

- (6) provide a detailed description and certification of systems and procedures used to validate the identity, age, and jurisdiction of legal residence of account holders and to validate the legality of wagers accepted
- (7) include certification of prompt commission access to all records relating to customer identify, age, and residency in hard copy or standard electronic format acceptable to the commission,
- (8) certify prompt commission access to customer account detail in hard copy or an electronic format acceptable to the commission for
 - (a) persons who place wagers on races conducted in this jurisdiction, customers are identified as legal residents of this jurisdiction, who place wagers on races ran in this jurisdiction and races available for wagering by persons in this jurisdiction,
 - (b) persons the commission has reason to investigate based on possible placing of wagers for persons other than the account holder ,based on wagers placed that may be related to the investigation of any race or wagering pattern, or relevant to any other investigation as may be determined by the commission.
- (9) include certification of secure retention of all records related to wagering and customers' accounts for a period of not less than three years or such longer period specified by the commission,
- (10) include, as an attachment, a certified copy of rules governing the acceptance and management of accounts, and provide a certified copy of any changes in such rules at least thirty days prior to the effective date.

Adopted Version 4.1 ARCI 4/26/07 topic was ARCI-004-015

ARCI-004-050 Historical Horse Racing

A. General - Pari-Mutuel System of Wagering Required for Historical Horse Racing

- (1) The only wagering permitted for historical horse racing shall be under the pari-mutuel system of wagering. All systems of wagering other than pari-mutuel shall be prohibited for historical horse racing. Any person participating or attempting to participate in prohibited wagering shall be ejected and excluded from association grounds.

B. Definitions

- (1) The following words and terms shall have the following meanings when used in this chapter, unless the context clearly indicates otherwise:
 - i. *Applicant*—a duly licensed entity who has submitted an application to obtain a license to offer pari-mutuel wagering on historical horse racing from the commission.
 - ii. *Commission*—any applicable State Racing or Gaming Commission.
 - iii. *Historical Horse Race*—a form of horse racing that creates pari-mutuel pools from wagers placed on previously conducted horse races and is hosted at an authorized facility, including:
 1. Any horse race whether running or harness, that was previously conducted at a licensed pari-mutuel facility;
 2. Concluded with official results; and

3. Concluded without scratches, disqualifications, or dead-heat finishes.
- iv. *Historical Horse Racing*—an electronic wagering system used to create and sell pari-mutuel pools from wagers placed on historic horse races, or that otherwise offer pari-mutuel wagers on such races.
- v. *Independent Testing Laboratory*—a laboratory with a national reputation for honesty, independence, and timeliness that is demonstrably competent and qualified to scientifically test and evaluate devices for compliance with this chapter and to otherwise perform the functions assigned to it by this chapter. An independent testing laboratory shall not be owned or controlled by a licensee, the state, or any manufacturer, supplier, or operator of historical horse racing terminals.
- vi. *Integrity Auditor*—a company that conducts periodic and regular tests on the validity of pari-mutuel wagering, deductions, and payouts for the applicable historical horse racing event, including the legitimacy of the event itself, and tests that the order of finish of the race selected in the wager is valid, match to the order of finish that occurred empirically, and that all runners that were listed as entered into the race for the purposes of the wager, legitimately ran in the race.
- vii. *Key Person License*—a license issued to a key person of an operator licensed by the commission.
- viii. *Key Person*—any of the following entities or individuals:
 1. an officer, director, trustee, partner, or proprietor of a duly licensed association and/or person that has applied for or holds an operator, management company, or wagering vendor license or an affiliate or holding company that has control of a person that has applied for or holds any such license;
 2. a person that holds a combined direct, indirect, or attributed debt or equity interest of more than 5 percent in a person that has applied for or holds an operator, management company, or wagering vendor license;
 3. a person that holds a combined direct, indirect, or attributed equity interest of more than 5 percent in a person that has a controlling interest in a person that has applied for or holds an operator, management company, or wagering vendor license.
 4. a managerial employee of a person that has applied for or holds an operator, management company, or wagering vendor license in this state, or a managerial employee of an affiliate or holding company that has control of a person that has applied for or holds an operator, management company, or wagering vendor license in this state, who performs the function of principal executive officer, principal operating officer, principal accounting officer, or an equivalent officer;
 5. a managerial employee of a person that has applied for or holds an operator, management company, or wagering vendor license, or a managerial employee of an affiliate or holding company that has control of a person that has applied for or holds an operator, management

- company, or wagering vendor license, who will perform or performs the function of historical horse racing operations manager, or will exercise or exercises management, supervisory, or policy-making authority over the proposed or existing historical horse racing wagering operation, or supplier business operations in this state and who is not otherwise subject to occupational licensing in this state;
6. any individual or business entity so designated by the commission or executive director; and
 7. an institutional investor is not a key person unless the institution has a controlling interest or fails to meet the standards for waiver of eligibility and suitability requirements for qualification and licensure under the applicable regulation or statute.
- ix. *Licensee*—any entity holding an owner's or operator's license under any applicable regulation or statute, and/or offtrack wagering facility, or who is granted a license by the commission under this chapter to conduct pari-mutuel wagering on historical horse racing.
 - x. *Logic Area*—unless housed in a secure server approved by the Commission, a separately locked cabinet area with its own monitored, locked door or other monitored, locked covering that houses electronic components that have the potential to significantly influence the operation of the terminal.
 - xi. *Management Company*—an organization retained by an association or entity to manage the conduct of historical horse racing and provide services such as accounting, general administration, maintenance, recruitment, and other operational services.
 - xii. *Operator*—a person or entity licensed pursuant to applicable regulation or statute to operate historical horse racing terminals in a location approved by the commission.
 - xiii. *Takeout*—the amount a historical horse racing licensee is authorized to withhold from a pari-mutuel wager. Takeout is also known as a commission.
 - xiv. *Terminal*—any self-service totalizator machine or other mechanical or electronic equipment used by a patron to place a pari-mutuel wager on a historical horse race, including hardware, software, communications equipment, and electronic devices that accept and process the cashing of wagers, calculates the odds or payouts of the wagers, and records, displays, and stores pari-mutuel wagering information.
 - xv. *Wagering Facility*—the area approved by the commission where historical horing racing is allowed to be operated.
 - xvi. *Wagering Vendor*—a person who is licensed by the commission to manufacture, fabricate, assemble, produce, program, refurbish, or make modifications to any critical component of a historical horse racing system, or associated program storage device for sale, lease, distribution, use or play by an operator in the applicable State, or any supplier of goods or services the commission deems critical to the operation or integrity of a historical horse racing system.

