fee in a timely manner and in the manner and form prescribed by the board, the licensee's existing occupational license does not expire until a decision on the application for renewal is made.

R 432.724 Fees, fines, taxes, payments, and assessments.

Rule 724. (1) All fees, fines, taxes, payments, and assessments provided for under the act and these rules must be timely submitted to the board by a payment method acceptable to the board, such as a certified check, cashier's check, money order made payable to "State of Michigan," or electronic transfer of funds.

(2) A sports betting operator must remit the tax or payment imposed by the act to the board by an electronic transfer of funds. A sports betting operator licensee must maintain an account at a designated financial institution that is capable of handling electronic fund transfers.

(3) The following nonrefundable license application fees must be submitted to the board, together with the required license application form or forms, for the corresponding license classification to which the fees relate:

- (a) Sports betting operator license application: \$50,000.00.
- (b) Sports betting supplier license application: \$2,500.00.
- (c) Occupational license application: \$250.00.

(4) The license application fee will be used by the board to conduct an appropriate background investigation of the applicant as prescribed by the board, the act, and these rules. No portion of a remitted application fee will be refunded.

(5) An additional background investigation charge may be assessed to the extent the board's direct investigative costs exceed the applicant's application fee. Unless otherwise determined by the board, a license may not be issued until payment of the additional assessed charge for completion of the background investigation is received by the board.

(6) A licensee may also be assessed the board's direct investigative costs arising from a background investigation for renewal of a license to the extent the costs exceed the application fees. The board may deny a renewal application if the licensee does not pay the additional assessed costs by a date set by the board.

(7) The following license fees must be submitted to the board by the applicant upon initial issuance of the license under the act and these rules:

- (a) Sports betting operator license: \$100,000.00.
- (b) Sports betting supplier license: \$5,000.00.
- (c) Occupational license: \$250.00.

(8) The following license fees must be submitted to the board by the licensee after the initial license is issued under the act and these rules:

- (a) Sports betting operator license annual fee: \$50,000.00.
- (b) Sports betting supplier license annual fee: \$2,500.00.
- (c) Occupational license biennial fee: \$250.00.

R 432.724a Deposit of fees, fines, taxes, payments, and assessments.

Rule 724a. Except as provided in sections 15 and 15a of the act, MCL 432.415 and 432.415a, all fees, fines, taxes, payments, and assessments imposed by this state under the act and these rules must be deposited into the internet sports betting fund.

R 432.725 Investigation process for sports betting operators and sports betting suppliers.

Rule 725. The board shall conduct a background investigation on an applicant subject to the limitations of section 6 of the act, MCL 432.406, when the applicant is an Indian tribe. The board shall also use the information provided in the application and disclosure form or forms as a basis for a background investigation and to evaluate and determine the eligibility and suitability of the applicant to receive a sports betting operator license or sports betting supplier license under the licensing standards and criteria provided in the act and these rules. A misrepresentation or omission in the application is cause for the denial, suspension, restriction, or revocation of a sports betting operator license or sports betting supplier license by the board.

R 432.725a Persons required to be found eligible and suitable.

Rule 725a. (1) The board shall not issue or renew a sports betting operator license or sports betting supplier license unless every person required by the act and these rules as part of the application for issuance or renewal of the license has first been determined by the board to be eligible and suitable in accordance with the relevant licensing standards set forth in the act and these rules.

- (2) Unless otherwise prescribed by the board, the following persons are required to be found eligible and suitable as part of the application for the issuance, or request for renewal, of a sports betting operator license or sports betting supplier license:
  - (a) A person who is required to apply for a sports betting operator license or sports betting supplier license under the act and these rules.
  - (b) A person who is included in the term "applicant" as defined in section 2 of the act, MCL 432.403.
  - (c) A person who is a key person.
- (3) A person required to be found eligible and suitable as part of the application for issuance or renewal of a sports betting operator license or sports betting supplier license must complete and file with the board an application and required disclosure forms in the manner and form prescribed by the board.
- (4) A person that applies for or holds a sports betting operator or sports betting supplier license must ensure that all persons who are required by the act and these rules to establish their eligibility and suitability as part of the applicant's application for the issuance, or the licensee's maintenance or renewal, of the sports betting operator license or sports betting supplier license have filed, with the board, all required applications, reports, and disclosure forms in the manner and form prescribed by the board.

R 432.725b License issuance by the board—standards and criteria.

Rule 725b. (1) Except to the extent the board may require different or additional procedures, an applicant for a sports betting operator license or sports betting supplier license is subject to all of the following before licensing:

- (a) Application.
- (b) Background investigation.
- (c) Action and decision by the board on the application.

(2) A person that is required to be licensed as a sports betting operator or sports betting supplier under the act and these rules must, before issuance of a sports betting operator's or sports betting supplier's license, produce information, documentation, and assurances to establish all of the following by clear and convincing evidence:

- (a) Its suitability as to character, reputation, integrity, business probity, and financial ability.
- (b) Its willingness to be subject to the jurisdiction of the board.
- (c) That the applicant has adequate capitalization and the financial ability and the means to develop, construct, operate, and maintain the applicant's sports betting operator or sports betting supplier business in accordance with the act and these rules.
- (d) That the applicant has adequate capitalization and the financial ability to responsibly pay its secured and unsecured debts in accordance with its financing agreements and other contractual obligations.
- (e) That the applicant's compliance with casino or casino-related licensing requirements or compacts with this state or any other jurisdiction.
- (f) That the applicant and all other persons required to be found eligible and suitable as part of the application are eligible and suitable for licensure under the licensing standards, criteria, and requirements.
- (g) That the applicant, if an individual, and all other individuals required to be found eligible and suitable as part of the application are not less than 21 years of age, unless otherwise approved by the board.
- (h) That the applicant and all other persons required to be found eligible and suitable as part of the application have not been convicted of any criminal offense involving gaming, theft, dishonesty, or fraud in any jurisdiction. However, the board may waive this requirement if the conviction occurred more than 5 years before the applicant applies for a license and the board is convinced that the applicant does not pose a threat to the integrity of internet sports betting and the applicant otherwise meets the requirements of this rule.
- (i) That the applicant and all other persons required to be found eligible and suitable as part of the application do not appear on the exclusion list of any jurisdiction.
- (j) That the applicant and all other persons required to be found eligible and suitable as part of the application are in substantial compliance with all local, state, and federal laws.
- (k) That the applicant has the financial ability to purchase and maintain adequate liability and casualty insurance and to provide an adequate surety bond.

(3) Subrule (2) of this rule does not apply to an Indian tribe except to the extent authorized by the act. To the extent a non-tribal applicant or licensee will be providing goods and services to a sports betting operator who is an Indian tribe, that applicant or licensee shall provide information relative to its relationship with the sports betting

operator to determine if it is an arm of the tribe. Arm of the tribe means a tribally-created economic entity owned in part or in whole by the Indian tribe which was intended by the Indian tribe to share in its sovereign immunity and satisfies any relevant legal criteria under federal Indian law for establishing arm of the tribe status.

(4) Once licensed, a person must comply with the act and these rules. Failure to comply may result in disciplinary action.

#### R 432.725c Provisional licenses for sports betting suppliers.

Rule 725c. (1) Upon written request of a person applying for a sports betting supplier's license, the executive director may issue a provisional license to the applicant and permit the applicant to conduct business transactions with, and provide goods and services to sports betting operators, if all of the following provisions are complied with:

- (a) A completed application, an application fee, and all required disclosure forms and other required written documentation and materials have been submitted by the applicant.
- (b) Preliminary review of the application and a criminal history check does not reveal that the applicant or the applicant's affiliate or key person, has been convicted of a felony or misdemeanor involving gambling, theft, dishonesty, or fraud or may otherwise be ineligible or unsuitable to permit licensure under the act or these rules.
- (c) There is no other apparent deficiency in the application that may require denial of the application.
- (d) The applicant has a letter of intent to provide goods or services to a sports betting operator or the applicant shows good cause for being granted a provisional license.

(2) A provisional license issued under this rule expires on the date provided by the board.

(3) If the sports betting supplier's provisional license expires, or is suspended or revoked, the executive director shall forward the applicant's application for a sports betting supplier license to the board at the conclusion of the background investigation for action on the application.

(4) The board may, at its discretion, waive any or all of the provisions listed in subrule (1) of this rule if the applicant is licensed by the board under the Michigan Gaming Control and Revenue Act, 1996 IL 1, MCL 432.201 to 432.226, or the lawful internet gaming act, 2019 PA 152, MCL 432.301 to 432.322.

#### R 432.726 Denials.

Rule 726. (1) If the board denies an application for a license, it shall direct the executive director to issue a notice of denial.

- (2) An applicant, including an individual applying for an occupational license, who is served with a notice of denial under these rules may request a contested case hearing as set forth in these rules.
- (3) The notice of denial is a finding that the person is ineligible or unsuitable for licensure or is otherwise in violation of the licensing requirements of the act or these rules. When the board denies an application for a license, the person is prohibited from conducting business that would otherwise require licensure.

- (4) A person whose application for a license has been denied may not reapply for a period of 1 year from the date on which the board voted to deny the application unless otherwise approved by the board.
- (5) A person whose application for a license was denied may seek leave of the board to reapply within the 1-year period by addressing the request to the board. The board may require the person to present oral or written argument outlining why an exception should be made.

R 432.727 Renewal of a license.

Rule 727. (1) A sports betting operator or sports betting supplier license when issued is valid for a 5-year period.

- (2) A sports betting operator or sports betting supplier licensee may renew its license every 5 years after receiving its initial license.
- (3) A sports betting operator or sports betting supplier licensee intending to renew its license must, at least 30 days before expiration of its license, submit the annual license renewal fee and application in the manner and form required by the board.
- (4) If the board denies the application for renewal, it shall direct the executive director to issue the licensee a notice of nonrenewal.
- (5) A sports betting operator or sports betting supplier licensee who is served with a notice of nonrenewal under this rule may request a contested case hearing as set forth in these rules.
- (6) The notice of nonrenewal is a finding that the sports betting operator or sports betting supplier licensee is ineligible or unsuitable for licensure or is otherwise in violation of the licensing requirements of the act or these rules. When the board denies an application for renewal, the person is prohibited from conducting business that would otherwise require licensure.

R 432.728 Application explained; applicant to demonstrate eligibility and suitability.

Rule 728. (1) An application for a license under the act and these rules is a request by the applicant seeking a revocable privilege. A license must be granted by the board if the applicant meets the licensing requirements of the act and these rules.

- (2) An applicant for a license under the act and these rules, at all times, has the burden of demonstrating to the board, by clear and convincing evidence, that the applicant is eligible and suitable to be granted and retain the license for which application is made under the applicable licensing standards and requirements of the act and these rules.
- (3) A license issued by the board under the act and these rules is a revocable privilege granted by the board. A person who holds a license does not acquire, and must not be considered to have acquired, a vested property right or other right in the license.
- (4) An applicant or licensee must accept any risk of adverse publicity, public notice, notoriety, embarrassment, criticism, financial loss, or other unfavorable or harmful consequences that may occur in connection with, or as a result of, the application and licensing process or the public disclosure of information submitted to the board with a license application or at the board's request under the act and these rules.
- (5) An applicant or licensee may claim any privilege afforded by the Constitution or laws of the United States or of this state in refusing to answer questions or provide

information requested by the board. However, a claim of privilege with respect to any testimony or evidence pertaining to the eligibility or suitability of an applicant or licensee to be granted or hold a license under the act and these rules may constitute cause for denial, suspension, revocation, or restriction of the license.

- (6) An applicant and licensee have a continuing duty to do all of the following:
  - (a) Notify the board of a material change in the information submitted in the license application submitted by the applicant or licensee or a change in circumstance that may render the applicant or licensee ineligible or unsuitable to hold the license under the licensing standards and requirements of the act and these rules.
  - (b) Maintain the applicant's or licensee's eligibility and suitability to be issued and hold the license held or applied for under the act and these rules.
  - (c) Provide any information or records requested by the board relating to licensing or regulation; cooperate with the board in investigations, inspections, audits, hearings, and enforcement and disciplinary actions; allow access to its facilities relevant to Michigan internet sports betting operations; and comply with all conditions, restrictions, requirements, orders, and rulings of the board in accordance with the act and these rules.

#### R 432.728a Eligibility and suitability of new key person.

Rule 728a. An individual required to be found eligible and suitable or licensed under the act or these rules by virtue of his or her position with a sports betting operator licensee must not perform any duties or exercise any powers of the position until he or she is determined to be eligible and suitable and is licensed by the board.

#### R 432.728b Duty to disclose violation of licenses.

Rule 728b. A sports betting operator and a sports betting supplier must immediately notify the board, in writing, if it becomes aware that a sports betting operator, sports betting supplier, or occupational licensee involved in its internet sports betting operations under the act has acted contrary to the act or these rules.

#### R 432.728c Contracts.

Rule 728c. The sports betting operator must maintain all contracts that relate to its Michigan internet sports betting operations for 5 years following its expiration. The board must be allowed access to any contract entered into by a sports betting operator upon demand. The sports betting operator may be required by the board to promptly submit copies of any such contract upon request of the board.

#### R 432.729 Vendors.

Rule 729. (1) All of the following apply regarding vendor registration:

- (a) A vendor who provides goods or services, or both, directly or indirectly, to a sports betting operator or internet sports betting platform provider in connection with its Michigan internet sports betting operation may be required to register with the board. Vendors requiring registration include, but are not limited to, the following:
  - (i) Affiliate marketers that do not have an agreement based on the sharing of customer revenue.



In connection with its vendor registration, the affiliate marketer must certify it does not promote or market, or both, illegal sports betting sites to individuals located in Michigan. An illegal sports betting site is one that is not licensed to accept wagers from customers located in Michigan or any other state.

- (ii) Independent integrity monitoring providers.
- (iii) Payment processors.
- (iv) A person that provides over \$100,000.00 worth of goods or services, or both, to any sports betting operator or internet sports betting platform provider in connection with its Michigan internet sports betting operation in a calendar year.
- (v) Data centers providing physical security and infrastructure.
- (vi) Any other person as considered necessary by the board.
- (b) Unless otherwise provided for by the board, a person must be registered as a vendor before providing goods or services, or both, as a vendor to a sports betting operator or sports betting platform provider.
- (c) A sports betting operator or sports betting platform provider is prohibited from using an unregistered vendor to provide goods or services that require a vendor registration.
- (d) Unless otherwise provided for by the board, the following persons are not required to register as a vendor:
  - (i) Insurance companies.
  - (ii) A person or entity that provides legal services.
  - (iii) Entities providing medical related services.
  - (iv) Michigan public institutions of higher education.
  - (v) Public utilities regulated by the Michigan public service commission.
  - (vi) A Michigan or federally chartered depository financial institution.
  - (vii) A person or business that provides goods or services as a result of the licensee's employees engaging in business travel, including transportation, lodging, food, and fuel providers.
  - (viii) A person who provides employee training or professional development to a licensee.
  - (ix) A person who provides conferences, seminars, publications, or memberships that will directly contribute to the work performance or professional development of the licensee's employees.
- (e) To register, a vendor must complete and file with the board an application for registration and required disclosure forms in the manner and form prescribed by the board. An application for registration and required disclosure forms must be submitted to the board, together with a nonrefundable application fee of \$200.00 by a payment method acceptable to the board, such as a certified check, cashier's check, money order made payable to "State of Michigan", or electronic fund transfer.
- (2) All of the following apply regarding renewal of a vendor registration:
  - (a) A vendor must renew its registration every 5 years after initial registration.

