

MARYLAND REGISTER

Proposed Action on Regulations

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| Transmittal Sheet PROPOSED OR REPROPOSED Actions on Regulations | Date Filed with AELR Committee | TO BE COMPLETED BY DSD |
| | 07/14/2016 | Date Filed with Division of State Documents |
| | | Document Number |
| | | Date of Publication in MD Register |
| | | |

1. Desired date of publication in Maryland Register: 8/19/2016

2. COMAR Codification

Title Subtitle Chapter Regulation

03 11 01 Fantasy Sports Competition Regulations

3. Name of Promulgating Authority

Comptroller of Maryland

4. Name of Regulations Coordinator

Anne S Klase

Telephone Number

410-260-4055

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80 Calvert St.

City State Zip Code
Annapolis MD 21401

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aklase@comp.state.md.us

5. Name of Person to Call About this Document

Anne Klase

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410-260-4055

Email Address

aklase@comp.state.md.us

6. Check applicable items:

- New Regulations

Amendments to Existing Regulations

 Date when existing text was downloaded from COMAR online: .

Repeal of Existing Regulations

Recodification

Incorporation by Reference of Documents Requiring DSD Approval

Reproposal of Substantively Different Text:

: Md. R

(vol.) (issue) (page nos) (date)

Under Maryland Register docket no.: --P.

7. Is there emergency text which is identical to this proposal:

Yes - No

8. Incorporation by Reference

Check if applicable: Incorporation by Reference (IBR) approval form(s) attached and 18 copies of documents proposed for incorporation submitted to DSD. (Submit 18 paper copies of IBR document to DSD and one copy to AELR.)

9. Public Body - Open Meeting

OPTIONAL - If promulgating authority is a public body, check to include a sentence in the Notice of Proposed Action that proposed action was considered at an open meeting held pursuant to General Provisions Article, §3-302(c), Annotated Code of Maryland.

OPTIONAL - If promulgating authority is a public body, check to include a paragraph that final action will be considered at an open meeting.

10. Children's Environmental Health and Protection

Check if the system should send a copy of the proposal to the Children's Environmental Health and Protection Advisory Council.

11. Certificate of Authorized Officer

I certify that the attached document is in compliance with the Administrative Procedure Act. I also certify that the attached text has been approved for legality by Brian Oliner, General Counsel, (telephone #410-260-7808) on July 14, 2016. A written copy of the approval is on file at this agency.

Name of Authorized Officer

Brian Oliner

Title

Counsel

Telephone No.

410-260-7808

Date

July 14, 2016

Title 03
COMPTROLLER OF THE TREASURY
Subtitle 11 ONLINE FANTASY COMPETITIONS

03.11.01 General Provisions

Authority: Criminal Law Article, §12-114, Annotated Code of Maryland

Notice of Proposed Action

□

The Comptroller of the Treasury proposes to adopt regulation .01 under COMAR 03.11.01 Fantasy Sports Competition Regulations

Statement of Purpose

The purpose of this action is to ensure fantasy sports competitions, as defined in the proposed regulations, are conducted in Maryland on a fair and level playing field, and to provide for the disclosure of information regarding players' tax obligations.

Comparison to Federal Standards

There is no corresponding federal standard to this proposed action.

Estimate of Economic Impact

I. Summary of Economic Impact.

These regulations are in response to the passage of Chapter 346 during the 2012 Session of the Maryland General Assembly. This legislation exempted "Fantasy Competition" from the State's prohibition against betting, wagering, and gambling.

These regulations provide guidance and regulatory requirements for operators and players. They define the terms: Agency, Beginner Player, Entry Fee, Fantasy Competition, Fantasy Sports Competition, Fantasy Sports Competition Platform, Fantasy Sports Contractor, Fantasy Sports Operator, Fantasy Sports Player, Highly-Experienced Player, Immediate Family, Minor, Player Funds, Prize, Script, and Segregated Account. Most of the terms defined are used in the legislation to prevent potential abuse in the operation of, or participation in, the competitions. These provisions likely would have little to no impact on State finances.

The regulations would allow individuals to self-exclude from entering a competition and would limit monthly deposits by a single player to \$1000 unless an operator has temporarily or permanently increased a player's limit after establishing that the player can afford losses at that higher limit. The regulations would also prohibit the extension of credit and prohibit competitions based on amateur sports. While these provisions could dampen the amount played, they are expected to have only minor impacts, particularly since the average spent by players over the age of 18 in 2005 was \$468 annually

(according to the Fantasy Sports Trade Association).