C. General Provisions

- (1) The commission may waive or grant a variance from the provisions of these regulations, if the commission determines that the waiver or variance is in the best interests of the public, is impractical, or overly burdensome. Any waiver or variance granted pursuant to this section constitutes an order of the commission pertaining to historical horse racing, violation of which subjects a licensee to discipline.
- (2) In granting any variance authorized by this section, the commission may impose certain conditions and restrictions with which the licensee must comply to accept and use the variance. Failure to meet the conditions or restrictions contained in the variance will immediately render the variance void, and the licensee may be subject to discipline in the same manner as if the variance had never been issued.

D. Records Retention

- (1) All operator, management company, or wagering vendor licensees shall maintain, in a place secure from theft, loss, or destruction, adequate records of its business and accounting operations. The licensees shall make the records available to the commission or its agents, upon request, within a reasonable time prescribed by a subpoena duces tecum or by written request of the commission or its agents. The licensees shall hold the records for not less than two years. The records shall include, but not be limited to, all of the following:
 - i. all correspondence with, or reports to, the commission or any local, state, or federal governmental agency regarding the operation of an historical horse racing facility;
 - ii. all correspondence concerning the acquisition, construction, maintenance, or business of a proposed or existing historical horse racing or support facility;
 - iii. a personnel file on each employee;
 - iv. notwithstanding Subsection A of this Section, a licensed operator shall hold copies of all promotional and advertising material, records, or complimentary distributions for at least one year, unless otherwise requested by the commission;
 - v. an operator licensee shall keep and maintain accurate, complete, legible, and permanent records of any books, records, or documents pertaining to, prepared in, or generated by, the historical horse racing wagering operation, as described in its internal controls, as approved by the commission; and
 - vi. an operator shall organize, and index all required records in a manner that enables the commission to locate, inspect, review, and analyze the records with reasonable ease and efficiency.

E. Duties of the Commission

- (1) The commission shall enact such policies and procedures to implement the following responsibilities:
 - i. license and regulate operators for the operation of historical horse racing wagering systems authorized pursuant to any applicable regulation or statute, including adopting, promulgating, and enforcing rules and regulations

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- governing historical horse racing wagering consistent with any applicable statute(s);
- ii. regulate the operation of historical horse racing wagering in order to prevent and eliminate corrupt practices and fraudulent behavior, and thereby promote integrity, security, and honest administration in, and accurate accounting of, the operation of historical horse racing wagering operations which are subject to any applicable statute(s);
 - iii. establish criteria to license applicants for operator licenses and all other types of licenses for other positions and functions incident to the operation of historical horse racing wagering, including adopting, promulgating, and enforcing rules, regulations, and eligibility standards, or waiving such criteria in limited circumstances as provided for in the applicable regulations or statute, for such operator licenses, management company licenses, vendor licenses, key person licenses and other occupational licenses, positions, and functions incident to the operation of historical horse racing wagering;
 - iv. charge fees for applications for licenses, to include the cost of conducting background investigations, and for the issuance of operator licenses, management company licenses, vendor licenses, key person licenses and other occupational licenses and all other types of licenses to successful applicants which will be payable to the commission;
 - v. charge fees to operators in an amount necessary to compensate the commission for the cost of oversight and regulatory services to be provided, which will be payable to the commission;
 - vi. grant, deny, revoke, and suspend operator licenses and all other types of licenses based upon reasonable criteria and procedures established by the commission to facilitate the integrity, productivity, and lawful conduct of historical horse racing within the applicable jurisdiction;
 - vii. to investigate the suitability of applicants for operator licenses and all other types of licenses;
 - viii. determine the priority and eligibility of any applicant for a license and to select among competing applicants for a license, the applicant who or which best serves the interests of the residents of the applicable State;
 - ix. to administer oaths and affirmations to the witnesses, when, in the opinion of the commission, it is necessary to enforce the provisions of any applicable regulation or statute;
 - x. to adopt technical standards governing the design, operation and control of historical horse racing equipment;
 - xi. the operation of any operator conducting historical horse racing wagering for the purpose of certifying the revenue thereof and receiving complaints from the public;
 - xii. to approve the hours of operation for each historical horse racing facility. Change to such hours of operation may be made by the operator for extenuating circumstances with notice to the commission stating the reasons for the change;
 - xiii. to audit or cause audit of historical horse racing wagering operations, including those that have ceased operation;