- (b) A vendor intending to renew its registration must, at least 30 days before expiration of its registration, submit the annual registration fee and application in the manner and form required by the board.
- (3) All of the following apply regarding vendor conduct:
  - (a) A vendor must, at all times, conduct itself in a manner that does not compromise the integrity of internet sports betting or violate any applicable provisions of the act and these rules.
  - (b) The board may conduct an investigation to determine if a vendor has acted in a manner that does or could compromise the integrity of internet sports betting in this state. The following may be considered during an investigation:
    - (i) Criminal records.
    - (ii) Suspension of licenses, registration certificates, or their equivalent, or any other adverse actions in other jurisdictions.
    - (iii) Business reputation.
    - (iv) Associations with businesses and individuals.
    - (v) Compliance with gaming laws and regulations in Michigan and other jurisdictions.
    - (vi) Any other information considered appropriate by the board.
  - (c) Vendors agree to be subject to the jurisdiction of the board, have a continuing duty to provide information or records requested by the board, must cooperate with the board in any investigation, inspection, audit, or inquiry, and must allow the board access to its facilities that are relevant to Michigan internet sports betting operations.
  - (d) If the investigation reveals a vendor's conduct could or does compromise the integrity of internet sports betting in this state, the board may issue a cease and desist order, obtain injunctive relief, or take any other action necessary to protect the integrity of internet sports betting in this state, or all 3.
  - (e) Vendors have a continuing duty to notify the board of any change in information previously submitted to the board.

### PART 3. TECHNICAL STANDARDS

R 432.731 Geofence requirements.

Rule 731. (1) All internet sports betting transactions must be initiated and received or otherwise made by an authorized participant located in this state or, if the board authorizes multijurisdictional internet sports betting in accordance with the act, another jurisdiction in the United States authorized by the multijurisdictional agreement.

- (2) To prevent the unauthorized placement of an internet sports betting wager by an individual not within this state, the internet sports betting platform provider must utilize a geofencing system to reasonably detect the physical location of an individual or authorized participant attempting to access the internet sports betting platform and place an internet sports betting wager and to monitor and block unauthorized attempts to access the internet sports betting platform to place an

internet sports betting wager when an individual or authorized participant is not within the permitted boundary.

- (3) The geofencing system must ensure that an individual or authorized participant is located within the permitted boundary when placing an internet sports betting wager, and must be equipped to dynamically monitor the individual's or authorized participant's location and block unauthorized attempts to access the internet sports betting platform to place an internet sports betting wager throughout the duration of the internet sports betting authorized participant session.
- (4) The board shall approve all technical specifications for geofencing and any specific requirements related to geofencing technology that is commercially available.

#### R 432.732 Approval of internet sports betting platform.

Rule 732. (1) Except as otherwise determined by the board in writing, an internet sports betting platform provider or sports betting supplier must not distribute an internet sports betting platform to a sports betting operator unless the internet sports betting platform has been approved by the board.

- (2) An internet sports betting platform provider may seek approval of its internet sports betting platform by submitting an application to the board in the manner and form prescribed by the board.
- (3) If a sports betting operator does not utilize an internet sports betting platform provider and, instead, develops its own internet sports betting platform, the sports betting operator is considered both a sports betting operator and an internet sports betting platform provider for the purposes of this part.

#### R 432.732a Internet sports betting platform submission and approval process.

Rule 732a. (1) Each internet sports betting platform provider must submit its internet sports betting platform proposed for use by a sports betting operator to the board or to an independent lab approved by the board for evaluation. The internet sports betting platform provider must provide all information the board requests, including, but not limited to, all the following:

- (a) A complete, comprehensive, and technically accurate description and explanation of the internet sports betting platform and its intended use in both technical and lay language. The document must be signed under penalty of perjury.
- (b) Detailed operating procedures or service manuals, or both, of the internet sports betting platform.
- (c) Details of all tests performed on the internet sports betting platform, the conditions and standards under which the tests were performed, the test results, and the identity of the individual who conducted each test.
- (d) A detailed description of the risk management framework including but not limited to:
  - (i) User access controls for all internet sports betting personnel.
  - (ii) Information regarding segregation of duties.
  - (iii) Information regarding automated risk management procedures.
  - (iv) Information regarding fraud detection.
  - (v) Controls for ensuring regulatory compliance.
  - (vi) Description of anti-money laundering compliance standards.

- (vii) Description of all software applications that comprise the internet sports betting platform.
  - (viii) Description of all event categories and wager types available to be offered by the internet sports betting platform.
  - (ix) Description of all integrated third-party systems.
  - (x) Description of the method to prevent past posting.
- (2) All sports betting software used to accept sports betting wagers must be designed with a method to permit the validation of software using Gaming Authentication Tool or other method approved by the board.
  - (3) The internet sports betting platform provider or sports betting supplier must submit all internet sports betting source code and any special tool, computer equipment, compiling program, or other technical assistance necessary to compile the submitted software. The result of the compiled source code must be identical to that in the storage medium submitted for evaluation.
  - (4) The internet sports betting platform provider or sports betting supplier must provide the board with a method to compensate for or resolve any differences between the compiled program and the submitted program.
  - (5) The internet sport betting platform provider or sports betting supplier may employ other equivalent methods that ensure the results of the complied source code are identical to the storage medium submitted for evaluation upon written request and approval of the board.
  - (6) Except where the board has provided written notification that approval is not required, a sports betting operator must install or use an internet sports betting platform that has been approved by the board. A sports betting operator must not alter the manner in which the internet sports betting platform operates without the prior written approval of the board.
  - (7) After evaluating the internet sports betting platform, the board shall advise the internet sports betting platform provider, in writing, of the determination.

R 432.732b Procedures and notification requirements after approval.

Rule 732b. (1) If another gaming jurisdiction revokes or otherwise directs discontinuance of the internet sports betting platform or any component of the internet sports betting platform that has been approved by the board, the sports betting operator or internet sports betting platform provider or both must advise the board in writing of the discontinuance within 21 days of the revocation or direction of discontinuance.

- (2) A sports betting operator, sports betting operator applicant, or internet sports betting platform provider must immediately notify the board, in writing, of any defects or malfunctions of the internet sports betting platform or any component of the internet sports betting platform that affects the integrity or conduct of internet sports betting, proper reporting of adjusted gross sports betting receipts, or that materially affects the operation, or safety of, or betting on, any internet sports betting platform or any component of the internet sports betting platform that has been approved by the board and is utilized by the sports betting operator or sports betting operator applicant.
- (3) A sports betting operator and internet sports betting platform provider must maintain all records required under this rule for a minimum of 5 years.

- (4) The board may require a sports betting operator to discontinue use of the internet sports betting platform or any component of the internet sports betting platform for any of the following reasons:
  - (a) The internet sports betting platform or component of the internet sports betting platform does not perform in the manner described in the application and related submission documentation.
  - (b) The internet sports betting platform or component of the internet sports betting platform is defective or malfunctions frequently.
  - (c) The internet sports betting platform or component of the internet sports betting platform has a detrimental impact on the conduct or integrity of internet sports betting.
  - (d) The internet sports betting platform or component of the internet sports betting platform improperly computes adjusted gross sports betting receipts.
- (5) The board shall provide written notification to the internet sports betting platform provider and the sports betting operator if the internet sports betting platform or component of the internet sports betting platform is no longer approved for use.

R 432.733 Internet sports betting platform technical standards.

Rule 733. (1) An internet sports betting platform for use to conduct internet sports betting must meet the specifications set forth in these rules or other technical specifications as prescribed by the board. Failure to comply with the approved specifications, internal controls, or technical specifications may result in disciplinary action by the board.

(2) Sports betting operators and internet sports betting platform providers must comply with, and the board adopts and incorporates by reference, Gaming Laboratories International, LLC Standard GLI-33: Standards for Event Wagering Systems, version 1.1, released May 14, 2019, which is available for inspection and distribution at no cost, as of the time of adoption of these rules, at the board's office located at 3062 W. Grand Blvd., Suite L-700, Detroit, Michigan 48202-6062 or Gaming Laboratories International website at <https://gaminglabs.com> and does not include any later amendments or editions. GLI-33 standards are intended to supplement rather than supplant other technical standards and requirements under these rules.

(3) Before conducting internet sports betting, and as otherwise required by the board, the internet sports betting platform provider must submit the internet sports betting platform used in conjunction with the internet sports betting operation to the board or an independent testing laboratory approved by the board for certification testing.

(4) If the internet sports betting platform meets or exceeds the technical standard adopted in subrule (2) of this rule, the board or independent testing laboratory approved by the board shall certify the internet sports betting platform. Sports betting operators and internet sports betting platform providers are prohibited from offering internet sports betting in Michigan without such certification. The internet sports betting platform provider is responsible for all costs associated with testing and obtaining such certifications.

R 432.734 Location of servers, security, and cloud storage.

Rule 734. (1) Unless otherwise approved by the board in writing, a sports betting operator and its internet sports betting platform provider must place a server or other equipment that is capable of receiving internet sports betting wagers in this state. The location selected must have adequate security, protections, and controls over the servers or other equipment that is capable of receiving internet sports betting wagers, including those adopted in R 432.733(2). Sports betting operators and its internet sports betting platform provider must provide the board with information on the location of all servers and other equipment.

(2) The board may approve of the use of cloud storage for duplicate data upon written request of a sports betting operator or internet sports betting platform provider.

#### R 432.735 Communication standards.

Rule 735. (1) All internet sports betting platforms authorized by the board under these rules must be designed to ensure the integrity and confidentiality of all individual and authorized participant communications and ensure the proper identification of the sender and receiver of all communications.

(2) If communications are performed across a public or third-party network, the internet sports betting platform must either encrypt the data packets or utilize a secure communications protocol to ensure the integrity and confidentiality of the transmission.

(3) Internet sports betting platform providers must meet or exceed all communication standards prescribed by the board.

(4) Internet sports betting platform providers or sports betting operators, or both must address all communication requirements in the internet sports betting platform and internal controls submitted to the board for approval.

#### R 432.736 Internet sports betting data logging standards.

Rule 736. (1) Internet sports betting platforms must employ a mechanism capable of maintaining a separate copy of all information the board requires to be logged. Except as otherwise provided in subrule (2) of this rule, the information must be maintained on a separate and independent logging device capable of being administered by an employee with no incompatible function.

(2) If the internet sports betting platform can be configured such that any logged data is contained in a secure transaction file, a separate logging device is not required.

(3) Internet sports betting platform providers must meet or exceed all internet sports betting data logging standards prescribed by the board.

(4) Internet sports betting platform providers or sports betting operators or both must address all internet sports betting data logging requirements in the internet sports betting platform and internal controls submitted to the board for approval.

(5) The internet sports betting platform must provide a mechanism for the board to query and export, in a format required by the board, all internet sports betting platform data related to internet sports betting conducted under the act.

#### R 432.737 Self-monitoring of internet sports betting platform critical components.

Rule 737. An internet sports betting platform must, at least once every 24 hours, perform a self-authentication process on all software used to offer, record, and process internet

sports betting wagers under this act that is identified by the board as a critical component of the sports betting platform, to ensure there have been no unauthorized modifications. If there is an authentication failure, the internet sports betting platform must immediately notify the sports betting operator, internet sports betting platform provider, and the board within 24 hours. The results of all self-authentication attempts must be retained by the internet sports betting platform for not less than 90 days.

R 432.737a Change approval.

Rule 737a. (1) Any change or modification to the internet sports betting platform that impacts a regulated feature of an approved internet sports betting platform, unless otherwise permitted by the board, requires submission to and approval by the board before the implementation of the change or modification. Regulated feature includes, but is not limited to, internet sports betting platform and internet sports betting software that is validated using a gaming authentication tool or other method approved by the board and all critical component software.

(2) The sports betting operator and its internet sports betting platform provider must submit change control processes that detail evaluation procedures for all updates and changes to equipment and the internet sports betting platform to the board for approval. These processes must include details for identifying the criticality of updates and determining the updates that must be submitted to the board or a board approved independent testing laboratory for review and certification.

R 432.738 Internet sports betting platform assessment.

Rule 738. (1) Each sports betting operator or internet sports betting platform provider shall, within 90 days after commencing operations, and annually thereafter, perform an internet sports betting platform integrity and security assessment of the internet sports betting platform conducted by an independent professional selected by the sports betting operator or internet sports betting platform provider and subject to approval of the board. The scope of the internet sports betting platform integrity and security assessment is subject to approval of the board and must include, at a minimum, all of the following:

- (a) A vulnerability assessment of internal, external, and wireless networks with the intent of identifying vulnerabilities of all devices, the internet sports betting platforms, and applications connected to or present on the networks.
  - (b) A penetration test of all internal, external, and wireless networks to confirm if identified vulnerabilities of all devices, the internet sports betting platforms, and applications are susceptible to compromise.
  - (c) A policy and procedures review against the current ISO 27001 standard or another similar standard approved by the board.
  - (d) Any other specific criteria or standards for the internet sports betting platform integrity and security assessment as prescribed by the board.
- (2) The full independent professional's report on the assessment must be submitted to the board and must include all the following:
- (a) Scope of review.
  - (b) Name and company affiliation of the individual or individuals who conducted the assessment.
  - (c) Date of assessment.

- (d) Findings.
- (e) Recommended corrective action, if applicable.
- (f) Sports betting operator's or internet sports betting platform provider's response to the findings and recommended corrective action.

R 432.739 Sports betting operators and internet sports betting platform provider technical and security standards (controls).

Rule 739. (1) A sports betting operator or its internet sports betting platform provider, or both must adopt, implement, and maintain technical security standards (controls) that meet or exceed those adopted in R 432.733(2). The technical security standards must apply, at a minimum, to all the following critical components of the internet sports betting platform:

- (a) Components that record, store, process, share, transmit or retrieve sensitive information (e.g., validation numbers, personal identification number (PIN), individual and authorized participant data).
  - (b) Components that store results or the current state of an authorized participant's internet sports betting wager.
  - (c) Points of entry to and exit from the components provided for in subdivisions (a) to (c) of this subrule and other systems that are able to communicate directly with core critical internet sports betting platform components.
  - (d) Communication networks that transmit sensitive information involving sports betting under the act.
- (2) The following technical security standards are the minimum standards a sports betting operator or internet sports betting platform provider must incorporate into its internal controls:
- (a) Technical security standards addressing internet sports betting platform operations and security include, but are not limited to, all of the following:
    - (i) Internet Sports Betting Platform Operations and Security. The sports betting operator or internet sports betting platform provider must adopt, implement, and maintain procedures for, at a minimum, the following:
      - (A) Monitoring the critical components and the transmission of data of the entire internet sports betting platform.
      - (B) Maintenance of all aspects of security of the internet sports betting platform to ensure secure and reliable communications.
      - (C) Defining, monitoring, documenting, reporting, investigating, responding to, and resolving security incidents.
      - (D) Monitoring and adjusting resource consumption and maintaining a log of the internet sports betting platform performance.
      - (E) Investigating, documenting, and resolving malfunctions.
    - (ii) Physical Location of Servers and Security. The internet sports betting platform must be housed in secure locations. Sports betting operators and their internet sports betting platform providers must provide the board with information on the location of all internet sports betting platform servers. The secure locations must have sufficient protection from unauthorized access and physical and environmental hazards and be equipped with surveillance and security systems that meet or exceed industry standards.