The regulations would require operators to disclose potential tax liabilities to players when entering a competition and also at the time of award of any prize in excess of \$600. As the Fantasy Sports Trade Association also reported that the average prize per entry win is just \$22.43, any additional income tax (State and/or local) revenue received from previously unreported winnings is likely to be insignificant.

The number of operators in the State is expected to be minimal (two websites control 95% of the Daily Fantasy Sports market), therefore, the Comptroller's Office could administer the provisions set forth in these regulations with existing resources.

| II. Types of Economic Impact. | Revenue (R+/R-) | Magnitude |
|---|-------------------------|------------------|
| | Expenditure (E+/E-) | |
| A. On issuing agency: | (R+) | Possible minimal |
| B. On other State agencies: | NONE | |
| C. On local governments: | (R+) | Possible minimal |
| | Benefit (+) Cost (-) | Magnitude |
| D. On regulated industries or trade groups: | NONE | |
| E. On other industries or trade groups: | NONE | |
| F. Direct and indirect effects on public: | (-) | Possible minimal |

III. Assumptions. (Identified by Impact Letter and Number from Section II.)

A. The regulations would require operators to disclose potential tax liabilities to players when entering a competition and also at the time of award of any prize in excess of \$600. As the Fantasy Sports Trade Association reported that the average prize per entry win is just \$22.43, any additional income tax (State and/or local) revenue received from previously unreported winnings is likely to be insignificant.

C. The regulations would require operators to disclose potential tax liabilities to players when entering a competition and also at the time of award of any prize in excess of \$600. As the Fantasy Sports Trade Association reported that the average prize per entry win is just \$22.43, any additional income tax (State and/or local) revenue received from previously unreported winnings is likely to be insignificant.

F. The regulations would allow individuals to self-exclude from entering a competition and would limit monthly deposits by a single player to \$1000 unless an operator has temporarily or permanently increased a player's limit after establishing that the player can afford losses at that higher limit. The regulations would also prohibit the extension

of credit and prohibit competitions based on amateur sports. While these provisions could dampen the amount played, they are expected to have only minor impacts, particularly since the average spent by players over the age of 18 in 2005 was \$468 annually (according to the Fantasy Sports Trade Association).

Economic Impact on Small Businesses

The proposed action has minimal or no economic impact on small businesses.

Impact on Individuals with Disabilities

The proposed action has no impact on individuals with disabilities.

Opportunity for Public Comment

Comments may be sent to Anne Klase, Director of Legislative Affairs, Office of the Comptroller, 80 Calvert Street Annapolis, MD 21404, or call 410-260-4055, or email to aklase@comp.state.md.us, or fax to . Comments will be accepted through September 19, 2016. A public hearing has not been scheduled.

Economic Impact Statement Part C

A. Fiscal Year in which regulations will become effective: FY 2017

B. Does the budget for the fiscal year in which regulations become effective contain funds to implement the regulations?

No

C. If 'yes', state whether general, special (exact name), or federal funds will be used:

D. If 'no', identify the source(s) of funds necessary for implementation of these regulations:

The Comptroller's Office will administer the provisions set forth in these regulations with existing resources.

E. If these regulations have no economic impact under Part A, indicate reason briefly:

F. If these regulations have minimal or no economic impact on small businesses under Part B, indicate the reason and attach small business worksheet.

See response to small business worksheet.

G. Small Business Worksheet:

1a. Intended Beneficiaries. Who are the intended beneficiaries of the proposed regulation? Are these intended beneficiaries primarily households or businesses?

The intended beneficiaries are primarily households.

1b. Intended Beneficiaries: Households. If households are the primary intended beneficiaries, will the proposal affect their income or purchasing power such that the volume or patterns of their consumer spending will change? If so, what directions of change would you anticipate? Will these expected spending changes have a disproportionate impact on small businesses? Can you descriptively identify the industries or types of business activities that are impacted?

Individuals who participate in Fantasy Sports Competition will benefit from the protections afforded by the provisions in the regulations including: preventing potential abuse by operators through restrictions on the types of individuals who may participate; requiring registration of operators and requiring annual audits by a CPA; securing player funds; helping to prevent individuals from overextending themselves by limiting monthly deposits and prohibiting extensions of credit; and requiring operators to notify players and winners with notice of potential tax liabilities of which they might otherwise not have been aware.