- xiv. issue subpoenas for the attendance of witnesses or the production of any records, books, memoranda, documents, papers, videos, pictures, electronic media, or other things at or prior to any hearing as is necessary to enable the commission to effectively discharge its duties;
- xv. executive director oaths or affirmations as necessary to carry out the provisions of any applicable regulation or statute(s);
- xvi. have the authority to impose, subject to judicial review, administrative fines as defined by any applicable regulation or statute(s);
- xvii. to receive and investigate complaints from patrons concerning the conduct of historical horse racing;
- xviii. inspect, test and approve historical horse racing systems and related equipment proposed for use or placed in use in historical horse racing facilities;
- xix. to approve locations for the storage and servicing of historical horse racing systems and related equipment;
- xx. to require that a historical horse racing facility make devices and equipment available for examination and inspection;
- xxi. establish procedures for the governance of the commission;
- xxii. acquire necessary offices, and to employ the services of persons the commission considers necessary for the purposes of consultation or investigation, and fix the salaries of, or contract for the services of, legal, accounting, technical, operational, and other personnel and consultants;
- xxiii. to secure, by agreement, information and services as the commission considers necessary from any other unit of government;
- xxiv. maintain the excluded persons database in accordance with the provisions of any applicable regulation or statute(s);
- xxv. establish and enforce minimum internal controls for the operation of historical horse racing wagering and by which each operator will develop their own internal controls;
- xxvi. establish procedures for an applicant for a staff position to disclose conflicts of interest as part of the application for employment;
- xxvii. to determine any facts or any conditions, practices, or other matters as the commission considers necessary or proper to aid in the enforcement of any applicable regulation or statute(s); and
- xxviii. do all things necessary and proper to carry out its powers and duties under any applicable statute(s), including the adoption and promulgation of rules and regulations.

F. Wagering on Historical Horse Races Authorized

- (1) Wagering on historical horse races is hereby authorized and may be conducted in accordance with any applicable statute(s).
- (2) Wagering on historical horse races shall only be conducted by associations licensed to operate a pari-mutuel facility, pursuant to applicable statute(s) and/or by offtrack wagering facilities, pursuant to applicable statutes(s).

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- (3) The commission may create classifications of licenses and establish a fee structure for license categories. Applicants for each category of license must apply on forms approved by the commission to be accompanied by the corresponding license application fee. All application fees are non-refundable.
 - i. The following license fees have been approved by the commission:
 1. applicant association (initial) - \$ _____;
 2. license fee per establishment/OTB (initial) - \$ _____;
 3. wagering vendor license (initial) - \$ _____;
 4. wagering vendor license (annual renewal) - \$ _____;
 5. background investigation - up to \$ _____;
 6. non-key person license (initial) - \$ _____; and
 7. key person license (initial) - \$ _____.
- (4) An application for a license under applicable regulations and this Chapter is a request by the applicant seeking a revocable privilege. A license may be granted by the commission if the applicant meets the licensing requirements of the applicable statute and these rules. The commission may require holders of a current pari-mutuel wagering facility license to complete an updated application form and undergo additional background screening prior to being authorized to conduct historical horse racing. The commission may issue new licenses to such existing license holders to include the conditions and licensing requirements contained in this Chapter.
- (5) An applicant for a license under applicable statutes and this Chapter shall, at all times, have the burden of demonstrating to the commission, by clear and convincing evidence, that the applicant is eligible, qualified, and suitable to be granted and retain the license for which application is made under the applicable licensing standards and requirements of applicable regulations, statutes and the applicable rules.
- (6) A license issued by the commission pursuant to this Chapter is a revocable privilege granted by the commission. A person who holds a license does not acquire, and shall not be deemed to acquire, a vested property right or other right, in the license.
- (7) Applicants for any license issued by the commission under the provisions of this Chapter must pay all fees and assessments prescribed either by law or the applicable rules in the manner and at the time prescribed by law and/or the applicable rules. Application fees and applicable assessments for all historical horse racing wagering licenses and must be paid by the applicant at the time that an application is filed with the commission. None of the licenses listed in this Chapter may be transferred or assigned.
- (8) The commission may refuse to take final action on any application if all license regulation, investigation, and fingerprint fees have not been paid in full. The commission may deny the application if the applicant refuses or fails to pay all such fees. Additionally, an applicant who has refused or failed to pay the required costs will not be eligible to file any other application with the commission until all such fees are paid in full. Neither the license fee or regulation fees nor any other fee is refundable.
- (9) Materials, or portions of materials, submitted pursuant to these rules may be identified as confidential by a licensee, an applicant for a license, or any other person. If the materials are exempt from disclosure by statute, the materials shall not be disclosed by the commission, except to other jurisdictions or law enforcement agencies as provided.
- (10) An applicant or licensee shall 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 commission with a license application or at the commission's request under applicable statutes and regulations.

- (11) Licensees have a continuing obligation to demonstrate suitability to hold a license by complying with all applicable regulations, applicable rules, and all federal, state, and local laws relating to the suitability of the licensee. The commission may reopen the investigation of a licensee at any time. The licensee shall be assessed fees, if any, to cover the additional costs of the investigation.
- (12) An applicant or licensee may claim any privilege afforded by the Constitution or laws of the United States or of the applicable jurisdiction in refusing to answer questions or provide information requested by the commission. However, a claim of privilege with respect to any testimony or evidence pertaining to the eligibility, qualifications, or suitability of an applicant or licensee to be granted or hold a license under applicable regulations and statutes may constitute cause for denial, suspension, revocation or restriction of the license.
- (13) An applicant and licensee shall have a continuing duty to do all of the following:
 - i. promptly notify the commission in writing within 10 business days 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, unqualified, or unsuitable to hold the license under the licensing standards and requirements of the act and these rules; and
 - ii. provide any information requested by the commission relating to licensing or regulation, cooperate with the commission in investigations, hearings, and enforcement and disciplinary actions within the period of time requested by the commission, and comply with all conditions, restrictions, requirements, orders, and rulings of the commission in accordance with these Rules.
- (14) The following persons are required to hold an occupational license:
 - i. a person employed by an association, entity or management company and whose duties are directly related to the conduct of historical horse racing;
 - ii. all security personnel;
 - iii. employees whose duties are performed off the wagering facility and whose duties include the handling of money or performing accounting and auditing functions that involve money obtained as a result of historical horse racing;
 1. An occupational license level one is the highest level of occupational license. An occupational licensee may perform any activity included within the occupational licensee's level of occupational license or any lower level of occupational license.
 2. An employee of an association or management company who does not hold an occupational license shall not perform any duties relating to the conduct of historical horse racing at any time.
 3. A person under 18 years of age shall not hold an occupational license of any level. Applicants for occupational license level one must be at least 21 years of age.