- (iii) Internet Sports Betting Platform Logical Access Controls. The internet sports betting platform must be logically secured against unauthorized access.
  - (iv) Internet Sports Betting Platform User Authorization. The internet sports betting platform must be subject to user authorization requirements as required by the board.
  - (v) Server Programming. The internet sports betting platform must be sufficiently secure to prevent any user-initiated programming capabilities on the server that may result in unauthorized modifications to the database.
  - (vi) Verification Procedures. Procedures must be in place for verifying on demand that the critical control program components of the internet sports betting platform in the production environment are identical to those approved by the board.
  - (vii) Electronic Document Retention System. The sports betting operator or internet sports betting platform provider must establish procedures that ensure that all reports required under the act and these rules are stored in an electronic document retention system.
  - (viii) Asset Management. All assets that house, process, or communicate sensitive information, including those comprising the operating environment of the internet sports betting platform, or its components, or both must be accounted for and have a nominated owner or designated management official that is responsible for each asset.
- (b) Technical security standards addressing data security and backup and recovery include, but are not limited to, all of the following:
- (i) Data Security. The internet sports betting platform must provide a logical means for securing individual and authorized participant data and wagering data, including accounting, reporting, significant event, or other sensitive information, against alteration, tampering, or unauthorized access.
  - (ii) Data Alteration. The alteration of any accounting, reporting, or significant event data relating to sports betting under the act is not permitted without supervised access controls. If any data is changed, all information required by the board must be documented or logged.
  - (iii) Backup Frequency. Backup scheme implementation relating to information involving sports betting under the act must occur at least once every day or as otherwise specified by the board.
  - (iv) Storage Medium Backup. Audit logs, internet sports betting platform databases, and any other pertinent individual and authorized participant data and wagering data must be stored using reasonable protection methods. The internet sports betting platform must be designed to protect the integrity of this data if there is a failure. Redundant copies of this data must be kept on the internet sports betting platform with open support for backups and restoration, so that no single failure of any portion of the internet sports betting platform would cause the loss or corruption of the data.
  - (v) Internet Sports Betting Platform Failure. The internet sports betting platform must have sufficient redundancy and modularity so that if any single component or part of a component fails, the functions of the internet sports betting platform and the process of auditing those functions can continue

with no critical data loss. If 2 or more components are linked, the process of all internet sports betting operations between the components must not be adversely affected by restart or recovery of either component and upon restart or recovery, the components must immediately synchronize the status of all transactions, data, and configurations with one another.

- (vi) Accounting and Master Resets. The sports betting operator or internet sports betting platform provider must be able to identify and properly handle the situation where a master reset has occurred on any component that affects internet sports betting under the act.
  - (vii) Recovery Requirements. If there is a catastrophic failure when the internet sports betting platform cannot be restarted in any other way, it must be possible to restore the internet sports betting platform from the last backup point and fully recover. The contents of that backup must contain critical information as required by the board.
  - (viii) Uninterrupted Power Supply (UPS) Support. All internet sports betting platform components must be provided with adequate primary power. If the server is a stand-alone application, it must have a UPS connected and must have sufficient capacity to permit a methodical shut-down that retains all individual and authorized participant data and wagering data during a power loss. It is acceptable that the internet sports betting platform may be a component of a network that is supported by a network-wide UPS if the server is included as a device protected by the UPS. There must be a surge protection system in use if not incorporated into the UPS itself.
  - (ix) Business Continuity and Disaster Recovery Plan. A business continuity and disaster recovery plan must be in place to recover internet sports betting operations conducted under the act if the internet sports betting platform's production environment is rendered inoperable.
- (c) Technical security standards addressing communications include, but are not limited to, all of the following:
- (i) Connectivity. Only authorized sports betting wagering devices are permitted to establish communications between any internet sports betting platform components.
  - (ii) Communication Protocol. Each component of the internet sports betting platform must function as indicated by a documented secure communication protocol.
  - (iii) Communication Over Internet/Public Network. Communications between internet sports betting platform components must be secure. Individual and authorized participant data, sensitive information, internet sports betting wagers, results, financial information, and individual and authorized participant transaction information related to sports betting conducted under the act must always be encrypted and protected from incomplete transmissions, misrouting, unauthorized message modification, disclosure, duplication, or replay.
  - (iv) Wireless Local Area Network (WLAN) Communications. The use of WLAN communications must adhere to applicable requirements specified for wireless devices and is subject to approval by the board.

- (v) Network Security Management. Networks must be logically separated to ensure that there is no network traffic on a network link that cannot be serviced by hosts on that link.
- (vi) Mobile Computing and Communications. Formal policies shall be in place, and appropriate security measures shall be adopted to protect against the risk of using mobile computing and communication facilities. Telecommuting shall not be permitted except under circumstances where the security of the endpoint can be guaranteed
- (d) Technical security standards addressing third party service providers include, but are not limited to, all of the following:
  - (i) Third-Party Service Communications. Where communications related to sports betting conducted under the act are implemented with third-party service providers, the internet sports betting platform must securely communicate with all third-party service providers utilizing encryption and strong authentication, ensure that all login events are recorded to an audit file, and ensure that all communications do not interfere or degrade normal internet sports betting platform functions.
  - (ii) Third-Party Services. The roles and responsibilities of each third-party service provider engaged by the sports betting operator or internet sports betting platform provider must be defined and documented in a manner approved by the board. The sports betting operator or internet sports betting platform provider must have policies and procedures in place for managing third-party service providers and monitoring their adherence to relevant security requirements.
- (e) Technical security standards addressing technical controls include, but are not limited to, all of the following:
  - (i) Domain Name Service (DNS) Requirements. A sports betting operator or internet sports betting platform provider must establish requirements that apply to servers used to resolve DNS queries used in association with the internet sports betting platform.
  - (ii) Cryptographic Controls. A sports betting operator or internet sports betting platform provider must establish and implement a policy for the use of cryptographic controls that ensures the protection of information.
  - (iii) Encryption Key Management. The management of encryption keys must follow defined processes established by the sports betting operator or internet sports betting platform provider and approved by the board.
- (f) Technical security standards addressing remote access and firewalls include, but are not limited to, all of the following:
  - (i) Remote Access Security. Remote access, if approved by the board, must be performed via a secured method, must have the option to be disabled, may accept only the remote connections permissible by the firewall application and internet sports betting platform settings, and must be limited to only the application functions necessary for users to perform their job duties.
  - (ii) Remote Access and Guest Accounts Procedures. Remote access and guest accounts procedures must be established that ensure that remote access is strictly controlled.

- (iii) Remote Access Activity Log. The remote access application must maintain an activity log that updates automatically and records and maintains all remote access information.
- (iv) Firewalls. All communications, including remote access, must pass through at least 1 approved application-level firewall. This includes connections to and from any non-internet sports betting platform hosts used by the sports betting operator or internet sports betting platform provider.
- (v) Firewall Audit Logs. The firewall application must maintain an audit log and must disable all communications and generate an error if the audit log becomes full. The audit log must contain, at a minimum, all the following information:
  - (A) All changes to configuration of the firewall.
  - (B) All successful and unsuccessful connection attempts through the firewall.
  - (C) The source and destination IP Addresses, Port Numbers, Protocols, and where possible, MAC Addresses.
- (vi) Firewall Rules Review. The firewall rules must be periodically reviewed by the sports betting operator or internet sports betting platform provider to verify the operating condition of the firewall and the effectiveness of its security configuration and rule sets and must be performed on all the perimeter firewalls and the internal firewalls.
- (g) Technical security standards addressing change management include, but are not limited to, all of the following:
  - (i) Program Change Control Procedures. Program change control procedures must ensure that only authorized versions of programs are implemented on the production environment.
  - (ii) Software Development Life Cycle. The acquisition and development of new software must follow defined processes established by the sports betting operator or internet sports betting platform provider and subject to review by the board.
  - (iii) Patches. All patches should be tested, as applicable, in a development and test environment configured to match the target production environment before being deployed into production. Permitted exceptions and related procedures and controls must be fully addressed.
- (h) Technical security standards addressing periodic security testing include, but are not limited to, all of the following:
  - (i) Technical Security Testing. Periodic technical security tests on the production environment must be performed quarterly or as required by the board to guarantee that no vulnerabilities putting at risk the security and operation of the internet sports betting platform exist.
  - (ii) Vulnerability Assessment. The sports betting operator or the internet sports betting platform provider must conduct vulnerability assessments. The purpose of the vulnerability assessment is to identify vulnerabilities, which could be later exploited during penetration testing by making basic queries relating to services running on the internet sports betting platform concerned.
  - (iii) Penetration Testing. The sports betting operator or the internet sports betting

platform provider must conduct penetration testing. The purpose of the penetration testing is to exploit any weaknesses uncovered during the vulnerability assessment on any publicly exposed applications or internet sports betting platform hosting applications processing, transmitting, or storing sensitive information.

- (iv) Information Security Management System (ISMS) Audit. An audit of the ISMS will be periodically conducted, including all the locations where sensitive information is accessed, processed, transmitted, or stored. The ISMS will be reviewed against common information security principles in relation to confidentiality, integrity, and availability.
  - (v) Cloud Service Audit. A sports betting operator and its internet sports betting platform provider that utilizes a cloud service provider (CSP), if approved by the board, to store, transmit, or process sensitive information must undergo a specific audit as required by the board. The CSP must be reviewed against common information security principles in relation to the provision and use of cloud services, such as ISO/IEC 27017 and ISO/IEC 27018, or equivalent.
- (3) The sports betting operator or its internet sports betting platform provider, or both must include the technical security standards (controls) in the internal controls and internet sports betting platform submitted to the board for approval.
- (4) The technical security standards (controls) must:
- (a) Have a provision requiring review when changes occur to the internet sports betting platform.
  - (b) Be approved by the sports betting operator's or internet sports betting platform provider's senior management.
  - (c) Be communicated to all affected employees and relevant external parties.
  - (d) Undergo review at planned intervals.
  - (e) Delineate the responsibilities of the sports betting operator's staff, the internet sports betting platform provider's staff, and the staff of any third parties for the operation, service, and maintenance of the internet sports betting platform or its components, or both.

#### R 432.739a Test Accounts.

Rule 739a. A sports betting operator or internet sports betting platform provider may establish test accounts to be used to test the various components and operation of an internet sports betting platform pursuant to internal controls adopted by the sports betting operator or internet sports betting platform provider, which, at a minimum, must address all of the following:

- (a) The procedures for issuing funds used for testing, including the identification of who may issue the funds and the maximum amount of funds that may be issued.
- (b) The procedures for assigning each test account for use by only 1 individual. However, a sport betting operator may establish a specific scenario or instance of a test account that may be shared by multiple users if each user's activities are separately logged.
- (c) The maintenance of a record for all test accounts, to include when they are active, to whom they are issued, and the employer of the individual to whom they are issued.
- (d) The procedures for auditing testing activity by the sports betting operator or internet sports betting platform provider to ensure the accountability of funds used for testing and

proper adjustments to gross sports betting receipts.

(e) The procedures for authorizing and auditing out-of-state test activity.

#### PART 4. AUTHORIZED PARTICIPANT WAGERS

R 432.741 Authorized participant complaints.

Rule 741. (1) A sports betting operator or internet sports betting platform provider must include on its internet sports betting platform a clear mechanism to advise authorized participants of their right to make a complaint against the sports betting operator or internet sports betting platform provider, including information explaining how complaints can be filed, how complaints are resolved, and how the authorized participant may submit a complaint to the board.

(2) A sports betting operator or internet sports betting platform provider must attempt to resolve all complaints with the authorized participant.

(3) A sports betting operator or internet sports betting platform provider must investigate each complaint and provide a response to the authorized participant within 10 calendar days after receipt of the complaint.

(4) In its response, the sports betting operator or internet sports betting platform provider must advise the authorized participant of his or her right to submit the complaint to the board in the form and manner prescribed by the board.

(5) The complaint and the sports betting operator's or internet sports betting platform provider's response must be made in writing.

(6) Unless otherwise directed by the board, for complaints related to internet sports betting accounts, settlement of internet sports betting wagers, or illegal activity related to internet sports betting that cannot be resolved to the satisfaction of the authorized participant, the sports betting operator or internet sports betting platform provider must promptly notify the board of the complaint and the sports betting operator's or internet sports betting platform provider's response.

(7) On receipt of a complaint from an authorized participant or notification of an unresolved complaint from a sports betting operator or internet sports betting platform provider, the board may conduct any investigation the board considers necessary and may direct a sports betting operator or internet sports betting platform provider to take any corrective action the board considers appropriate.

(8) A sports betting operator or internet sports betting platform provider must maintain records related to authorized participant complaints for a minimum of 5 years and must provide the records to the board on request.

R 432.742 Bank secrecy act compliance.

Rule 742. (1) A sports betting operator or internet sports betting platform provider must comply with all provisions of the bank secrecy act of 1970, 31 USC 5311 to 5332, applicable to the sports betting operator's or internet sports betting platform provider's internet sports betting operation.

(2) A sports betting operator or internet sports betting platform provider must, with regard to its internet sports betting operation, maintain records related to its compliance with the bank secrecy act of 1970, 31 USC 5311 to 5332, including all currency

transaction reports, suspicious activity reports, and any supporting documentation, for a minimum of 5 years. The sports betting operator or internet sports betting platform provider must provide the records to the board and any appropriate law enforcement agencies on request consistent with the authorization prescribed in the bank secrecy act of 1970, 31 USC 5311 to 5332, and applicable regulations.

(3) A sports betting operator or internet sports betting platform provider must provide a written notice to the board as soon as the sports betting operator or internet sports betting platform provider becomes aware of a compliance review that is conducted by the Internal Revenue Service under the bank secrecy act of 1970, 31 USC 5311 to 5332, and involves or impacts the sports betting operator's or internet sports betting platform provider's internet sports betting operation. The sports betting operator or internet sports betting platform provider must provide a copy of the compliance review report or the equivalent to the board within 10 days after the receipt of the report by the sports betting operator or internet sports betting platform provider.

#### R 432.743 Integrity monitoring/suspicious behavior.

Rule 743. (1) A sports betting operator or internet sports betting platform provider must have internal controls in place to identify unusual wagering activity and promptly report that activity to an independent integrity monitoring provider.

- (2) All independent integrity monitoring providers must share information with each other and must disseminate all reports of unusual wagering activity to all member sports betting operators and internet sports betting platform providers. All sports betting operators and internet sports betting platform providers must review these reports and notify the independent integrity monitoring provider whether they have experienced similar activity.
- (3) If an independent integrity monitoring provider finds that previously reported unusual wagering activity rises to the level of suspicious wagering activity, it must immediately notify all other independent integrity monitoring providers, its member sports betting operators and internet sports betting platform providers, the board, the appropriate sports governing body, and all other regulatory agencies as directed by the board. All independent integrity monitoring providers receiving a report under this subrule must share such report with their member sports betting operators and internet sports betting platform providers.
- (4) A sports betting operator or internet sports betting platform provider receiving a report of suspicious wagering activity must be permitted to suspend wagering on events or wager types related to the report, but may only cancel internet sports betting wagers related to the report after receiving approval from the board.
- (5) The board may require a sports betting operator or internet sports betting platform provider to provide any hardware or software necessary to the board, or to an independent lab approved by the board, for evaluation of its internet sports betting offering or to conduct further monitoring of data provided by its internet sports betting platform.
- (6) A sports betting operator or internet sports betting platform provider must maintain records of all integrity monitoring services and activities, including all reports of unusual or suspicious wagering activity and any supporting documentation, for a minimum of 5 years and must provide such records to the board on request.