1c. Intended Beneficiaries: Businesses. If businesses are the intended beneficiaries, identify the businesses by industry or by types of business activities. How will businesses be impacted? Are these Maryland establishments disproportionately small businesses? If so, how will these Maryland small businesses be affected? Can you identify or estimate the present number of small businesses affected? Can you estimate the present total payroll or total employment of small businesses affected?

N/A.

2a. Other Direct or Indirect Impacts: Adverse. Businesses may not be the intended beneficiaries of the proposal. Instead, the proposal may direct or otherwise cause businesses to incur additional expenses of doing business in Maryland. Does this proposal require Maryland businesses to respond in such a fashion that they will incur additional work-time costs or monetary costs in order to comply? Describe how Maryland establishments may be adversely affected. Will Maryland small businesses bear a disproportionate financial burden or suffer consequences that affect their ability to compete? Can you estimate the possible number of Maryland small businesses adversely affected? (Note that small business compliance costs in the area of regulation are the sum of out-of-pocket (cash) costs plus time costs — usually expressed as payroll, akin to calculations for legislative fiscal notes. Precise compliance costs may be difficult to estimate, but the general nature of procedures that businesses must accomplish to comply can be described.)

Operators that are small businesses would be negatively impacted through any additional expenditures made to a certified public accountant to conduct the required annual audit. As there is expected to be a very small number of operators in the State (currently 95% of the activity is conducted by just two operators), this impact is expected to be small. However, the impact on a single operator is unknown as it depends on the amount spent by a single operator, if any. Also, any operators that are small businesses would be adversely impacted by additional work-time costs to register annually with the

Comptroller and to send the Comptroller a copy of the CPA's audit report each year; this additional time is expected to be minimal.

2b. Other Direct or Indirect Impacts: Positive. Maryland businesses may positively benefit by means other than or in addition to changed consumer spending patterns. How may Maryland businesses be positively impacted by this initiative? Will Maryland small businesses share proportionately or disproportionately in these gains? Can you estimate the possible number of Maryland small businesses positively affected?

CPA firms that are small businesses could be positively impacted through new business to the extent that they are contracted to perform the annual operator audits required under these regulations. This impact is also expected to be minimal.

3. Long-Term Impacts. There are instances where the longer run economic impact effect from regulations differ significantly from immediate impact. For example, regulations may impose immediate burdens on Maryland small businesses to comply, but the overall restructuring of the industry as a consequence of monitoring and compliance may provide offsetting benefits to the affected small businesses in subsequent years. Can you identify any long run economic impact effects on Maryland small businesses that over time (a) may compound or further aggravate the initial economic impact described above, or (b) may mitigate or offset the initial economic impact described above?

The requirements are ongoing. There are no additional long-term impacts.

4. Estimates of Economic Impact. State Government Article, §2-1505.2 requires that an agency include estimates, as appropriate, directly relating to: (1) cost of providing goods and services; (2) effect on the work force; (3) effect on the cost of housing; (4) efficiency in production and marketing; (5) capital investment, taxation, competition, and economic development; and (6) consumer choice.

(1) There is no anticipated effect on the cost of providing goods and services; (2) There is no anticipated effect on the work force; (3) There is no effect on the cost of housing; (4) There is no effect on efficiency in production and marketing; (5) There is no anticipated capital investment, taxation, competition, and economic development; and (6) There is no anticipated effect on consumer choice.

Attached Document:

BRIAN E. FROSH
Attorney General

ELIZABETH F. HARRIS
Chief Deputy Attorney General

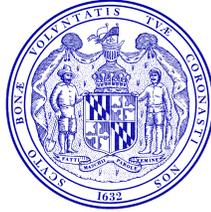
THIRUVENDRAN VIGNARAJAH
Deputy Attorney General

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410-260-7808

MEMORANDUM

TO: John Gontrum, Assistant Comptroller
Anne Klase, Director of Legislative Affairs

FROM: Brian L. Oliner, Counsel to the Comptroller

DATE: July 11, 2016

RE: Proposed Departmental Regulations B Online Fantasy Competitions

I have reviewed the proposed departmental regulations regarding Online Fantasy Competitions. These proposed regulations have been drafted pursuant to Criminal Law Article, (“CL”) §12-114(c), Annotated Code of Maryland, which states that the Comptroller may adopt regulations to carry out the provisions of CL §12-114. On January 15, 2016, in response to a request from the Honorable Thomas V. Mike Miller, Jr., the Office of the Attorney General advised that, although the legality of daily fantasy sports in Maryland is uncertain, CL § 12-114 likely cannot be read to authorize daily fantasy sports because it was not referred to a statewide referendum. Consequently, although the matter is not free from doubt, daily fantasy sports are more likely than not illegal under Maryland law. Traditional, season-long fantasy sports are legal, however, as might other forms of fantasy sports that do not constitute commercial gaming.