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4. An application for an occupational license shall not be processed by the commission unless the applicant has an agreement or a statement of intent hire with an association or management company licensee or applicant, documenting that the applicant will be employed upon receiving the appropriate occupational license.
 5. Employees of an authorized gaming operator who perform the following functions, regardless of title, shall obtain an occupational license level one:
 - a. audit director;
 - b. chief regulatory compliance officer;
 - c. information technology director and managers;
 - d. security director;
 - e. surveillance director;
 - f. chief financial officer or controller, or both;
 - g. historical racing operations director;
 - h. general manager;
 - i. assistant general manager; or
 - j. any other employee of an authorized gaming operator whom the commission deems necessary, to ensure compliance with applicable regulations and statutes, to hold an occupational license level one.
 6. A person holding a level one license employed by an association or management company may not be employed concurrently by a wagering vendor, except that a person holding a level one license may be employed by a licensed management company that is also licensed as a wagering vendor.
 7. Employees of an association who perform the following functions, regardless of title, shall obtain an occupational license level two:
 - a. security personnel and surveillance personnel;
 - b. any employee of an association whose duties are performed are directly related to the conducting of historical horse racing;
 - c. any employee of an association whose duties include accounting and auditing functions and whose duties relate to money obtained as a result of historical horse racing; and
 - d. any other employee of an association whom the commission deems necessary, to ensure compliance with applicable rules, to hold an occupational license level two;
 8. The term of all occupational license levels is three years and requires an initial license application fee to be determined by the commission and an annual license fee.
- (15) Applicants for a historical horse racing wagering license, an occupational license, and applicants for renewals of such licenses shall comply with the following procedures:
- i. Every application for a license category authorized by the commission must be submitted on forms supplied or approved by the commission and must contain such information and documents as required for such license category.
 - ii. The applicant must file with the application all required supplemental forms.

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- iii. Upon request of the commission, the applicant must further supplement any information provided in the application. The applicant must provide all requested documents, records, supporting data, and other information within the time period specified in the request. If the applicant fails to provide the requested information within the required time period as set forth in the request or applicable rules, the commission may deny the application unless good cause is shown.
 - iv. All information required to be included in an application must be true and complete as of the date of commission action sought by the applicant. If there is any change in the information contained in the application, the applicant must file a written amendment within 30 days of the change of information in accordance with these Rules.
 - v. The application and any amendments must be sworn to or affirmed by the applicant. If any document is signed by an attorney for the applicant, the signature must certify that the attorney has read the document and that, to the best of the attorney's knowledge, information and belief, based on diligent inquiry, the contents of the documents supplied are true.
 - vi. The applicant must cooperate fully with the commission with respect to the background investigation of the applicant, including, upon request, making available any and all of its books and records for inspection. The commission will examine the background, personal history, financial associations, character, record, and reputation of the applicant to the extent the commission determines.
 - vii. The commission will automatically deny the application of any applicant that refuses to submit to a background investigation as required pursuant to the applicable rules.
 - viii. Neither the state, the commission, any agency with which the commission contracts to conduct background investigations, nor the employees of any of the foregoing, may be held liable for any inaccurate information obtained through such an investigation.
- (16) In addition to specific conditions imposed in any license issued by the commission under these rules, any license issued by the commission for the operation of historical horse racing wagering is subject to the following conditions.
- i. With respect to a historical horse racing wagering operator's license, the licensed operator will at all times make its wagering facility available for inspection by the commission or their authorized representatives with or without prior announcement. Additionally, the licensed operator understands that a commission agent is authorized to be present anywhere within the wagering facility each day any time during operation of historical horse racing wagering, and whenever else deemed appropriate by the director of enforcement.
 - ii. The operator licensee consents to the examination of all accounts, bank accounts, and records of, or under the control of the operator licensee, or any entity in which the operator licensee has a direct or indirect controlling interest. Upon request of the commission or its authorized representative, the operator licensee must authorize all third parties in possession or control of the requested

documents to allow the commission or commission agents to examine such documents.

- iii. The operator licensee will observe and enforce all rules, regulations, decisions, and orders issued by the commission. The operator's license is granted on the condition that the operator licensee, management, and its employees will obey all decisions and orders of the commission. Each operator licensee will have a continuing duty to report to the commission enforcement division any violation of the applicable rules or applicable statutes by the operator licensee, management, and its employees. Failure to report violations will result in disciplinary action against the operator licensee. The licensee is required to notify the commission in writing within 30 days of the violation.

(17) The commission may refuse to issue an operator licensee or deny any operator licensee application on any grounds deemed reasonable by the commission. Without limiting the foregoing, the commission may deny the application on any of the following grounds:

- i. evidence of an applicant submitting an untrue or misleading statement of material fact, or willful omission of any material fact, in any application, statement, or notice filed with the commission, made in connection with any investigation, including the background investigation, or otherwise made to the commission or its staff;
- ii. conviction of any felony in any jurisdiction by key persons of the applicant or by the applicant which may affect the applicant's ability to properly perform his or her duties or reflect unfavorably on the integrity of a historical horse racing wagering facility;
- iii. conviction of any gambling offense in any jurisdiction by key persons or by the applicant;
- iv. entry of any civil or administrative judgment against the applicant or its key persons that is based, in whole or in part, on conduct that allegedly constituted a felony crime in the state or other jurisdiction in which the conduct occurred that may affect the applicant's ability to properly perform his or her duties or reflect unfavorably on the integrity of a historical horse racing wagering facility, or involved a gambling violation(s);
- v. association by the applicant, applicant's spouse or members of applicant's immediate household with persons or businesses of known criminal background or persons of disreputable character that may adversely affect the general credibility, security, integrity, honesty, fairness or reputation of the historical horse racing wagering industry;
- vi. any aspect of the applicant's or any key person's past conduct, character, or behavior that the commission determines would adversely affect the credibility, security, integrity, honesty, fairness or reputation of the proposed historical horse racing wagering activity;
- vii. failure of the applicant or its key persons to demonstrate adequate business ability and experience to establish, operate, and maintain the business for the type of activity for which application is made;
- viii. failure to demonstrate adequate financing for the operation proposed in the application;