- (7) If the board receives information regarding the integrity of events on which internet sports betting wagers are made, the board may, to the extent allowed or provided for in the act and these rules, share such information with a sports betting operator, internet sports betting platform provider, independent integrity monitoring provider, sports governing body, sports team, law enforcement entity, regulatory agency, or other person the board considers appropriate.
- (8) An independent integrity monitoring provider must register as a vendor with the board before providing integrity monitoring services to a sports betting operator or internet sports betting platform provider under the act and these rules.
- (9) An independent integrity monitoring provider must maintain records of all integrity monitoring services and activities relating directly or indirectly to Michigan internet sports betting, sports betting operators, or internet sports betting platform providers for a minimum of 5 years and must provide the board with access to these records in a manner approved by the board. These records must include, at a minimum:
  - (a) All reports of unusual wagering activity.
  - (b) If the activity was determined to be suspicious wagering activity.
  - (c) The actions taken by the independent integrity monitoring provider.
- (10) A sports betting operator or internet sports betting platform provider must maintain the confidentiality of information provided by a sports governing body to the sports betting operator or internet sports betting platform provider related to unusual wagering activity, suspicious wagering activity, or the integrity of an event, unless disclosure is required by the board, any applicable law, or a lawful order of a court of competent jurisdiction.
- (11) A sports betting operator or internet sports betting platform provider must employ personnel responsible for ensuring the operation and integrity of internet sports betting and reviewing all reports of suspicious behavior. Unless otherwise directed by the board, a sports betting operator or internet sports betting platform provider must immediately notify the board upon detecting or becoming aware of any of the following:
  - (a) Any person participating in internet sports betting who is engaging in or attempting to engage in, or who is reasonably suspected of, cheating, theft, embezzlement, collusion, use of funds derived from illegal activity, money laundering, or any other illegal activities, including those activities prohibited in section 13 of the act, MCL 432.413.
  - (b) Any person who is reasonably suspected of misrepresenting their identity or using false identification to establish or attempt to establish an internet sports betting account.
  - (c) Suspected criminal activity related to any aspect of internet sports betting.
  - (d) Any criminal or disciplinary proceedings commenced against the sports betting operator or internet sports betting platform provider in connection with its internet sports betting operations.
  - (e) Any internet sports betting wagers that violate any applicable state or federal law.
- (12) An internet sports betting platform provider must promptly notify any affected sports betting operators on behalf of which it accepts internet sports betting wagers of any issues impacting the integrity of internet sports betting.



R 432.744 Reserve requirement.

Rule 744. (1) A sports betting operator or internet sports betting platform provider must maintain a reserve in the amount necessary to ensure the security of funds held in internet sports betting accounts and the ability to cover the outstanding internet sports betting liability. The reserve must be in the form of:

- (a) Cash or cash equivalents maintained in a U.S. bank account segregated from the sports betting operator's or internet sports betting platform provider's operational funds.
  - (b) An irrevocable letter of credit.
  - (c) A bond.
  - (d) Any other form acceptable to the board.
  - (e) Any combination of the allowable forms described in subdivisions (a) to (d) of this subrule.
- (2) The reserve must be not less than the sum of the following:
- (a) The daily ending cashable balance of all authorized participants' internet sports betting accounts.
  - (b) Pending withdrawals.
  - (c) Amounts accepted by the sports betting operator or internet sports betting platform provider on internet sports betting wagers whose outcomes have not been determined.
  - (d) Amounts owed but unpaid on winning internet sports betting wagers through the period established by the sports betting operator or internet sports betting platform provider for honoring winning internet sports betting wagers.
- (3) Funds held in internet sports betting accounts must not be automatically transferred by a sports betting operator or internet sports betting platform provider. A sports betting operator or internet sports betting platform provider must not require an authorized participant to transfer funds from his or her internet sports betting account, in order to circumvent this rule.
- (4) Amounts available to authorized participants for play that are not redeemable for cash may be excluded from the reserve computation.
- (5) On request, the board may allow a sports betting operator or internet sports betting platform provider to combine the reserve for all of its Michigan internet sports betting or all of its Michigan internet gaming conducted under the lawful internet gaming act, 2019 PA 152, MCL 432.301 to MCL 432.322, or both.
- (6) A sports betting operator or internet sports betting platform provider must have access to all internet sports betting account and transaction data to ensure the amount of its reserve is sufficient. Unless otherwise directed by the board, a sports betting operator or internet sports betting platform provider must file a monthly attestation with the board, in the form and manner prescribed by the board, that funds have been safeguarded under this rule.
- (7) The board may audit a sports betting operator's or internet sports betting platform provider's reserve at any time and may direct a sports betting operator or internet sports betting platform provider to take any action necessary to ensure the purposes of this rule are achieved, including but not limited to requiring the sports betting

operator or internet sports betting platform provider to modify the form of its reserve or increase the amount of its reserve.

R 432.745 Authorized and prohibited events and wager types.

Rule 745. (1) Before any sports betting operator or internet sports betting platform provider may accept internet sports betting wagers on an event category or internet sports betting wagers of a particular wager type, the event category or wager type must be approved by the board. Unless already approved by the board, a request for approval must be submitted by a sports betting operator or internet sports betting platform provider in the form and manner prescribed by the board, subject to the following:

- (a) A request for approval of an event category involving athletic events must include, at a minimum, the name of the sports governing body and, to the extent known by the sports betting operator or internet sports betting platform provider, a description of its policies and procedures regarding event integrity.
- (b) A request for approval of an event category involving events other than athletic events must include:
  - (i) A full description of the event category and the manner in which internet sports betting wagers would be placed and winning internet sports betting wagers would be determined.
  - (ii) A full description of any technology that would be utilized to offer the event category.
  - (iii) Assurance that the event category meets the requirements of subrule (8) of this rule.
  - (iv) Any rules or voting procedures related to the event category.
  - (v) Any other information the board considers necessary.
- (2) The board may require an appropriate test or experimental period, under such terms and conditions the board considers appropriate, before granting final approval to an event category or wager type. The board may subject any technology that would be used to offer an event category or wager type to such testing, investigation, and approval as it considers appropriate.
- (3) A sports governing body or other oversight body may notify the board that it desires to restrict, limit, or exclude wagering on any event category it governs by providing notice in the form and manner prescribed by the board.
- (4) The board may grant, deny, limit, restrict, or condition a request made pursuant to this rule for any cause the board considers reasonable. The board may issue an order revoking, suspending, or modifying any approval of an event category or wager type granted under this rule for any cause the board considers reasonable.
- (5) The board shall notify all sports betting operators and internet sports betting platform providers of any additions, deletions, or changes regarding authorized event categories and authorized wager types, which may include publication of a list of authorized event categories and wager types on the board's website.
- (6) A sports betting operator or internet sports betting platform provider must submit to the board a catalogue of the authorized event categories and authorized wager types it intends to offer authorized participants. The catalogue and any subsequent changes must be submitted prior to implementation as directed by the board. The board reserves the right to prohibit the acceptance of any internet sports betting wagers and

may order the cancellation of internet sports betting wagers and require refunds on any event category, event, or wager type for which wagering would be contrary to the public policies of the state.

- (7) A sports betting operator or internet sports betting platform provider may not accept internet sports betting wagers on any of the following:
  - (a) Horse races if the internet sports betting on those races is pari-mutuel.
  - (b) Any event played by individuals that are at the high school level or below unless the majority of participants in the event are 18 years of age or older.
  - (c) Roulette, poker, blackjack, a card game, a dice game, or any other game or contest typically offered in a casino other than sports betting.
  - (d) A fantasy contest.
  - (e) The injury of a participant in an event.
  - (f) Any event category, event, or wager type prohibited by the board or by state or federal law.
  - (g) Any event category or wager type not approved by the board.
- (8) A sports betting operator or internet sports betting platform provider must only accept internet sports betting wagers on events and wager types for which:
  - (a) The event can be effectively supervised by a sports governing body or other oversight body.
  - (b) There are integrity safeguards in place.
  - (c) The outcome can be documented and verified.
  - (d) The outcome can be generated by a reliable and independent process.
  - (e) The outcome is not affected by any wager placed.
  - (f) The event and acceptance of the wager type are conducted in conformity with all applicable laws.
  - (g) Wagering on the event and acceptance of the wager type are consistent with the public policy of this state.
- (9) If it is determined that a sports betting operator or internet sports betting platform provider has offered an unauthorized or prohibited event category, event, or wager type, the sports betting operator or internet sports betting platform provider must immediately cancel and refund all internet sports betting wagers associated with the unauthorized or prohibited event category, event, or wager type. The sports betting operator or internet sports betting platform provider must notify the board promptly after cancelling and refunding the internet sports betting wagers.
- (10) A sports betting operator or internet sports betting platform provider must not knowingly accept an internet sports betting wager on an event or wager type whose outcome has already been determined and is publicly known.
- (11) The board may use any information it considers appropriate, including, but not limited to, information received from a sports governing body, to determine whether to authorize or prohibit wagering on a particular event or a particular wager type.
- (12) A sports governing body may request internet sports betting wagering information or may request the board to prohibit internet sports betting wagering on a particular event or a particular wager type. The request must be submitted in the form and manner prescribed by the board and must include all of the following:

- (a) The identity of the sports governing body and contact information for at least one specific individual who will be the primary point of contact for questions related to the request.
  - (b) A description of the internet sports betting wagering information, event, or wager type that is the subject of the request.
  - (c) Information explaining why granting the request is necessary to protect the integrity of the event, or public confidence in the integrity of the event, that is the subject of the request. This may include information regarding any credible threat to the integrity of the event that is beyond the control of the sports governing body to preemptively remedy or mitigate.
  - (d) Any other information required by the board.
- (13) To ensure proper consideration, the request should be sent to the board at least 10 days before the particular event. At any time, however, a sports governing body should report information to the board if it involves allegations of match-fixing, the manipulation of an event, misuse of inside information, or other prohibited activity.
  - (14) On receipt of a complete request from a sports governing body under subrule (12) of this rule, the board shall notify all sports betting operators in writing. All sports betting operators must be given an opportunity to respond to the request. The notification must include the date by which written responses must be submitted to the board.
  - (15) The board shall promptly review the request, any responses, and any other available information and shall decide on the request before the start of the event, if feasible, or as expeditiously as possible. In making its determination, the board may consult with independent integrity monitoring providers and any other jurisdictions it considers appropriate. The board may grant the request, in its sole discretion, if it determines that granting the request is necessary to protect the integrity of the event, or public confidence in the integrity of the event, that is the subject of the request. The board shall notify, in writing, the sports governing body and all sports betting operators of its decision.
  - (16) On request of a sports governing body or sports betting operator, the board may reconsider its decision if there is a material change in the circumstances related to the original request.
  - (17) A sports betting operator or internet sports betting platform provider may not place or accept a layoff wager unless the board determines that layoff wagers may be placed and accepted under the act. If layoff wagers are permitted, the sports betting operator or internet sports betting platform provider placing a layoff wager must disclose its identity to the sports betting operator or internet sports betting platform provider accepting the layoff wager. A sports betting operator or internet sports betting platform provider may decline to accept a layoff wager in its sole discretion. Layoff wagers must be placed and accepted in accordance with any other procedures or conditions prescribed by the board.

R 432.746 Data Source and Official League Data.

Rule 746. (1) All of the following conditions apply to a data source used to offer or settle an internet sports betting wager:

- (a) Except as otherwise provided in this part, a sports betting operator or internet sports betting platform provider may use any data source to determine the results of all tier 1 sports bets and tier 2 sports bets, subject to all of the following conditions:
    - (i) The data source and corresponding data must be complete, accurate, reliable, timely, and available.
    - (ii) The data source must be appropriate to settle the types of events and types of wagers for which it is used.
    - (iii) Any person that provides data directly to a sports betting operator or internet sports betting platform provider must be licensed by the board as a sports betting supplier.
    - (iv) The data source and corresponding data must meet any other conditions considered appropriate by the board.
  - (b) Except as otherwise provided in this part, the board reserves the right to disapprove any data source.
  - (c) A sports betting operator or internet sports betting platform provider must have internal controls in place to review the completeness, accuracy, reliability, timeliness, and availability of any data feeds used to offer or settle internet sports betting wagers. In the event an incident or error occurs that results in a loss of communication with data feeds used to offer or settle internet sports betting wagers, the incident or error must be recorded in a log capturing the date and time of the incident or error, the nature of the incident or error, and a description of its impact on the internet sports betting platform's performance. This information must be maintained for a minimum period of 5 years and must be made available to the board on request.
- (2) All of the following conditions apply to a sports governing body notification regarding the use of official league data to settle tier 2 sports bets under section 10a of the act, MCL 432.410a:
- (a) A sports governing body headquartered in the United States must notify the board in writing if it desires sports betting operators to use official league data to settle tier 2 sports bets under section 10a of the act, MCL 432.410a. The notification must be filed in the form and manner prescribed by the board and must include all of the following:
    - (i) Identification information for the sports governing body.
    - (ii) Identification and contact information for at least one specific 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.
    - (iii) Identification of any designees that are or will be expressly authorized by the sports governing body to provide official league data in Michigan.
    - (iv) Copies of any contracts relevant to the provision of official league data in Michigan, including all of the following:
      - (A) Copies of any contracts between the sports governing body and any designees that are or will be expressly authorized by the sports governing body to provide official league data in Michigan.
      - (B) Copies of any contracts between the sports governing body or its designees and sports betting operators or internet sports betting platform providers in Michigan.

- (v) A description of the official league data the sports governing body desires to provide.
- (vi) Any other information required by the board.
- (b) A sports governing body may not submit a notification under subdivision (a) of this subrule unless the board has authorized sports betting operators to accept tier 2 wagers on athletic events of the sports governing body.
- (c) On receipt of a complete notification from a sports governing body under subdivision (a) of this subrule, the board shall notify each sports betting operator within 5 days. The notification must include the date on which the sports betting operator, and any internet sports betting platform provider accepting internet sports betting wagers on behalf of the sports betting operator, is required to use official league data to determine the results of tier 2 sports bets on athletic events of the relevant sports governing body unless one of the exceptions set forth in this part applies. The date must be 60 days after the date of the board's notification. Each sports betting operator is responsible for informing its internet sports betting platform provider of the board's notification and its effective date.
- (d) Except as otherwise provided in this part, after the date identified in the board's notification under subdivision (c) of this subrule, sports betting operators and internet sports betting platform providers must use only official league data to determine the results of tier 2 sports bets on athletic events sanctioned by the sports governing body that is the subject of the notification.
- (e) The board shall maintain and may publish a list of all sports governing bodies that provide official league data under this rule.
- (f) A sports governing body may rescind its notice at any time. Such rescission must be made in writing to the board and all sports betting operators and internet sports betting platform providers to which the sports governing body or its designee provides official league data. On receipt of the rescission, a sports betting operator or internet sports betting platform provider may use any data source that meets the requirements of subrule (1) of this rule to determine the results of tier 2 sports bets on athletic events of the sports governing body.
- (g) If a sports governing body does not notify the board that it desires sports betting operators to use official league data under this rule, sports betting operators and internet sports betting platform providers may use any data source that meets the requirements of subrule (1) of this rule to determine the results of all tier 2 sports bets on athletic events of the sports governing body.
- (3) If a sports governing body notifies the board of its desire to supply official league data for tier 2 sports bets under subrule (2) of this rule, both of the following apply:
  - (a) Official league data must be obtained by a sports betting operator or internet sports betting platform provider pursuant to a written contract with a sports governing body or one or more of its designees, or both. The contract must be filed with the board.
  - (b) A sports governing body or its designee may not unilaterally cancel or modify any material provisions of a contract entered into under this subrule or directly or indirectly cease its provision of official league data to a sports betting operator or internet sports betting platform provider without prior written approval of the board unless the cancellation, modification, or cessation is provided for in and

executed in accordance with the terms of the contract or is due to a material breach.