With that caveat, I have considered all other relevant constitutional provisions, federal and State statutes and court decisions, and I am satisfied that the attached draft is consistent with those provisions, statutes and decisions, and that the proposed regulations fall within the authority granted to the Comptroller by CL §12-114(c).

Title 03 COMPTROLLER OF THE TREASURY

Subtitle 11 ONLINE FANTASY COMPETITIONS

Chapter 01 FANTASY SPORTS COMPETITION REGULATIONS

Authority: Criminal Law Article, §12-114, Annotated Code of Maryland

.01 Definitions.

- A. In this chapter, the following terms have the meanings indicated.
- B. Terms Defined.
- (1) "Agency" means the Office of the Comptroller.
 - (2) "Beginner player" means any fantasy sports player who:
 - (a) Has entered fewer than 51 fantasy sports competitions offered by a single fantasy sports operator; and
 - (b) Does not meet the definition of highly experienced player.
 - (3) "Entry fee" means cash or cash equivalents that are required to be paid by a fantasy sports player to a fantasy sports operator in order to participate in a fantasy sports competition.
 - (4) "Fantasy competition" has the meaning stated in Criminal Law Article, §12-114 (a), Annotated Code of Maryland.
 - (5) "Fantasy sports competition" is a fantasy competition in which:
 - (a) A prize is awarded;
 - (b) One or more players are subject to and must pay an entry fee; and
 - (c) The fantasy sports operator offering the competition receives compensation in connection with the competition regardless of the outcome.
 - (6) "Fantasy sports competition platform" means any website, program, application, or other portal providing access to a fantasy sports competition.
 - (7) "Fantasy sports contractor" means any person or corporate entity who:
 - (a) Works under an independent contract with a fantasy sports operator; and
 - (b) Has regular access to:
 - (i) Nonpublic portions of a fantasy sports operator's office;
 - (ii) Information on a fantasy sports operator's computer network that is not publicly available; or
 - (iii) A fantasy sports operator's proprietary information that may affect gameplay.
 - (8) "Fantasy sports operator."
 - (a) "Fantasy sports operator" means any person that offers services in connection with fantasy sports competitions to individuals who include residents of Maryland by means of:
 - (i) The internet;
 - (ii) A smart phone application; or
 - (iii) Any other electronic, digital media or communication technology.
 - (b) "Fantasy sports operator" does not include an individual who:
 - (i) Organizes a fantasy sports competition in which the individual also participates;
 - (ii) Receives no compensation for organizing the fantasy sports competition; and
 - (iii) Is not affiliated with any fantasy sports operator as defined under paragraph (a) of this subsection.
 - (9) "Fantasy sports player" means an individual who participates in a fantasy sports competition offered by a fantasy sports operator.
 - (10) "Highly experienced player" means any fantasy sports player who has:
 - (a) Entered more than 1,000 fantasy sports competitions offered by a single Fantasy Sports operator; or
 - (b) Won more than three fantasy sports competition prizes valued at \$1,000 or more.
 - (11) "Immediate family" means a spouse, domestic partner, child or parent.
 - (12) "Minor" means any individual younger than 18 years old.
 - (13) "Player funds" means funds deposited by a fantasy sports player into an account to facilitate entry into fantasy sports competitions.
 - (14) "Prize" means anything of monetary value, including but not limited to:
 - (a) Money;
 - (b) Competition credits;
 - (c) Merchandise; or
 - (d) Admission to another competition in which a prize may be awarded.
 - (15) "Scripts" means commands that a computer program can execute to automate processes on a fantasy sports competition platform created by:
 - (a) A fantasy sports player; or
 - (b) A third party for use by a fantasy sports player.
 - (16) "Segregated account" means a financial account that segregates funds owned by a fantasy sport player from the operational funds of a fantasy sports operator.

.02 Prohibition on Fantasy Sports Competition Play by Minors.

- A. A minor is prohibited from participating in a fantasy sports competition.

B. No person may allow a minor to participate in a fantasy sports competition.

.03 Restrictions on Fantasy Sports Competition Play by Individuals Associated with Operators.

A. Except as provided in §B of this regulation,

(1) An employee, principal, officer, director or contractor of a fantasy sports operator, or a member of that individual's immediate family, is prohibited from participating in a fantasy sports competition offered by any fantasy sports operator.