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- ix. failure to satisfy any requirement for application or to timely respond to any request by the commission for additional information;
 - x. permanent suspension, revocation, denial or other limiting action on any license related to historical horse racing wagering issued by any jurisdiction; and
 - xi. approval of the application would otherwise be contrary to applicable law or public policy.
- (18) The commission, in the same manner and in accordance with the applicable Administrative Procedures Act, will provide the applicant with written notice of the denial, and the applicant shall have the opportunity to appeal the commission decision in conformity with all applicable statutes and regulations.
- (19) The commission may issue a provisional license to any applicant who provides the required fingerprint cards, photographs, completed application, and intent to employ statement. Provisional licenses may be valid for a period established by the commission but shall not be more than 90 days and is subject to the license conditions enumerated in the commission's authorization of the provisional license.
- i. The commission may extend the duration of provisional licenses in 30-day increments if the licensing process has not been completed.
- (20) Wagering on historical horse races shall only be permitted in the designated area on the licensed premises of the pari-mutuel facility and/or offtrack wagering facility. Wagering on historical horse races shall not be offered in any other location.
- (21) An applicant for a license to offer pari-mutuel wagering on historical horse racing shall apply for a license to conduct the same with the commission at its offices. An application fee, set by the commission-approved license fee schedule, shall be paid for each location where the applicant seeks to offer pari-mutuel wagering on historical horse racing to reimburse the commission for the cost of regulation. The initial application fee shall be paid upon filing of the application.
- i. Licensees authorized to offer pari-mutuel wagering on historical horse racing shall pay an annual license fee set by the commission-approved license fee schedule, to be paid monthly, to reimburse the commission for the cost of regulation.
 - ii. The annual total for initial application fees or annual licenses fees shall not exceed the commission's budgeted costs for the regulation of historical horse racing in any calendar year.
- (22) An applicant for a license to offer pari-mutuel wagering on historical horse racing shall submit a plan of operation that includes:
- i. the number of terminals to be operated at the facility, broken down by terminal provider, make, and model;
 - ii. a detailed description of the proposed area designated for the sale of pari-mutuel pool, and the placement of terminals within the area, including a drawn-to-scale architectural rendering that describes:
 - 1. size, construction, and capacity of the area;
 - 2. the number and location of each terminal; and
 - 3. the location of surveillance and other security equipment.

- iii. a description of the type of data processing, communication, totalizator and transmission equipment to be utilized;
 - iv. a networking diagram detailing the manner in which the machines will be networked with the wagering servers and back office systems;
 - v. an IT security plan detailing the logical security measures for the wagering system;
 - vi. the type, number and denominations of pari-mutuel wagers to be offered;
 - vii. the terminal provider, make, and model of each terminal, including a copy of all literature supplied by the manufacturer of the terminal;
 - viii. the maintenance and repair procedures that will ensure the integrity of the terminals;
 - ix. detailed information on the wager types, including breakage, to be offered by the applicant, including information demonstrating compliance with the requirements of this chapter;
 - x. wager specification documentation, which shall include the rules for the mathematical models, methodology of calculating payouts of the pools, configuration of pools, how money is allocated to or from the pools (including seed pool(s) as applicable), and pool payout methodology. As used herein, a seed pool refers to a pool of money that is used to ensure that all patrons are paid the minimum payout on winning wagers.
- (23) Before offering wagering on historical horse races, an association shall first obtain the commission's written approval of all wagers offered as set forth in the applicable rules governing such wagers or other accepted pari-mutuel wager type as approved by the commission.
- (24) A license for conducting pari-mutuel wagering on historical horse racing shall run concurrent with the association's license to conduct horse racing and/or operate offtrack wagering facilities. A licensee may not transfer its license, or assign responsibility for compliance with the conditions of its license, to any party, including, without limitation, a transfer of effective control of the licensee, without commission approval.
- (25) Failure to comply with requirements in these Rules, and/or offtrack wagering facility requirements pursuant to specific statute and the applicable rules may result in suspension or revocation of the license for conducting pari-mutuel wagering at the discretion of the commission.

G. Operational Requirements for the Conduct of Historical Horse Racing

- (1) An association may conduct wagering on historical horse races of any horse breed regardless of the type of breed that primarily races in live meets conducted by the association. An association may conduct wagering on historical horse races on any days and hours approved by the commission and shall not be limited to times during which the association is conducting a live horse race meeting.
- (2) A mutuel wager on historical horse races may be placed only from a physical facility of a licensee.
- (3) A mutuel wager on historical horse racing may not be placed using a mobile device unless the system communicating with the mobile device to place the wager is fully controlled and operated by the licensed facility at which the wager is placed. For the purposes of this Section, "fully controlled and operated" means the licensed facility