- (4) If a sports governing body notifies the board of its desire to supply official league data for tier 2 sports bets under subrule (2) of this rule, all of the following apply:
  - (a) A sports governing body or its designee must provide official league data on commercially reasonable terms.
  - (b) A sports betting operator may petition the board in writing for a determination that the terms under which official league data is or will be provided to the sports betting operator, or an internet sports betting platform provider accepting internet sports betting wagers on behalf of the sports betting operator, by a sports governing body or its designee are not commercially reasonable. The petition may be submitted at any time provided the parties have engaged in good-faith negotiations and the sports betting operator provides written notice to the sports governing body at least 5 business days before filing the petition. The petition must be filed in the form and manner prescribed by the board and must include all of the following:
    - (i) Identification of the sports betting operator and contact information for at least one specific individual who will be the primary point of contact for questions related to the petition.
    - (ii) Identification of the sports governing body.
    - (iii) Copies of any contracts, offer sheets, or other written documentation the sports betting operator alleges to include the commercially unreasonable terms.
    - (iv) Identification of the specific terms the sports betting operator alleges are commercially unreasonable.
    - (v) Detailed information explaining why the sports betting operator believes the terms are not commercially reasonable, including information pertaining to any relevant factors listed in subdivision (h) of this subrule.
    - (vi) Any evidence or other documentation supporting the sports betting operator's argument that the terms are not commercially reasonable.
    - (vii) Information explaining how the sports betting operator, or an internet sports betting platform provider accepting internet sports betting wagers on behalf of the sports betting operator, does or will settle tier 2 sports bets on athletic events of the sports governing body in the absence of official league data.
    - (viii) Any other information the sports betting operator believes the board should consider.
    - (ix) Any other information required by the board.
  - (c) From the date a petition is filed until the date the board issues a determination, the sports betting operator, and an internet sports betting platform provider accepting internet sports betting wagers on behalf of the sports betting operator, may use any data source that meets the requirements of subrule (1) of this rule to determine the results of tier 2 sports bets on athletic events of the sports governing body.
  - (d) The board may, in its discretion, jointly consider multiple petitions if they involve the same sports governing body and substantially similar allegations.

- (e) Except as otherwise provided in subdivision (m) of this subrule, on receipt of a complete petition, the board shall immediately forward the petition to the relevant sports governing body. The sports governing body must be given an opportunity to respond to the petition in writing. The response must be submitted to the board within 30 days after the board forwards the petition to the sports governing body or as otherwise directed by the board. The response must be filed in the form and manner prescribed by the board and must include all of the following:
  - (i) Identification of the sports governing body and contact information for at least one specific individual who will be the primary point of contact for questions related to the response.
  - (ii) Detailed responses to each of the sports betting operator's allegations.
  - (iii) Detailed information explaining why the sports governing body believes the terms identified in the petition are commercially reasonable, including information pertaining to any relevant factors listed in subdivision (h) of this subrule.
  - (iv) Any evidence or other documentation supporting the sports governing body's argument that the terms are commercially reasonable.
  - (v) Any other information the sports governing body believes the board should consider.
  - (vi) Any other information required by the board.
- (f) If the sports governing body does not submit a response within 30 days or as otherwise directed by the board, or fails to submit a response that meets the requirements of subdivision (e) of this subrule, the board may decide the petition in favor of the sports betting operator.
- (g) The board may request any additional information from a sports betting operator, an internet sports betting platform provider accepting internet sports betting wagers on behalf of a sports betting operator, or a sports governing body that the board considers necessary to evaluate a petition or response filed under this subrule. The board may, in its discretion, schedule a hearing before deciding a petition.
- (h) The board may consider the following factors to determine whether official league data is or will be provided by a sports governing body on commercially reasonable terms:
  - (i) Whether the sports governing body's official league data is available to the sports betting operator, or an internet sports betting platform provider accepting internet sports betting wagers on behalf of the sports betting operator, from more than one authorized source and whether it is offered under materially different terms.
  - (ii) Market information regarding the purchase of data used to settle tier 2 sports bets by any licensed entities from any authorized data source, including sports governing bodies or their designees, in this state or any other jurisdiction.
  - (iii) Any characteristics of the official league data and any alternate data sources, including but not limited to, both of the following:
    - (A) The nature, quantity, quality, integrity, completeness, accuracy, reliability, availability, and timeliness of the data.



- (B) The quality, complexity, integrity, and reliability of the process used to collect the data.
  - (iv) The extent to which sports governing bodies or their designees have made data used to settle tier 2 sports bets available to sports betting operators and internet sports betting platform providers accepting internet sports betting wagers on behalf of sports betting operators.
  - (v) The availability and cost of comparable, lawfully derived data from other data sources.
  - (vi) Whether any terms of the contract or offer sheet are uncompetitive in nature, are economically unfeasible, or place an undue burden on the sports betting operator or internet sports betting platform provider accepting internet sports betting wagers on behalf of the sports betting operator.
  - (vii) Any other factors the board considers appropriate.
  - (i) The board shall issue a determination within 120 days after the board receives a petition from a sports betting operator under this subrule. The determination must be sent in writing to the sports betting operator and the sports governing body. A sports betting operator is responsible for notifying its internet sports betting platform provider of the board's determination.
  - (j) If the board determines that the sports betting operator has successfully demonstrated that the sports governing body does not or will not provide official league data on commercially reasonable terms, the sports betting operator, and an internet sports betting platform provider accepting internet sports betting wagers on behalf of the sports betting operator, may use any data source that meets the requirements of subrule (1) of this rule to determine the results of tier 2 sports bets on athletic events of the sports governing body.
  - (k) If the board determines that the sports betting operator has not successfully demonstrated that the sports governing body does not or will not provide official league data on commercially reasonable terms, the sports betting operator, and an internet sports betting platform provider accepting internet sports betting wagers on behalf of the sports betting operator, must use only official league data to determine the results of tier 2 sports bets on athletic events sanctioned by the sports governing body.
  - (l) On request of a sports betting operator or sports governing body, the board may reconsider a determination reached under this subrule if the sports betting operator or sports governing body can demonstrate that there has been a material change in terms or other circumstances related to the original petition.
- The board may, in its discretion, apply a determination reached under this subrule to any subsequently filed petitions that involve the same sports governing body and contain substantially similar allegations.
- (5) If a sports governing body and its designees cannot provide a feed of official league data to determine the results of a particular type of tier 2 sports bet for which official league data would otherwise be required under subrule (2) of this rule, sports betting operators and internet sports betting platform providers may use any data source that meets the requirements of subrule (1) of this rule to determine the results of the particular type of tier 2 sports bet. This subrule applies until the official league data

necessary to determine the results of the particular type of tier 2 sports bet becomes available on commercially reasonable terms.

- (6) Before a sports governing body and its designees may provide or be involved in the provision of official league data under subrule (2) of this rule, all of the following conditions apply:
  - (a) A sports governing body or designee that provides official league data directly to a sports betting operator or internet sports betting platform provider must be licensed by the board as a sports betting supplier.
  - (b) A sports governing body or designee that is not licensed as a sports betting supplier must not provide official league data directly to a sports betting operator or internet sports betting platform provider.
  - (c) A sports governing body or designee that does not provide official league data directly to a sports betting operator or internet sports betting platform provider but is otherwise involved in the provision of official league data, as determined by the board, must be approved in writing by the board.
  - (d) A sports governing body or designee that is not approved by the board must not be involved in the provision of official league data to a sports betting operator or internet sports betting platform provider.
  - (e) Involvement in the provision of official league data includes, but is not limited to, all of the following:
    - (i) Supplying, packaging, or providing official league data to a sports betting supplier who provides the data directly to a sports betting operator or internet sports betting platform provider.
    - (ii) Creating, generating, producing, augmenting, or modifying official league data that is intended for or known to be used for packaging, supply, or use by a sports betting supplier or vendor under these rules.
    - (iii) Any method involving or resulting in the use of official league data by a sports betting operator, internet sports betting platform provider, or a sports betting supplier.
  - (f) A request for approval under this subrule must consist of the following:
    - (i) A completed registration form providing the sports governing body's or designee's office address and contact information of each primary employee involved in the provision of official league data.
    - (ii) A list of all designees authorized by the sports governing body to supply official league data in Michigan.
    - (iii) An acknowledgement that approval is conditioned upon the sports governing body's or designee's compliance with all applicable provisions of the act and these rules.
    - (iv) Any other information related to the provision of official league data required by the board, subject to the following:
      - (A) The board may, in its discretion, request information from the sports governing body or designee if the information is directly related to its process for creating, generating, producing, augmenting, modifying, supplying, packaging, or providing official league data, including procedures designed to ensure the completeness, accuracy, reliability, timeliness, availability, and integrity of the official league data.

- (B) Information requested by the board must be limited to the organizational units and processes involved in the provision of official league data.
- (C) The board shall not investigate or request information regarding employees of a sports governing body not involved in the provision of official league data or the owners of a sports governing body's member teams.
- (g) The board shall grant a request for approval under this subrule if the sports governing body or designee provides the information set forth in subdivision (f) of this subrule and the sports governing body or designee complies with all of the following:
  - (i) The sports governing body or designee complies with all applicable provisions of the act and these rules.
  - (ii) The sports governing body or designee agrees to and timely provides, on written request of the board, information and records related to its provision of official league data.
  - (iii) The sports governing body or designee cooperates with investigations conducted by the board regarding the provision of official league data.
  - (iv) The sports governing body or designee creates, generates, produces, augments, modifies, supplies, packages, or provides official league data that is generally complete, accurate, reliable, timely, and available based on relevant and applicable standards.
- (h) None of these rules may be interpreted to include official league data that is used, packaged, sold, produced, or provided in ways separate from sports betting under the act.
- (i) If a sports governing body and its designees have not obtained all sports betting supplier licenses and approvals required by this subrule, sports betting operators and internet sports betting platform providers may use any data source that meets the requirements of subrule (1) of this rule to determine the results of tier 2 sports bets on athletic events of the sports governing body. This applies until the sports governing body and its designees have obtained all sports betting supplier licenses and approvals required by this subrule.
- (j) A sports governing body and its designees are not required to obtain approval under this subrule if sports betting operators and internet sports betting platform providers are not required to use official league data to determine the results of tier 2 sports bet on athletic events of the sports governing body under subrule (2) of this rule.

R 432.746a Acceptance of wagers.

Rule 746a. (1) Available wagers must be displayed to authorized participants on the sports betting operator's or internet sports betting platform provider's internet sports betting platform. The display must include the odds and a brief description of the event and wagering proposition.

- (2) A sports betting operator or internet sports betting platform provider may not accept an internet sports betting wager on an event unless a wagering proposition is posted on the sports betting operator's or internet sports betting platform provider's internet sports betting platform.

- (3) A sports betting operator or internet sports betting platform provider may not set lines or odds or offer wagering propositions designed for the purposes of ensuring that an authorized participant will win an internet sports betting wager or a series of internet sports betting wagers, unless the lines, odds, or wagering propositions are offered in connection with a promotion conducted in accordance with these rules.
- (4) Unless otherwise directed by the board, there is no limitation as to the minimum or maximum internet sports betting wager a sports betting operator or internet sports betting platform provider may accept. This rule does not preclude a sports betting operator or internet sports betting platform provider from establishing its own minimum or maximum internet sports betting wagers or limiting an authorized participant's internet sports betting wager for reasons considered necessary or appropriate by the sports betting operator or internet sports betting platform provider.
- (5) Unless otherwise approved by the board, an internet sports betting platform shall provide for an authorized participant to review and confirm all wagering information before an internet sports betting wager is accepted.
- (6) On completion of an internet sports betting wager, a virtual internet sports betting wager record must be provided to or made available to the authorized participant. The record must contain at a minimum the following information:
  - (a) The date and time the internet sports betting wager was placed.
  - (b) The date and time the event is expected to occur.
  - (c) Any authorized participant choices involved in the internet sports betting wager as follows:
    - (i) Internet sports betting wager selection.
    - (ii) Type of internet sports betting wager and line postings.
    - (iii) Any special condition or conditions applying to the internet sports betting wager.
    - (iv) Payout.
  - (d) Total amount wagered, including any promotional or bonus credits, if applicable.
  - (e) Identification of the event and wagering proposition.
  - (f) Unique identification number of the internet sports betting wager record.
- (7) Except as otherwise provided in these rules or applicable state or federal law, a sports betting operator or internet sports betting platform provider must pay winning authorized participants following the completion of the event or portion of the event on which the wagering proposition was contingent.
- (8) A sports betting operator or internet sports betting platform provider may, in its discretion, cancel an accepted internet sports betting wager for obvious error. Obvious error must be defined in the sports betting operator's or internet sports betting platform provider's internal controls.
- (9) A sports betting operator or internet sports betting platform provider must cancel an internet sports betting wager made by a prohibited person and confiscate the funds pursuant to part 7 of these rules. A sports betting operator or internet sports betting platform provider must cancel a wager under this subrule when the sports betting operator or internet sports betting platform provider becomes aware or should have been aware that the individual who made the internet sports betting wager is a prohibited person.

- (10) Except as otherwise provided in this part, a sports betting operator or internet sports betting platform provider may not unilaterally cancel an accepted internet sports betting wager without prior written approval of the board.

R 432.747 Negative Internet Sports Betting Account Balance Prohibited.

Rule 747. An internet sports betting platform must employ a mechanism that can detect and prevent any internet sports betting wagering or withdrawal activity initiated by an authorized participant that would result in a negative balance of the internet sports betting account.

R 432.748 House rules.

Rule 748. (1) A sports betting operator or internet sports betting platform provider must adopt comprehensive house rules, which must be approved by the board. The house rules must address the following items regarding internet sports betting wagers, at a minimum:

- (a) Types of internet sports betting wagers accepted.
  - (b) Minimum and maximum internet sports betting wagers.
  - (c) Description of the process for handling incorrectly posted events, odds, internet sports betting wagers, or results.
  - (d) Method for calculation and payment of winning internet sports betting wagers.
  - (e) Effect of schedule changes.
  - (f) Method of notifying authorized participants of odds or proposition changes.
  - (g) Acceptance of internet sports betting wagers at other than posted terms.
  - (h) Procedures related to pending winning internet sports betting wagers.
  - (i) Method of contacting the sports betting operator or internet sports betting platform provider for questions and complaints.
  - (j) Description of prohibited persons and events and wager types on which internet sports betting wagers may not be accepted under the act and these rules.
  - (k) Methods of funding a wager.
  - (l) Maximum payouts; however, such limits must only be established through limiting the amount of an internet sports betting wager and cannot be applied to reduce the amount paid to an authorized participant as a result of a winning internet sports betting wager.
  - (m) A policy by which the sports betting operator or internet sports betting platform provider can cancel internet sports betting wagers for obvious errors pursuant to the sports betting operator's or internet sports betting platform provider's internal controls, which must include a definition and procedures for obvious errors.
  - (n) Parlay wager related rules.
  - (o) Rules and procedures for wagering communications.
  - (p) Any other house rule related information the board determines necessary.
- (2) The house rules must clearly state what is to occur when an event or any component of an event on which internet sports betting wagers are accepted is canceled, including the handling of internet sports betting wagers with multiple selections, such as parlays, where one or more of these selections is canceled.
- (3) The house rules, together with any other information the board considers appropriate, must be conspicuously displayed on the sports betting operator's and its internet sports betting platform provider's internet sports betting website or internet sports betting

platform, included in the terms and conditions of internet sports betting accounts, and copies must be made readily available to individuals and authorized participants.