(2) A person may not allow an employee, principal, officer, director or contractor of a fantasy sports operator, or a member of that individual's immediate family, to participate in a fantasy sports competition offered by any fantasy sports operator.

B. Exception. An individual associated with a fantasy sports operator may participate in a fantasy sports competition under the following conditions:

(1) The individual must use a clearly marked test account for testing purposes including evaluating a fantasy sports competition platform;

(2) The individual must fully disclose affiliation with a fantasy sports operator to each fantasy sports player in the fantasy sports competition; and

(3) The individual associated with a fantasy sports operator using a test account is not eligible to win a prize. If the individual associated with a fantasy sports operator using a test account wins a fantasy sports competition, the prize shall be awarded to the participant who would have won if the individual associated with a fantasy sports operator had not participated.

.04 Prohibition on Fantasy Sports Competition Play by Athletes and Others.

A. An athlete, sports agent, team employee, referee, or league official, or a member of that individual's immediate family, is prohibited from entering fantasy sports competitions based on underlying sporting events in which the individual is a participant.

B. An athlete, sports agent, team employee, referee, or league official, or a member of that individual's immediate family, may not enter fantasy sports competitions based on underlying sporting events in which the individual is a participant through another person as a proxy.

C. No person may allow an athlete, sports agent, team employee, referee, or league official, or a member of that individual's immediate family to enter a fantasy sports competition based on an underlying sporting event in which the individual is a participant or in which the individual is a participant through another person as a proxy.

.05 Self Exclusion.

A. An individual may request exclusion from entering a fantasy sports competition.

B. If an individual requests exclusion, a fantasy sports operator shall take reasonable measures to prevent that individual from entering a fantasy sports competition.

.06 Limits on Deposits.

A. Except as provided in §B of this regulation,

(1) A fantasy sports player is prohibited from depositing more than \$1,000 in a single calendar month with a fantasy sports operator.

(2) No person may allow a fantasy sports player to deposit more than \$1,000 in a single calendar month with a fantasy sports operator.

B. Exception. A fantasy sports player may request a fantasy sports operator to temporarily or permanently increase a deposit limit above \$1,000 per calendar month under the following conditions:

(1) The fantasy sports operator must have established and prominently published procedures for considering a request from a fantasy sports player to increase the deposit level. Procedures shall include evaluation of information, including evidence of income or assets, sufficient to confirm the financial ability of a fantasy sports player to afford losses which may result from fantasy sports competition play at the deposit level requested by the fantasy sports player;

(2) When a temporary or permanent deposit level increase is approved, the fantasy sports player must undergo an annual evaluation by the fantasy sports operator of information sufficient to confirm the continued financial ability of a fantasy sports player to afford losses which may result from fantasy sports competition play at the increased deposit level; and

(3) It is at the discretion of a fantasy sports player to provide income or asset information to a fantasy sports operator.

.07 Prohibition on Extensions of Credit.

A. A fantasy sports player is prohibited from being extended credit from a fantasy sports operator for purposes of participating in a fantasy sports competition.

B. No fantasy sports operator may extend credit to a fantasy sports player for purposes of participating in a fantasy sports competition.

.08 Prohibition on Fantasy Sports Competitions Based on Amateur Sports.

A. A fantasy sports player may not participate in a fantasy sports competition that includes:

- (1) Amateur;
- (2) College;
- (3) High school; or
- (4) Student sporting events.

B. No person may allow a fantasy sports player to participate in a fantasy sports competition that includes:

- (1) Amateur;
- (2) College;
- (3) High school; or
- (4) Student sporting events.

.09 Ensuring Skill Based Outcomes in Fantasy Sports Competitions.

A. Fantasy Sports Scripts.

(1) A fantasy sports player may not participate, and no person may allow participation, in fantasy sports competition provided by a fantasy sports operator that permits the use of unauthorized scripts on a fantasy sports competition platform or does not use commercially reasonable efforts to monitor for and prevent use of such scripts.

(2) A fantasy sports player may not participate, and no person may allow participation, in a fantasy sports competition if the fantasy sports operator does not prohibit an individual or corporation from using unauthorized scripts in a fantasy sports competition by:

- (a) Terminating such individual or corporate account; and
- (b) Banning that individual or corporation from further play.