- develops, owns, leases, acquires a license for, or otherwise contracts for services to operate and control a mobile historical horse racing wagering system.
- (4) No licensee may accept a mutuel wager on historical horse racing if the wager is placed via a mobile phone or other personal electronic device, unless the network infrastructure and all pari-mutuel wagering software complies with the relevant technical requirements within these rules.
- (5) Nothing in this Section independently authorizes wagering or facilitation of wagering on historical horse racing outside of the licensed pari-mutuel wagering operation.
- (6) Any historical horse racing solution that relies on wireless networked communications, including all mobile historical horse racing systems, shall annually conduct a system integrity and security risk assessment performed by an independent information technology security professional approved by the commission. The system integrity and security risk assessment shall be conducted no later than 90 days after commencing operations and annually thereafter. The scope of the pari-mutuel wagering system integrity and security assessment is subject to the approval of the commission and must include:
- i. A vulnerability assessment of digital platforms, mobile applications, internal, external, and wireless networks with the intent of identifying vulnerabilities of all devices, the historical horse racing system, and applications transferring, storing, and/or processing personal identifying information or other sensitive information connected to or present on the networks;
 - ii. A penetration test of all digital platforms, mobile applications, and internal, external, and wireless networks to confirm devices, the historical horse racing wagering systems, and applications are not susceptible to compromise;
 - iii. A review of the firewall rules to verify the operating condition of the firewall and the effectiveness of its security configuration and rule sets that must be performed on all perimeter and internal firewalls;
 - iv. A technical security control assessment against the commission's technical requirements for security and with generally accepted professional standards;
 - v. An evaluation of information security services, cloud services, payment services, financial institutions, payment processors, location services, and any other services that may be offered directly by the licensee or involve the use of third parties; and
 - vi. At the discretion of the executive director, any additional assessments or specific testing criteria which may be required by internal control procedures.
- (7) All wagers offered on historical horse races shall incorporate the following elements:
- i. A patron may only wager on historical horse races on a terminal approved by the commission;
 - ii. For each different type of exotic wager on historical horse races offered by an association, the association shall at all times maintain at least two terminals offering each such exotic wager;
 - iii. Once a patron deposits an amount in the terminal offering wagering on historical horse races, one or more historical horse races shall be made available for wagering as set forth in the wagering specification rules;

- iv. Prior to the patron making his or her wager selections, the terminal shall not display any information that would allow the patron to identify the historical horse race or races on which he or she is wagering, including the location of the race or races, the date on which the race or races was run, the names of the horses in the race or races, or the names of the jockeys that rode the horses in the race or races;
- v. The terminal shall make available true and accurate past performance information on the historical horse race to the patron prior to making his or her wager selections. The information shall be current as of the day the historical horse race was actually run. The information provided to the patron shall be displayed on the terminal in data or graphical form; and
- vi. After a patron finalizes his or her wager selections, the terminal shall display the patron's successful selections, the official results of each race, and a replay of the race or races, or a portion thereof, whether by digital or animated depiction or by way of a video recording. The identity of each race shall be revealed or made available to the patron after the patron has placed his or her wager.

H. Historical Horse Race Specification and Selection Requirements

- (1) The outcome of any historical horse race wager shall be derived from the result of one or more historical horse races.
 - (2) All historical horse races must be chosen at random from a database of actual historical horse races. All races in the database shall have a valid historical horse race result with details recorded at the same level as other races in the database, and shall include:
 - i. race location;
 - ii. race date; and
 - iii. finishing order.
 - (3) If available and provided for in the recorded race data, other information such as horse name and jockey name or associated identifiers may be included in the race database.
 - (4) In the case where a random process is used to select the historical horse races for a wager, all possible races in the database shall be available for selection.
 - (5) Each terminal shall:
 - i. be tested by an independent testing laboratory, selected by the commission, and found to be in compliance with all applicable technical standards. Any modifications made to the terminal or software shall require re-testing;
 - ii. provide race information that is current as of the day the horse race was actually run;
 - iii. allow any patron that is handicapping to exit the manual handicapping interface;
 - iv. display the information provided to the patron in graphic form which is discernable to the bettor;
 - v. not be in the nature of a slot machine. A terminal shall not be considered to be in the nature of a slot machine when it precludes the use of random elements to determine the outcome of a wager other than the selection of a race or races from a database of races, when all wagers and prizes are pari-mutuel in nature, and when it does not include any interest of the licensee.
- I. Prior to the patron making his or her wager selections, the terminal shall:

- (1) make true and accurate past performance information available on each historical horse race; and
 - (2) not display any information that would allow the patron to identify the historical horse race on which the patron is wagering, including:
 - i. location of the race;
 - ii. the date on which the race was run;
 - iii. the names of the horses in the race; or
 - iv. the names of the jockeys who rode the horses in the race.
- J. In addition to the requirement of **Paragraph 2 of Subsection F** of this Section, the terminal may also display the wager and its outcome as part of an entertaining display, provided the underlying wager and outcome functions according to the pari-mutuel wagering pool specifications provided by the historical horse racing licensee to the commission.
- K. Approximate odds or payouts for each wagering pool shall be posted, or made available, on each terminal for viewing by patrons.

L. Payouts through Pari-Mutuel Pools Authorized

- (1) A wager on a historical horse race or races, less deductions permitted by any applicable regulation or statute, shall be placed in pari-mutuel pools approved by the commission.
- (2) A payout to a winning patron shall be paid from money wagered by patrons and shall not constitute a wager against the association.
- (3) An association conducting wagering on historical horse races shall not conduct wagering in such a manner that patrons are wagering against the association, or in such a manner that the amount retained by the association as a commission is dependent upon the outcome of any particular race or the success of any particular wager.
- (4) An association offering wagering on historical horse races shall operate a pari-mutuel pool or pools in a manner and method approved by the commission. An association offering wagering on historical horse races may operate a player-funded pool or pools in a manner and method approved by the commission for the purpose of ensuring that sufficient funds are at all times available to pay any winning wagers in situations where a pari-mutuel pool becomes a minus pool. For each wager made, an association may assign a percentage of the wager to a player-funded pool or pools.
- (5) If an association chooses to make a deposit into a trust account or seed pool for the purpose of ensuring that sufficient funds are at all times available to pay any winning wagers in situations where a pari-mutuel pool becomes a minus pool, then such trust account must be approved by the commission.