(4) Amendments to the house rules must be approved by the board. Failure by a licensee to act in accordance with the house rules may result in disciplinary action.

R 432.749 Tournaments/contests, bonus and promotional wagering, advertising, and player loyalty programs.

Rule 749. (1) A sports betting operator or internet sports betting platform provider may conduct an internet sports betting tournament or contest subject to all of the following:

(a) No internet sports betting tournament or contest shall be conducted unless the sports betting operator or internet sports betting platform provider, before the first time a tournament or contest type is offered, files written notice with the board of its intent to offer that tournament or contest type. The sports betting operator or internet sports betting platform provider may file a master tournament list with the board to satisfy this requirement.

(b) Each sports betting operator or internet sports betting platform provider must maintain a record of each tournament or contest type it offers, which must address, at a minimum, all of the following:

(i) Events and wager types.

(ii) Rules concerning tournament or contest play and participation.

(iii) Entry fee amount or amounts per participant.

(iv) Funding source amount or amounts comprising the prize pool (for example, buy-ins, re-buys, or add-ons).

(v) Prize structure on payout.

(vi) Methodology for determining winner or winners.

(2) A sports betting operator or internet sports betting platform provider may conduct internet sports betting bonus and promotional wagering offers subject to all of the following:

(a) A sports betting operator or internet sports betting platform provider must maintain a record of all bonus and promotional wagering offers related to internet sports betting in an electronic file that is readily available to the board.

(b) All bonus and promotional wagering offers must be stated in clear and unambiguous terms and must be accessible by the authorized participant after the offer is accepted and before completion.

(c) Offer terms and the record of all offers must include all of the following at a minimum:

(i) The date and time the offer is active and expires.

(ii) Authorized participant eligibility, including any limitations on participation.

(iii) Any restriction on withdrawals of funds.

(iv) Wagering requirements and limitations on events or wager types.

(v) The order in which funds are used for wagers.

(vi) Eligible events or wager types.

(vii) Rules regarding cancellation.

(3) A sports betting operator or internet sports betting platform provider must provide a clear and conspicuous method for an authorized participant to cancel his or her participation in a bonus or promotional wagering offer that utilizes restricted gaming

credits that cannot be cashed out until a wagering requirement or other restrictions associated with the credits is met. If an authorized participant elects to proceed with cancellation, unrestricted funds remaining in an authorized participant's internet sports betting account must be returned according to the terms and conditions.

(4) Once an authorized participant has met the terms of a bonus or promotional wagering offer, a sports betting operator or internet sports betting platform provider must not limit winnings earned while participating in the offer.

(5) All tournaments or contests, bonus and promotional wagering, advertising, and player loyalty programs offered or conducted by a sports betting operator or internet sports betting platform provider on the internet sports betting platform must comply with the technical standards adopted in R 432.733(2), as applicable.

## PART 5. INTERNET SPORTS BETTING ACCOUNTS

R 432.751 Single wagering account in use for internet sports betting.

Rule 751. (1) A sports betting operator or internet sports betting platform provider shall limit each authorized participant to one internet sports betting account and username. Each internet sports betting account must be all of the following:

- (a) Non-transferable.
  - (b) Unique to the authorized participant who establishes the internet sports betting account.
  - (c) Distinct from any other account number that the authorized participant may have established with the sports betting operator or internet sports betting platform provider except as provided for in subrule (2).
- (2) An internet sports betting account must be separate and distinct from an internet wagering account established under the lawful internet gaming act, 2019 PA 152, MCL 432.301 to MCL 432.322. Notwithstanding the foregoing, an internet sports betting account may be integrated with an internet wagering account, subject to all of the following conditions:
- (a) Internet sports betting transactions must be identified, recorded, accounted for, and reported separately and distinctly from internet gaming transactions conducted under the lawful internet gaming act, 2019 PA 152, MCL 432.301 to MCL 432.322.
  - (b) A sports betting operator or internet sports betting platform provider must comply with all applicable provisions of the act and these rules and any other conditions considered appropriate by the board.
- (3) A sports betting operator or internet sports betting platform provider must implement internal controls and publish procedures to terminate all accounts of any individual who establishes or seeks to establish multiple active internet sports betting accounts, whether directly or by use of another individual as a proxy.

R 432.751a Age and identity verification.

Rule 751a. (1) A sports betting operator or internet sports betting platform provider must verify an individual's identity before allowing that individual to create an internet sports betting account and place an internet sports betting wager.

- (2) Only an individual who is 21 years of age or older and not a prohibited person may create an internet sports betting account, deposit funds, or participate in internet sports betting wagering. The sports betting operator or internet sports betting platform provider must deny the ability to create an internet sports betting account, deposit funds, or participate in internet sports betting wagering to any individual who is under 21 years of age or is a prohibited person. This subrule shall not be construed to prevent an individual from creating an internet sports betting account and depositing funds to such an account even if they are prohibited from placing certain wagers.
- (3) A sports betting operator or internet sports betting platform provider must use commercially available and demonstrable standards to confirm that an individual attempting to create an internet sports betting account is not a prohibited person.
- (4) Third-party service providers may be used for age and identity verification of individuals attempting to create internet sports betting accounts.

R 432.751b Data security of age and identity verification information.

Rule 751b. Details of the age and identity verification process must be kept by the sports betting operator or internet sports betting platform provider in a secure manner approved by the board.

R 432.751c Handling of internet sports betting accounts found to be used in fraudulent manner.

Rule 751c. A sports betting operator or internet sports betting platform provider must have a documented system of internal controls for the handling of authorized participants or other individuals discovered to be using internet sports betting accounts in a fraudulent manner, including but not limited to the following:

- (a) The maintenance of information about any authorized participant's activity or other individual's activity, such that if fraudulent activity is detected, the sports betting operator or internet sports betting platform provider and the board have all of the necessary information to take appropriate action.
- (b) The suspension of any internet sports betting account discovered to be providing fraudulent access to prohibited persons.
- (c) The treatment of deposits, internet sports betting wagers, and wins associated with a prohibited person's fraudulent use of an account and the confiscation of any winnings and things of value of a prohibited person in accordance with part 7 of these rules.

R 432.752 Terms and conditions for internet sports betting accounts.

Rule 752. (1) All terms and conditions for internet sports betting accounts must be included in the internal controls of the sports betting operator or internet sports betting platform provider and address all aspects of the internet sports betting operation, including, but not limited to all of the following:

- (a) Name of the party or parties with whom the individual is entering into a contractual relationship, including any licensee.



- (b) Individual's consent to have the sports betting operator or internet sports betting platform provider confirm the individual's age and identity.
  - (c) Rules and obligations applicable to the authorized participant including, but not limited to, all of the following:
    - (i) Prohibition from allowing any other individual to access or use his or her internet sports betting account.
    - (ii) Prohibition from engaging in internet sports betting activity unless physically present in Michigan or another jurisdiction authorized under a multijurisdictional sports betting agreement.
    - (iii) Consent to the monitoring and recording by the sports betting operator, internet sports betting platform provider, or the board, or all 3 of any internet sports betting communications and geographic location information.
    - (iv) Consent to the jurisdiction of this state to resolve any disputes arising out of internet sports betting.
    - (v) Prohibition against utilizing automated computerized software or other equivalent mechanism, such as a "bot," to engage in play.
  - (d) Full explanation of all fees and charges imposed upon an authorized participant related to internet sports betting transactions.
  - (e) Availability of internet sports betting account statements detailing the authorized participant's internet sports betting account activity.
  - (f) Privacy policies, including information access.
  - (g) Legal age policy, including a statement that it is a criminal offense to allow an individual who is under the age of 21 to participate in internet sports betting.
  - (h) Full explanation of all rules applicable to dormant internet sports betting accounts.
  - (i) Authorized participant's right to set responsible gaming limits and to self-exclude.
  - (j) Authorized participant's right to suspend his or her internet sports betting account for a period of no less than 72 hours.
  - (k) Actions that will be taken if an authorized participant becomes disconnected from the internet sports betting platform during game play.
  - (l) Notice that a malfunction voids all pays.
  - (m) Estimated time period for withdrawal of funds from internet sports betting account.
- (2) If the internet sports betting terms and conditions are changed, the sports betting operator or internet sports betting platform provider shall require the authorized participant to acknowledge acceptance of the change. Unless otherwise authorized by the board, the authorized participant's acknowledgement must be date and time stamped by the internet sports betting platform.

#### R 432.753 Authorized participant protections.

Rule 753. (1) A sports betting operator or internet sports betting platform provider must provide an authorized participant protection information page that must be readily accessible to each authorized participant. The authorized participant protection page must be accessible to an authorized participant throughout an authorized participant session. The authorized participant protection page must contain, at a minimum, all of the following:

- (a) Method for changing or retrieving a password or other approved access security feature and the ability to choose "strong authentication" login protection.
  - (b) Method for filing a complaint with the sports betting operator or internet sports betting platform provider.
  - (c) Method for filing with the board an unresolved complaint after all reasonable means to resolve the complaint with the sports betting operator or internet sports betting platform provider have been exhausted utilizing forms and in the manner prescribed by the board.
  - (d) Method for obtaining a copy of the internet sports betting terms and conditions agreed to when establishing an internet sports betting account
  - (e) Method for the authorized participant to obtain his or her internet sports betting account and game history from the sports betting operator or internet sports betting platform provider.
  - (f) Notification that underage gambling is a criminal offense and that anyone who facilitates an individual under the age of 21 to place an internet sports betting wager has committed a criminal offense and must be prohibited from internet sports betting.
  - (g) Notification that the authorized participant is responsible for configuring his or her terminal's auto-lock feature to protect the terminal from unauthorized use.
  - (h) Notification that an authorized participant is prohibited from allowing any other individual to access or use his or her internet sports betting account.
  - (i) Information about potential risks associated with excessive participation in internet sports betting, and where to get help related to betting responsibly.
  - (j) A list of the available authorized participant protection measures that can be invoked by the authorized participant, such as self-imposed limits, and information on how to invoke those measures.
  - (k) Mechanisms in place for authorized participants to detect unauthorized use of their internet sports betting account, such as the authorized participant reviewing credit card statements against known deposits.
  - (l) Other authorized participant protections authorized by the board.
- (2) Authorized participants must be provided with an easy and obvious method to impose limitations for internet sports betting parameters including, but not limited to, deposits, wagers and time-based limitations. The self-imposed limitation method must provide the following functionality:
- (a) Upon receiving any self-imposed limitation order, the sports betting operator or internet sports betting platform provider must ensure that all specified limits are correctly implemented immediately or at the time that was clearly indicated to the authorized participant.
  - (b) The self-imposed limitations set by an authorized participant must not override more restrictive sports betting operator or internet sports betting platform provider-imposed limitations. The more restrictive limitations must take priority.
  - (c) Once established by an authorized participant and implemented by the internet sports betting platform, it must only be possible to reduce the severity of self-imposed limitations upon 24 hours' notice, or as required by the board.
  - (d) Self-imposed limitations must not be compromised by internal status events, such as self-imposed exclusion.

(3) The self-imposed limitations must be available to the authorized participant immediately after the internet sports betting account is created, when placing a deposit into his or her internet sports betting account, and upon logging into his or her internet sports betting account.

R 432.754 Responsible gaming.

Rule 754. Each sports betting operator's website or internet sports betting platform must display a responsible gaming logo in a manner approved by the board to direct an authorized participant to the sports betting operator's website or internet sports betting platform responsible gaming page. The responsible gaming page must be accessible to an authorized participant during an authorized participant session and must contain, but is not limited to, the following:

- (a) A prominent message that states "If you or someone you know has a gambling problem and wants help, call the Michigan Department of Health and Human Services Gambling Disorder Help-line at: 800-270-7117".
- (b) A direct link to the Michigan Gaming Control Board Compulsive/Problem Gambling website (<https://www.michigan.gov/mgcb/0,4620,7-351-79256-231582--,00.html>) and other organizations based in the United States dedicated to helping people with potential gambling problems.
- (c) A clear statement of the sports betting operator's or internet sports betting platform provider's policy and commitment to responsible gaming.
- (d) Other responsible gaming measures required by the board.

R 432.755 Internet sports betting account requirements.

Rule 755. To establish an internet sports betting account, a sports betting operator or internet sports betting platform provider must do all of the following:

- (a) Create an electronic authorized participant file, which must, at a minimum, include the following:
  - (i) The authorized participant's legal name.
  - (ii) The authorized participant's date of birth.
  - (iii) The authorized participant's Social Security number, or the last 4 digits of the Social Security number, or an equivalent identification number for a noncitizen authorized participant, such as a passport or taxpayer identification number.
  - (iv) The authorized participant's internet sports betting account number or username.
  - (v) The authorized participant's residential address. A post office box is not acceptable.
  - (vi) The authorized participant's electronic mail address.
  - (vii) The authorized participant's telephone number.
  - (viii) Any other information collected from the authorized participant used to verify his or her identity.
  - (ix) The method used to verify the authorized participant's identity.
  - (x) The date of verification.
- (b) Encrypt all of the following information contained in an electronic authorized participant file:

- (i) Any portion of the authorized participant's Social Security number or equivalent identification number for a noncitizen authorized participant, such as a passport or taxpayer identification number.
- (ii) The authorized participant's passwords and PINs.
- (iii) The authorized participant's personal financial information.
- (c) Verify the authorized participant's age and identity and record the date of verification in accordance with any of the following:
  - (i) Reliable forms of personal identification specified in the sports betting operator's or internet sports betting platform provider's internal controls.
  - (ii) Other methodology for remote multi-source authentication, which may include third-party and governmental databases, as approved by the board.
- (d) Record the document number of the government issued identification credential examined, if applicable. If a government issued identification credential is not required for registration, the electronic record that details the process used to confirm the authorized participant's identity must be recorded.
- (e) Require the authorized participant to establish a password or other access security feature as approved by the board and advise the authorized participant to utilize strong authentication login protection.
- (f) Record the authorized participant's acceptance of the sports betting operator's or internet sports betting platform provider's internet sports betting terms and conditions to participate in internet sports betting through the sports betting operator's or internet sports betting platform provider's website.
- (g) Record the authorized participant's certification that the information provided to the sports betting operator or internet sports betting platform provider is accurate.
- (h) Record the authorized participant's acknowledgment that the legal age for internet sports betting is 21, and that he or she is prohibited from allowing any other individual to access or use his or her internet sports betting account.
- (i) Notify the authorized participant of the establishment of the account via electronic mail.

R 432.755a Internet sports betting account funding.

Rule 755a. An authorized participant's internet sports betting account may be funded through the use of any of the following:

- (a) An authorized participant's credit or debit card.
- (b) An authorized participant's deposit of cash or cash equivalent at a cashiering location approved by the board.
- (c) An authorized participant's reloadable prepaid card, which has been verified as being issued to the authorized participant and is non-transferable.
- (d) Promotional credit.
- (e) Winnings.
- (f) Adjustments made by the sports betting operator or internet sports betting platform provider with documented notification to the authorized participant.
- (g) ACH transfer, provided that the sports betting operator or internet sports betting platform provider has security measures and controls to prevent ACH fraud regarding failed ACH deposits.
- (h) Wire transfer.