(3) A fantasy sports player may not participate, and no person may allow participation, in a fantasy sports competition provided by a fantasy sports operator that does not prohibit scripts that provide a fantasy sports player with a competitive advantage over another fantasy sports player. For the purpose of §A of this regulation, scripts will be treated as offering a competitive advantage if potential uses include:

- (a) Facilitating changes in many line ups at one time;
- (b) Facilitating use of commercial products designed and distributed by third parties to identify advantageous game strategies; or
- (c) Gathering information about the performance of others for the purpose of identifying or entering competitions against fantasy sports players who are less likely to be successful.

(4) Authorized scripts shall either be incorporated as a game feature or be prominently published and thereby made available to all fantasy sports players.

B. Beginner Games and Identification of Highly Experienced Players.

(1) Fantasy sports players may only participate, and persons may only allow participation, in fantasy sports competitions that are provided by fantasy sports operators that offer some fantasy sports competitions that are limited to beginner players and exclude highly experienced players.

(2) Fantasy sports players may only participate, and persons may only allow participation, in fantasy sports competitions that are provided by a fantasy sports operator that clearly and conspicuously identifies a highly experienced player in a fantasy sports competition by attaching a symbol to the username of a highly experienced player, or by other easily visible means, on a fantasy sports competition platform.

C. Fantasy Sports Competition Entries.

(1) A fantasy sports player may only participate, and persons may only allow participation, in fantasy sports competitions that are provided by a fantasy sports operator that discloses the number of entries a fantasy sports player may submit to each fantasy sports competition.

(2) A fantasy sports player is prohibited from using, and no person may allow a fantasy sports player to use, a fantasy sports operator that does not take reasonable steps to prevent fantasy sports players from submitting more than the allowable number of entries.

D. Limit on Number of Accounts.

(1) A fantasy sports player may not establish, or be permitted to establish, more than one username with a fantasy sports operator.

(2) A fantasy sports player may not establish, or be permitted to establish, more than one account with a fantasy sports operator.

.10 Financial Account Protections.

A. A fantasy sports player may not be permitted to participate in a fantasy sports competition provided by a fantasy sports operator unless the fantasy sports operator creates segregated accounts separating player funds from operational funds and maintains a reserve in the form of cash, cash equivalents, an irrevocable letter of credit, a bond, or a combination thereof in an amount sufficient to pay all prizes offered to winning fantasy sports players.

B. A fantasy sports player may not be permitted to participate in a fantasy sports competition provided by a fantasy sports operator unless the fantasy sports operator complies with all applicable state and federal requirements for data security.

.11 Notification.

A. A fantasy sports player may not be permitted to participate in a fantasy sports competition unless the fantasy sports operator offering services in connection with a fantasy sports competition in Maryland has notified the agency prior to offering any fantasy sports competition that the fantasy sports operator is qualified to do business in the State;

B. The notification to the Agency shall include:

(1) The name and principal address of the fantasy sports operator; if a corporation, the state of incorporation and the full name and address of each officer, director, trustee and principal salaried executive staff officer; if a foreign corporation, evidence of qualification to conduct business in the State; if a partnership or joint venture, the name and address of each officer;

(2) The name and address of the fantasy sports operator's resident agent in the State; and

(3) The place where and the date when the fantasy sports operator was legally established and the form of its organization.

C. Information provided by the fantasy sports operator shall be available for public review.

D. In the event that information provided by the fantasy sports operator is no longer accurate due to a change in circumstances, a fantasy sports operator shall provide the agency with the corrected information within 10 business days.

.12 Financial Auditing.

A. A fantasy sports player may not be permitted to participate in a fantasy sports competition provided by a fantasy sports operator unless the fantasy sports operator contracts annually with a Certified Public Accountant to perform a financial audit that:

(1) Complies with generally accepted accounting principles; and

(2) Is submitted to the agency.

B. The financial audit does not preclude any State or federal agency from conducting an audit of a fantasy sports operator.

C. The same Certified Public Accountant may not perform more than two consecutive financial audits for a fantasy sports operator.

.13 Tax Laws and Disclosures.

A. A fantasy sports operator shall comply with all applicable tax laws and regulations.

B. A fantasy sports operator shall disclose potential tax liabilities to fantasy sports players before the fantasy sports competition begins and again at the time of award of any prize in excess of \$600.

.14 Advertising.

A. Fantasy sports operator advertisements may not depict:

(1) Minors, except professional athletes who may be minors;

(2) Students;

(3) Schools or colleges; or

(4) School or college settings.

B. Incidental depiction of nonfeatured minors will not be a violation of §A of this regulation.