M. Minors Prohibited from Wagering on Historical Horse Races

- (1) A minor shall not be permitted by any licensed association to purchase or cash a pari-mutuel ticket on historical horse races.

N. Responsible Play

- (1) A licensee shall implement a program to promote responsible play of historical horse racing by its patrons and provide details of the same to the commission. At a minimum, such program shall require:

- i. posting in a conspicuous place in every facility where pari-mutuel wagering on historical horse racing is conducted a sign that bears a toll-free number for an approved organization that provides assistance to problem gamblers;
 - ii. providing informational leaflets or other similar materials at the licensee's facilities on the dangers associated with problem gambling;
 - iii. including in the licensee's promotional and marketing materials information on problem gambling and organizations that provide assistance to problem gamblers;
 - iv. providing patrons expressing concern with a gambling problem with information on organizations that provide assistance to problem gamblers; and
 - v. ensuring that any request by a patron who wishes to self-exclude from the licensee's facilities is honored by the licensee.
- (2) A licensee shall report annually to the commission and make a copy available to the public on its efforts to meet Subsection A of this Section, its efforts to identify problem gamblers, and steps taken to:
- i. prevent such individuals from continuing to engage in pari-mutuel wagering on historical horse racing; and
 - ii. provide assistance to these individuals to address problem gambling activity.

O. Totalizator or Other Approved Equipment Required

- (1) Pari-mutuel wagering on historical horse races shall only be conducted through the use of a totalizator or other similar mechanical or electrical equipment.
- (2) The totalizator or other mechanical or electrical equipment shall be available for testing under the supervision of the commission upon request by the commission to ensure its proper working order.
- (3) Wagering on historical horse races shall be offered on terminals that include a cabinet in which the electronics and other operating components are located. All terminals and other equipment shall be subject to inspection by the commission.
- (4) The terminal cabinet and electronics shall:
 - i. protect against electrostatic interference by being grounded so that static discharge energy shall not permanently damage or inhibit the normal operation of the electronics or other components within the wagering terminal. In the event that a temporary disruption of the normal operation of a wagering terminal occurs as a result of an electrostatic discharge, the wagering terminal shall have the capacity to recover and complete any interrupted wager without loss or corruption of any control or critical data information. Each terminal shall be tested to a maximum discharge severity level of 27 kilovolt air discharge;
 - ii. not be adversely affected, other than during resets, by surges or dips of up to 20 percent of the supply voltage. If a wagering terminal is designed such that a surge or dip of up to 20 percent of the supply voltage causes a reset, the terminal shall also be designed so that a surge or dip shall not result in damage to the equipment or loss or corruption of data. Upon reset, the wager play shall return to its previous state or return to a wager completion state, provided the wagering history and all credit and accounting meters comprehend a completed wager play;

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- iii. have an on/off switch that controls the electrical current installed in a readily accessible location within the interior of the terminal so that power cannot be disconnected from outside of the terminal using the on/off switch. The on/off positions of the switch shall be labeled;
- iv. be designed so that power and data cables into and out of the terminal can be routed so that they are not accessible to the general public. Security-related wires and cables that are routed into a logic area shall be securely fastened within the interior of the terminal;
- v. have an identification badge affixed to the exterior of the terminal by the terminal provider that is not removable without leaving evidence of tampering. This badge shall include the following information:
 - 1. name of the terminal provider;
 - 2. a unique serial number;
 - 3. the terminal model number; and
 - 4. the date of manufacture;
- vi. have an external tower light located conspicuously on the top of the terminal that automatically illuminates when a patron has won an amount that the terminal cannot automatically pay or when an error condition has occurred;
- vii. be constructed of materials that are designed to allow only authorized access to the inside of the terminal. The terminal and its locks, doors, and associated hinges shall be capable of withstanding determined and unauthorized efforts to gain access to the inside of the terminal and shall be designed to leave evidence of tampering if such an entry is made;
- viii. be equipped with doors of a locked area that are designed to resist the use of tools or other objects used to breach the locked area by physical force;
- ix. have external doors that shall be locked and monitored by door access sensors. When the external doors are opened, the door access sensors shall:
 - 1. cause wagering activity to cease;
 - 2. disable all currency acceptance;
 - 3. enter an error condition;
 - 4. illuminate the tower light at a minimum; and
 - 5. record the error condition. The requirements of this Subsection do not apply to the drop box door;
- x. have external doors designed so that it shall not be possible to insert a device into the terminal that will disable a sensor that indicates “door open” without leaving evidence of tampering when the door of the terminal is shut;
- xi. have a sensor system that shall provide notification that an external door is open when the door is moved from its fully closed and locked position, provided power is supplied to the device;
- xii. have a logic area, which is housed in a secure server approved by the Commission, or which is a separately locked cabinet area with its own monitored, locked door or other monitored, locked covering that houses electronic components that have the potential to significantly influence the

operation of the terminal. There may be more than one such logic area in a terminal. The electronic components housed in the logic area shall include:

1. a central processing unit and any program storage device that contains software that may affect the integrity of wagering, including the individual play accounting, system communication, and peripheral firmware devices involved in or that significantly influence the operation and calculation of wager plays, wager outcome display, wager result determination, or wager play accounting, revenue, or security;
 2. communication controller electronics and components housing the communication program storage device; and
 3. the nonvolatile memory backup device, which if located in the logic area, shall be kept within a locked logic area; and
- xiii. have a currency storage area that is separately keyed and fitted with sensors that indicate "door open/close" or "stacker receptacle removed," provided power is supplied to the device. Access to the currency storage area shall be secured by two locks before the currency can be removed. The locks shall be located on the relevant outer door and on at least one other door.