- (i) Any other means approved by the board.

**R 432.755b Failed ACH deposits.**

Rule 755b. A failed ACH deposit attempt is not considered fraudulent if the authorized participant has successfully deposited funds via an ACH transfer on a previous occasion with no outstanding chargebacks. Otherwise, the sports betting operator or internet sports betting platform provider shall do all of the following:

- (a) Temporarily block the authorized participant's internet sports betting account for investigation of fraud after 5 consecutive failed ACH deposit attempts within a 10-minute period. If there is no evidence of fraud, the block may be vacated.
- (b) Suspend the authorized participant's internet sports betting account after 5 additional consecutive failed ACH deposit attempts within a 10-minute period.

**R 432.755c Transfer of funds prohibited.**

Rule 755c. A sports betting operator or internet sports betting platform provider must not permit an authorized participant to transfer funds from one authorized participant's internet sports betting account to another authorized participant's internet sports betting account or any other wagering account belonging to another authorized participant.

**R 432.755d Authorized participant account withdrawal.**

Rule 755d. (1) An authorized participant must be allowed to withdraw the funds maintained in his or her internet sports betting account, whether the account is open or closed, except as otherwise provided in these rules, or any other applicable state or federal laws.

(2) A sports betting operator or internet sports betting platform provider must honor the authorized participant's request to withdraw funds within 10 business days after the request, unless the conditions set forth in subrule (3) of this rule are met.

(3) The sports betting operator or internet sports betting platform provider may decline to honor an authorized participant's request to withdraw funds only if the sports betting operator or internet sports betting platform provider believes in good faith that the authorized participant engaged in either fraudulent conduct or other conduct that would put the sports betting operator or internet sports betting platform provider in violation of the act and these rules. In such cases, the sports betting operator or internet sports betting platform provider must do all of the following:

- (a) Provide notice to the authorized participant of the nature of the investigation of the internet sports betting account.
- (b) Conduct its investigation in a reasonable and expedient fashion, providing the authorized participant additional written notice of the status of the investigation every tenth business day starting from the day the original notice was provided to the authorized participant.

(4) For purposes of this rule, a request for withdrawal is considered honored if it is processed by the sports betting operator or internet sports betting platform provider notwithstanding a delay by a payment processor, credit card issuer, or the custodian of a financial account.

**R 432.755e Internet sports betting account review requirements.**

Rule 755e. All adjustments to internet sports betting accounts for amounts of \$500.00 or less must be periodically reviewed by supervisory personnel as set forth in the sports betting operator's or internet sports betting platform provider's internal controls. All other adjustments must be authorized by supervisory personnel before being entered.

R 432.756 Internet sports betting account information.

Rule 756. (1) An internet sports betting platform must provide an account statement with account details to an authorized participant on demand, which must include detailed account activity for at least 6 months. In addition, an internet sports betting platform must, upon request, be capable of providing a summary statement of all authorized participant activity during the past 2 years. Information provided on the summary statement must include but not be limited to the following:

- (a) Deposits to the internet sports betting account.
- (b) Withdrawals from the internet sports betting account.
- (c) Win or loss statistics.
- (d) Beginning and ending internet sports betting account balances.
- (e) Self-imposed limit history, if applicable.

(2) A sports betting operator or internet sports betting platform provider must periodically re-verify an authorized participant's identification upon reasonable suspicion that the authorized participant's identification has been compromised.

R 432.757 Internet sports betting account closure.

Rule 757. An internet sports betting platform must provide a conspicuous and readily accessible method for an authorized participant to close his or her internet sports betting account through the account management or similar page or through the internet sports betting platform customer support team. Any balance remaining in an authorized participant's internet sports betting account closed by an authorized participant must be refunded pursuant to the sports betting operator's or internet sports betting platform provider's internal controls.

R 432.758 Internet sports betting dormant accounts.

Rule 758. A sports betting operator or internet sports betting platform provider shall consider an authorized participant internet sports betting account to be dormant if the authorized participant has not logged into the internet sports betting account for at least 3 years. A dormant internet sports betting account must be closed by the sports betting operator or internet sports betting platform provider. Any balance remaining in a dormant internet sports betting account must be refunded or escheated in accordance with the sports betting operator's or internet sports betting platform provider's internal controls.

R 432.759 Suspension and restoration of internet sports betting accounts.

Rule 759. (1) An internet sports betting platform must employ a mechanism that places an internet sports betting account in a suspended mode under the following conditions:

- (a) When requested by the authorized participant for a specified period of time, which must not be less than 72 hours.
- (b) When required by the board.

- (c) Upon a determination that an authorized participant is a prohibited person.
- (d) When initiated by a sports betting operator or internet sports betting platform provider that has evidence that indicates any of the following:
  - (i) Illegal activity.
  - (ii) A negative internet sports betting account balance.
  - (iii) A violation of the internet sports betting account terms and conditions has taken place on an authorized participant's internet sports betting account.
- (2) When an internet sports betting account is in a suspended mode, the internet sports betting platform must do all of the following:
  - (a) Prevent the authorized participant from internet sports betting.
  - (b) Prevent the authorized participant from depositing funds unless the account is suspended due to having a negative internet sports betting account balance but only to the extent the internet sports betting account balance is brought back to zero dollars.
  - (c) Prevent the authorized participant from withdrawing funds from his or her internet sports betting account, unless the suspended mode was initiated by the authorized participant.
  - (d) Prevent the authorized participant from making changes to his or her internet sports betting account.
  - (e) Prevent the removal of the internet sports betting account from the internet sports betting platform.
  - (f) Prominently display to the authorized participant that the internet sports betting account is in a suspended mode, the restrictions placed on the internet sports betting account, and any further course of action needed to remove the suspended mode.
- (3) A suspended account may be restored for any of the following reasons:
  - (a) Upon expiration of the time period established by the authorized participant.
  - (b) If authorized by the board.
  - (c) When the authorized participant is no longer a prohibited person.
  - (d) When the sports betting operator or internet sports betting platform provider has lifted the suspended status.

## PART 6. AUDIT AND INTERNAL CONTROLS

R 432.761 Internal control standards applicability of part.

Rule 761. This part applies to sports betting operators and internet sports betting platform providers.

R 432.762 Purpose.

Rule 762. The procedures of the internal control standards are designed to ensure all of the following:

- (a) Assets are safeguarded.
- (b) The financial records of the sports betting operator and internet sports betting platform provider are accurate and reliable.

- (c) The transactions of the sports betting operator and internet sports betting platform provider are performed only in accordance with the act and these rules.
- (d) The transactions are recorded adequately to permit the proper recording of the adjusted gross sports betting receipts, fees, and all applicable taxes and payments.
- (e) Accountability of assets is maintained pursuant to generally accepted accounting principles.
- (f) Only authorized personnel have access to assets.
- (g) Internet sports betting account balances are complete and accurate, and appropriate action is taken with respect to discrepancies.
- (h) Internet sports betting accounts and personal identifiable information are adequately protected.
- (i) The functions, duties, and responsibilities are appropriately segregated and performed pursuant to sound practices by competent, qualified personnel and that no employee of the sports betting operator, the internet sports betting platform provider, a supplier, a registered vendor, or a third-party provider is in a position to perpetuate and conceal errors or irregularities in the normal course of the employee's duties.
- (j) Internet sports betting is conducted with integrity and in accordance with the act and these rules.

R 432.763 Board approval of internal control standards and requirements.

Rule 763. (1) Unless otherwise provided for by the board, before beginning internet sports betting operations, a sports betting operator or internet sports betting platform provider, or both must submit its administrative and accounting procedures in detail in a written system of internal control for board review and written approval. A written system of internal controls must include a detailed narrative description of the administrative and accounting procedures designed to satisfy the requirements of these rules.

- (2) The written system of internal controls must address the following items, at a minimum:
  - (a) Procedures for responding to a failure of the sports betting platform (i.e., game, system, communications, or platform malfunction), including procedures for restoring internet sports betting operations. The sports betting operator or internet sports betting platform provider, or both, must also file with the board an incident report for each significant platform failure and document the date, time, and reason for the failure along with the date and time the system is restored.
  - (b) User access controls for all sports betting personnel.
  - (c) Segregation of duties.
  - (d) Automated and manual risk management procedures.
  - (e) Procedures for identifying and reporting fraud and suspicious conduct including identifying unusual wagering activity and reporting that activity to an independent integrity monitoring provider.
  - (f) Procedures to prevent wagering by prohibited persons.
  - (g) Procedures for sports betting operator-imposed or internet sports betting platform provider-imposed exclusion of authorized participants, including the following:



- (i) Providing a notification containing operator-imposed or internet sports betting platform provider-imposed exclusion status and general instructions for resolution.
- (ii) Ensuring that immediately upon executing the operator-imposed or internet sports betting platform provider-imposed exclusion order, no new wagers or deposits are accepted from the authorized participant, until such time as the operator-imposed or internet sports betting platform provider-imposed exclusion has been revoked.
- (iii) Ensuring that the authorized participant is not prevented from withdrawing any or all of his or her account balance, if the sports betting operator or internet sports betting platform provider acknowledges that the funds have cleared, and that the reason or reasons for exclusion would not prohibit a withdrawal.
- (h) Description of anti-money laundering compliance standards.
- (i) Process for submitting or receiving approval of all event categories and wager types available.
- (j) Description of process for accepting wagers and issuing payouts, plus any additional controls for accepting wagers and issuing payouts in excess of \$10,000.00.
- (k) Description of process for voiding or cancelling wagers and refunding the authorized participant in accordance with these rules.
- (l) Description of process for accepting multiple wagers from one authorized participant in a 24-hour cycle, including process to identify authorized participant structuring of wagers to circumvent recording and reporting requirements.
- (m) Procedure for the recording of and reconciliation of internet sports betting transactions.
- (n) Procedures for issuance and acceptance of promotional funds for internet sports betting.
- (o) Description of all integrated third-party platforms.
- (p) Procedures for identifying and restricting prohibited persons.
- (q) Description of process to close out dormant accounts.
- (r) Procedures for making adjustments to an internet sports betting account, providing a method for an authorized participant to close out an account and how an authorized participant will be refunded after the closure of an account or how funds will be escheated.
- (s) Procedures to verify each authorized participant's physical location pursuant to part 3 of these rules.
- (t) Procedures for the security and sharing of personal identifiable information of an authorized participant, funds or financial information in an internet sports betting account, and other information as required by the board. The procedures must include the means by which a sports betting operator or internet sports betting platform provider, or both will provide notice to an authorized participant related to the sharing of personal identifiable information.
- (u) Detailed responsible gaming measures.
- (v) Method for securely implementing the responsible gaming database.

- (w) Methods for securely issuing, modifying, and resetting an authorized participant's account password, personal identification number (PIN), or other approved security feature, if applicable. Any method must include notification to the authorized participant following any modification via electronic or regular mail, text message, or other manner approved by the board. Such methods must include, at a minimum, one of the following:
  - (i) Proof of identity, if in person.
  - (ii) The correct response to 2 or more challenge questions.
  - (iii) Strong authentication.
- (x) Procedures for receiving, investigating, and responding to all authorized participant complaints.
- (y) In detail, the location of the sports betting servers, including any third-party remote location servers, and what controls will be in place to ensure security of the sports betting servers.
- (z) Description of the process for line setting and line moving.
  - (aa) Technical security standards (controls) required by these rules.
  - (bb) Procedures for registration of authorized participants and establishing internet sports betting accounts, including a procedure for authenticating the age, identity and physical address of an applicant for an internet sports betting account, and whether the applicant is prohibited from establishing or maintaining an account under applicable laws or regulations.
  - (cc) Procedures for terminating an internet sports betting account and the return of any funds remaining in the internet sports betting account to the authorized participant or confiscation of funds in accordance with these rules.
  - (dd) Procedures for the logging in and authentication of an authorized participant to enable the authorized participant to commence sports betting and the logging off of the authorized participant when the authorized participant has completed play, including a procedure to automatically log an authorized participant out of the internet sports betting account after a specified period of inactivity.
  - (ee) Procedures for the crediting and debiting of an internet sports betting account.
  - (ff) Procedures for withdrawing funds from an internet sports betting account by the authorized participant.
  - (gg) Procedures for the protection of an authorized participant's funds, including the segregation of an authorized participant's funds from operating funds of the sports betting operator or internet sports betting platform provider, or both.
  - (hh) Procedures and security for the calculation and recording of gross sports betting receipts, adjusted gross sports betting receipts, and winnings.
  - (ii) Procedures and security standards as to receipt, handling, and storage of sports betting equipment.
  - (jj) Procedures and security standards to protect and respond to an individual's suspected or actual hacking of or tampering with the sports betting operator's or internet sports betting platform provider's internet sports betting website or sports betting devices and associated equipment.
  - (kk) Procedures and appropriate measures implemented to deter, detect, and, to the extent possible, prevent cheating, including collusion, and use of cheating

devices, including the use of software programs that make bets according to algorithms.

- (ll) Procedures to govern emergencies, including suspected or actual cyber-attacks on, hacking of, or tampering with the internet sports betting platform, internet sports betting website, or sports betting devices and associated equipment. The procedures must include the process for the reconciliation or repayment of an authorized participant's internet sports betting account.
- (mm) Policies and procedures in connection with the internal audit function of its internet sports betting operations.
- (nn) Establishing policies and procedures with respect to credit.
- (oo) Any other items considered necessary by the board.

(3) To the extent a third-party is involved in or provides any of the internal controls required in these rules, the sports betting operator's or internet sports betting platform provider's controls, or the controls of both of them must document the roles and responsibilities of the third-party and must include procedures to evaluate the adequacy of and monitor compliance with the third-party's internal control procedures.

#### R 432.763a Amendments to internal controls.

Rule 763a. Unless otherwise provided by the board, all of the following provisions apply to amendments to the internal control procedures:

- (a) Amendments to any portion of the internal control procedures must be submitted to the board for approval. If within 30 days the board has not approved, denied, or otherwise provided written notice, a sports betting operator or internet sports betting platform provider, or both, may implement the amended internal controls as submitted with the board retaining its authority to require further amendment, approval, or denial.
- (b) The board may, in writing, approve, deny, or require a revision to the amendment to the internal control procedures. If the sports betting operator or sports betting platform provider is notified of a required revision, the sports betting operator or internet sports betting platform provider must work with the board to address the revision.
- (c) If the board requests additional information, clarification, or revision of an amendment to an internal control and the sports betting operator or internet sports betting platform provider, or both, fail to satisfy the request within 30 days after the board request, the board shall consider the amendment denied and it cannot be implemented or, if previously implemented under subdivision (a) of this rule, the sports betting operator or internet sports betting platform provider has 15 days to cease implementation of that amendment. If the sports betting operator or internet sports betting platform provider subsequently wants to pursue the amendment, it must resubmit the request along with the additional information previously requested by the board.

#### R 432.763b Emergency procedures.

Rule 763b. (1) In the event of an emergency, the sports betting operator or internet sports betting platform provider, or both, may temporarily amend an internal control procedure. The executive director or his or her designee must be notified that an emergency exists before temporarily amending an internal control procedure.

(2) A sports betting operator or internet sports betting platform provider, or both, must submit the temporary emergency amendment of the internal control procedures to the

executive director or his or her designee within 3 days of the amendment. The submission must include the detailed emergency procedures that will be implemented and the time period the emergency procedures will be temporarily in place. Any concerns the board has with the submission must be addressed with the sports betting operator or internet sports betting platform provider, or both.

(3) As soon as the circumstances necessitating the emergency amendment to the internal control procedures abate, a sports betting operator or internet sports betting platform provider, or both, shall resume compliance with the approved internal control procedures.

#### R 432.763c Failure to comply with requirements.

Rule 763c. If the board determines that the administrative or accounting procedures or written internal control procedures of the sports betting operator or internet sports betting platform provider, or both do not comply with the requirements of these rules or requires improvement, the board shall notify the sports betting operator or internet sports betting platform provider, or both, in writing. Within 15 days after receiving the notification, the sports betting operator or internet sports betting platform provider must amend its procedures and written internal control procedures accordingly and must submit, for board approval, a copy of the written internal control procedures, as amended, and a description of any other remedial measure taken.

#### R 432.764 Compliance with internal controls.

Rule 764. (1) Sports betting operators and internet sports betting platform providers must comply with all internal controls.

(2) If a sports betting operator or internet sports betting platform provider fails to comply with any provision of its internal controls, the board may initiate a disciplinary action.

#### R 432.765 Accounting records.

Rule 765. (1) A sports betting operator and internet sports betting platform provider must maintain complete, accurate, and legible records of all transactions related to their internet sports betting operations, including transactions pertaining to revenues, expenses, assets, liabilities, and equity in conformance with generally accepted accounting principles.

(2) The board may direct a sports betting operator and internet sports betting platform provider to alter the manner in which the records are maintained if the sports betting operator's and internet sports betting platform provider's records are not in accordance with generally accepted accounting principles or if the records are not in sufficient detail.

(3) The accounting records must be maintained using a double entry system of accounting with transactions recorded on the accrual basis and supported by detailed subsidiary records.

(4) The detailed subsidiary records must include, at a minimum, all of the following:

- (a) Detailed general ledger accounts identifying all revenue, expenses, assets, liabilities, and equity.
- (b) A record of all investments, advances, loans, and accounts receivable balances due the establishment.
- (c) A record of all loans and other accounts payable.

- (d) A record of all accounts receivable written off as uncollectible.
  - (e) Journal entries prepared.
  - (f) Tax work papers used in preparation of any state or federal tax return if applicable.
  - (g) Records supporting the accumulation of the costs for complimentary services and items. A complimentary service or item provided to individuals in the normal course of a sports betting business must be recorded in an amount based upon the full retail price normally charged for the service or item or as is otherwise consistent with generally accepted accounting principles.
  - (h) Records required by the internal control system.
  - (i) Other records that the board requires to be maintained.
- (5) The sports betting operator and internet sports betting platform provider must maintain all records supporting the adjusted gross sports betting receipts.
- (6) If a sports betting operator or internet sports betting platform provider, or both, fails to maintain the records used by it to calculate the adjusted gross sports betting receipts, the board may compute and determine the amount upon the basis of an audit conducted by the board using available information.

**R 432.765a Annual audits and annual compliance reports.**

Rule 765a. (1) All of the following provisions apply to annual and special audits and other reports:

- (a) The board requires an annual audit of the financial condition of the sports betting operator's and internet sports betting platform provider's total internet sports betting operations. For a sports betting operator licensed as a casino under the Michigan Gaming Control and Revenue Act, the audit prepared pursuant to section 14 of the Michigan Gaming Control and Revenue Act, 1996 IL 1, MCL 432.214, satisfies this requirement. An independent certified public accountant must perform the annual audit.
  - (b) The annual audit must be performed and presented in accordance with generally accepted accounting principles and contain the opinion of the independent certified public accountant as to its fair preparation and presentation in accordance with generally accepted accounting principles.
  - (c) To assure the integrity of internet sports betting and compliance with the act and these rules, the board may require a special audit of a sports betting operator or an internet sports betting platform provider, or both, to be conducted by board personnel or an independent certified public accountant. The board shall establish the scope, procedures, and reporting requirements of a special audit. For a sports betting operator who is an Indian tribe, the scope of the special audit must be limited to the sports betting operator's internet sports betting operations.
- (2) The board shall require annual compliance reports to be prepared by the sports betting operator or the internet sports betting platform provider, or both, and submitted in a manner and form prescribed by the board. The annual compliance report must address all of the following areas:
- (a) Compliance with procedures to ascertain that adjusted gross sports betting receipts are determined and state and local taxes or payments are paid, in conformity with the act and these rules.

(b) Compliance with applicable ordinances and agreements with other governmental authorities.

(c) Compliance with internal control procedures, accounting procedures, credit procedures, dispute procedures, and board-imposed security and safety requirements.

(d) A material deviation from the internal control procedures, accounting procedures, credit and dispute procedures, and board-imposed security and safety requirements.

(e) Corrective action taken to resolve deficiencies observed in subdivisions (a) to (d) of this subrule.

(f) Other matters required by the board to measure compliance with the act and these rules.

(3) The board shall determine the date of filing and the number of copies of audits or reports required under this rule. The audits or reports must be received by the board or postmarked no later than the required filing date.

(4) The reporting year-end of the sports betting operator and internet sports betting platform provider is December 31 unless otherwise approved by the board.

#### R 432.765b Board access to platform data.

Rule 765b. The sports betting operator or internet sports betting platform provider must provide access to internet sports betting platform related data as considered necessary by the board and in a manner approved by the board.

#### R 432.766 Records retention.

Rule 766. (1) Each sports betting operator or sports betting supplier must maintain, in a place secure from theft, loss, or destruction, adequate records of its business and accounting operations. A sports betting operator or sports betting supplier must make the records available to the board, upon request, within a time provided for by the board. A sports betting operator or sports betting supplier must hold the records for not less than 5 years. The records must include, but not be limited to, all of the following:

(a) All correspondence with, or reports to, the board or any local, state, tribal, or federal governmental agency.

(b) All correspondence concerning the business of a sports betting operator or sports betting supplier.

(2) A sports betting operator or sports betting supplier must keep and maintain, in a manner and form required by the board, accurate, complete, and legible records of any books, records, or documents pertaining to, prepared in, or generated by, the sports betting operator or sports betting supplier, including but not limited to, all of the following:

(a) Forms.

(b) Reports.

(c) Accounting records.

(d) Ledgers.

(e) Subsidiary records.

(f) Computer generated data.

(g) Internal audit records.

(h) Correspondence.

(i) Personnel records.

- (3) A sports betting operator or sports betting supplier must organize and index all required records in a manner that enables the board to locate, inspect, review, and analyze the records with reasonable ease and efficiency.
- (4) For a sports betting operator that is an Indian tribe, records required to be maintained under this rule are limited to those records related to the sports betting operator's internet sports betting operations.

R 432.767 Taxes and payments.

Rule 767. (1) The internet sports betting platform must be able to generate reports supporting adjusted gross sports betting receipts, wagering liability, winnings, and any other reports considered necessary by the board or as required by the internal controls.

The reporting must be done on a form and in the manner prescribed by the board.

- (2) If the amount of adjusted gross sports betting receipts for a month is a negative figure, the sports betting operator shall not remit a sports betting tax or payment for that month. Any negative adjusted gross sports betting receipts must be carried over and calculated as a deduction on the tax form or payment form on the subsequent months until the negative figure has been brought to a zero balance.
- (3) A sports betting operator who fails to remit to the board the tax or payment imposed under the act is liable for payment of a fine, as determined by the board of up to 25% per month of the amounts ultimately found to be due, to be recovered by the board.

R 432.768 Write-offs/amounts returned/disputed credit or debit charges.

Rule 768. (1) A sports betting operator shall not receive a deduction from gross sports betting receipts unless written approval is granted by the board for the following:

- (a) Amounts returned to an authorized participant because of a game, platform, or system malfunction or because the internet sports betting wager must be voided because of concerns regarding integrity of the wager or game that were previously included in the computation of gross sports betting receipts.
- (b) Uncollectible markers or successfully disputed credit or debit card charges that were previously included in the computation of gross sports betting receipts. Discretionary write-offs by the sports betting operator do not constitute an uncollectible marker.
- (2) A sports betting operator must submit for board review and approval a written request, including all supporting documentation, of the deductions it would like to take against gross sports betting receipts.

## PART 7. RESPONSIBLE GAMING; PROHBITED PERSON

R 432.771 Establishment and maintenance of the responsible gaming database.

Rule 771. (1) The board shall establish a responsible gaming database that contains a list of individuals who are prohibited from establishing an internet sports betting account or participating in internet sports betting offered by a sports betting operator.

- (2) The executive director may place an individual's name in the responsible gaming database for any of the following reasons:

- (a) The individual has been convicted in any jurisdiction of a felony, a crime of moral turpitude, or a crime involving gaming.
  - (b) The individual has violated the act or another gaming-related law.
  - (c) The individual has performed an act or has a notorious or unsavory reputation such that the individual's participation in sports betting under the act would adversely affect public confidence and trust in sports betting.
  - (d) The individual's name is on a valid and current exclusion list maintained by this state or another jurisdiction in the United States.
  - (e) A court has ordered the placement of an individual's name in the responsible gaming database.
  - (f) The sports betting operator or internet sports betting platform provider has requested an individual's name be included in the responsible gaming database.
  - (g) Any other reason the executive director considers appropriate to protect the integrity of internet sports betting under the act and these rules.
- (3) A sports betting operator or internet sports betting platform provider may request an individual's name be included in the responsible gaming database. The request must be done in the manner and form prescribed by the executive director, but must at a minimum include all of the following:
- (a) The individual's name and other identifying information.
  - (b) The reason why the sports betting operator or internet sports betting platform provider believes the individual should be included.
  - (c) Any evidence that supports the request.
  - (d) Any other information requested by the executive director.
- (4) If the executive director places an individual in the responsible gaming database, it shall notify the individual. This notification must include the basis for the individual's placement in the responsible gaming database and explain that the individual is prohibited from establishing an internet sports betting account or participating in internet sports betting offered under the act and these rules.
- (5) An excluded person may request a hearing under these rules to contest placement in the responsible gaming database. It is the excluded person's responsibility to prove by clear and convincing evidence why he or she should not be in the responsible gaming database.
- (6) Involuntary placement in the responsible gaming database is permanent, unless removed by the executive director. The executive director shall only remove an excluded person from the responsible gaming database if the excluded person no longer satisfies the criteria for placement.

**R 432.772 Voluntary placement in the responsible gaming database.**

Rule 772. (1) An individual may have his or her name placed in the responsible gaming database for a period of 1 or 5 years by submitting a request in the manner and form prescribed by the executive director.

- (2) An individual seeking voluntary placement in the responsible gaming database must agree to release the state, the board and its employees and agents, the sports betting operator, the internet sports betting platform provider, and each of their respective officers, directors, employees and agents from any harm, monetary or otherwise, that



may arise as a consequence of placing his or her name in the responsible gaming database.

- (3) The executive director shall not include an individual in the responsible gaming database until the individual has provided all necessary information.
- (4) If a sports betting operator or internet sports betting platform provider prohibits a voluntarily-excluded person in the responsible gaming database from engaging in other forms of gaming authorized by law in this state or in another jurisdiction, that limitation shall only be for the 1 or 5 year placement chosen by the voluntarily-excluded person.

#### R 432.773 Distribution of the responsible gaming database.

Rule 773. (1) The executive director shall provide the sports betting operator and internet sports betting platform provider with information the executive director considers necessary to carry out the purposes of the act and these rules.

- (2) Sports betting operators and internet sports betting platform providers may only use the information as provided for in the internal controls and as is consistent with the act and these rules.
- (3) Use of information from the responsible gaming database for a purpose other than what is provided for in the act or these rules may result in disciplinary action by the board against the licensee or a civil fine. Nothing in this part is intended to preclude the disclosure of such information pursuant to subpoena or other legal process.

#### R 432.774 Self-exclusion list.

Rule 774. (1) Each sports betting operator and internet sports betting platform provider must establish and maintain a self-exclusion list as prescribed in the act, in these rules, by direction of the executive director, and in accordance with internal controls.

- (2) The self-exclusion list must be designed to safeguard the confidentiality of the information.
- (3) An individual may have his or her name added to the self-exclusion list maintained by the sports betting operator or internet sports betting platform provider if he or she agrees to release the state, the board and its employees and agents, the sports betting operator, the internet sports betting platform provider, and each of their respective officers, directors, employees and agents from any harm, monetary or otherwise, that may arise as a consequence of placing his or her name in the responsible gaming database or self-exclusion list.
- (4) Any individual requesting placement in the self-exclusion list must submit through his or her internet sports betting account or by another means authorized by the board, a completed request for self-exclusion.
- (5) A sports betting operator or internet sports betting platform provider may disclose the names of voluntarily-excluded persons on the self-exclusion list to a person licensed or registered by the board for the purpose of allowing the third-party to remove the names of such individuals from a targeted mailing or other advertising or promotion to be made on behalf of a sports betting operator or internet sports betting platform provider.
- (6) A licensed or registered third-party that obtains the self-exclusion list from a sports betting operator or internet sports betting platform provider is permitted to use the list solely to exclude names and other information from targeted mailings or other advertising

or promotion made on behalf of the sports betting operator or internet sports betting platform provider. The third-party to whom the information is disclosed shall not distribute or disclose the information to the public or any other person. Disclosure may result in disciplinary action or civil fine.

#### R 432.775 Prohibited persons.

Rule 775. (1) A sports betting operator and an internet sports betting platform provider must make reasonable efforts to prevent a prohibited person from establishing an internet sports betting account and not permit the prohibited person to place an internet sports betting wager. This subrule shall not be construed to prevent an individual from creating an internet sports betting account and depositing funds to such an account even if they are prohibited from placing certain wagers.

(2) If a sports betting operator or internet sports betting platform provider detects, or is notified of, an individual suspected of being a prohibited person who had engaged or is engaging in prohibited internet sports betting, the sports betting operator or internet sports betting platform provider, or both, must use reasonable measures to verify whether the individual is prohibited or not. If the sports betting operator or internet sports betting platform provider cannot establish by reasonable measures that the individual is prohibited, the individual is presumed to not be a prohibited person for the purposes of this rule.

(3) Upon verification of a prohibited status, the sports betting operator or internet sports betting platform provider, or both, must do both of the following:

- (a) Immediately prohibit access to the individual's internet sports betting account.
- (b) Seize from the individual any winnings or things of value obtained from engaging in internet sports betting.

(4) The internal controls of a sports betting operator or internet sports betting platform provider must contain procedures for processing any winnings or things of value confiscated or withheld from a prohibited person.

#### R 432.776 Duty of sports betting operator and internet sports betting platform provider.

Rule 776. (1) A sports betting operator and internet sports betting platform provider must make reasonable efforts to prohibit a prohibited person from establishing an internet sports betting account and from participating in internet sports betting offered under the act and these rules. This subrule shall not be construed to prevent an individual from creating an internet sports betting account and depositing funds to such an account even if they are prohibited from placing certain wagers.

(2) If a sports betting operator or internet sports betting platform provider becomes aware that a prohibited person has established an internet sports betting account or has participated in internet sports betting, the sports betting operator or internet sports betting platform provider must provide written notice to the executive director. Any wager made by a prohibited person must be cancelled and the internet sports betting account used to place the wager must be suspended or closed.