(5) Critical memory requirements shall include the following:

- i. Critical memory storage shall be maintained by a methodology that enables errors to be identified, including signatures, checksums, partial checksums, multiple copies, timestamps, effective use of validity codes, or any combination of these methods.
- ii. Comprehensive checks of critical memory shall be made following wager play initiation but prior to display of wager outcome to the patron.
- iii. An unrecoverable corruption of critical memory shall result in an error state. The memory error shall not be cleared automatically and shall cause the terminal to cease further functioning. The critical memory error shall also cause any communication external to the terminal to immediately cease. An unrecoverable critical memory error shall require restoration or clearing of software state by an authorized person.
- iv. If critical memory is maintained in nonvolatile memory on the terminal and not by the server-based system, then:
 1. the terminal shall have the ability to retain data for all critical memory as defined in this Section and be capable of maintaining the accuracy of the data for 30 days after power is discontinued from the terminal;
 2. for rechargeable battery types only, if the battery backup is used as an off-chip battery source, it shall recharge itself to its full potential in a maximum of 24 hours, and the shelf life of the battery shall be at least five years;
 3. nonvolatile memory that uses an off-chip backup power source to retain its contents when the main power is switched off shall have a detection system that will provide a method for software to interpret and act upon a low battery condition before the battery reaches a level where it is no longer capable of maintaining the memory in question. Clearing nonvolatile memory shall require access to the locked logic area or other

- secure method, provided that the method is approved by the commission; and
4. following the initiation of a nonvolatile memory reset procedure, the wagering program shall execute a routine that initializes all bits in critical nonvolatile memory to the default state. All memory locations intended to be cleared as per the nonvolatile memory clear process shall be fully reset in all cases.
 - v. Critical memory of a server-based wager configuration may be maintained by the server, terminal, or some combination thereof. The critical memory related to each terminal shall:
 1. be kept independent to all other wagering terminals. If corruption occurs in any single terminal's critical memory no other terminal shall be effected by the terminal's corrupt memory state; and
 2. be clearly identified as to which physical terminal the critical memory represents, through unique identification, such as serial number or other unique terminal hardware identifier.
 - vi. All terminals shall be equipped with a device, mechanism, or method for retaining the value of the meter information specified in §13135 in the event of a loss of power to the terminal. Storage and retrieval of the accounting meters from a server is an acceptable method of retrieval.
 - vii. Configuration setting changes shall not cause an obstruction to the meters.
 - viii. If the terminal is in a test, diagnostic, or demonstration mode, any test that incorporates credits entering or leaving the terminal shall be completed prior to resumption of normal operation. In addition, there shall not be any mode other than normal wagering operation that debits or credits any of the electronic meters. Any wagering credits on the terminal that were accrued during the test, diagnostic, or demonstration mode shall be cleared before the mode is exited. Specific meters are permissible for these types of modes, provided the meters are clearly identified.
 - ix. Terminals shall not allow any information contained in a communication to or from the online monitoring system that is intended to be protected, including validation information, secure personal identification numbers, credentials, or secure seeds and keys, to be viewable through any display mechanism supported by the terminal.
- (6) Program storage devices shall be required to comply with the following.
- i. All program storage devices shall:
 1. be housed within a fully enclosed and locked logic compartment;
 2. validate themselves during each processor reset; and
 3. validate themselves the first time they are used.
 - ii. Program storage devices that do not have the ability to be modified while installed in the terminal during normal operation shall be clearly marked with information to identify the software and revision level of the information stored in the devices.

- iii. Server-stored information shall be backed up no less often than once per day to an offsite storage facility. Offsite storage may include storage through a cloud service provider if approved by the commission. The server and offsite backup storage shall be accessible to the commission and subject to third-party checks and validation.

P. Terminal Operational/Software Requirements

- (1) Terminals shall have the ability to allow for an independent integrity check of all software that may affect the integrity of the wagering configurations available to the terminal. The integrity check shall be by an independent testing laboratory approved by the commission.
- (2) If a winning amount is in excess of the thresholds established in the Internal Revenue Service reporting requirements, the terminal shall cease operation and require attendant interaction to proceed.
- (3) Terminals shall be capable of detecting and displaying the following errors:
 - i. open door conditions;
 - ii. nonvolatile memory errors;
 - iii. low nonvolatile memory battery for batteries external to the nonvolatile memory itself for low power source;
 - iv. program error or authentication mismatch;
 - v. display device errors;
 - vi. the identification of an invalid bill or voucher; and
 - vii. of communication to the tote system.
- (4) To protect the integrity of the wagering configuration, when a terminal error condition is detected, the terminal shall secure itself by:
 - i. ceasing play and requiring operator intervention prior to returning to normal play;
 - ii. displaying an appropriate error message;
 - iii. disabling bill and voucher acceptance;
 - iv. sounding an alarm, illuminating the tower light, displaying the error on screen, or any combination of the three;
 - v. communicating the error condition to an online monitoring and control system; and
 - vi. if the terminal is powered down with an unresolved error condition, remaining in error mode unless power down is used as a part of the error reset procedure.
- (5) Upon resolution of an error condition, a terminal may return to a wager completion state, provided the wagering history, wagering credits, and other meters display the completed wager properly.
- (6) Terminals shall not be adversely affected by the simultaneous or sequential activation of various terminal inputs and outputs.
- (7) Test, diagnostic, or demonstration modes on a terminal shall:
 - i. be entered only from an attendant following appropriate instructions;
 - ii. not be accessible to a patron;
 - iii. be indicated on the terminal via an appropriate message; and
 - iv. exiting from test, diagnostic, or demonstration mode, a terminal shall return to its previous state.

- (8) Available wagering credit may be collected from the terminal by the patron at any time other than during:
 - i. a bet being wagered;
 - ii. audit mode;
 - iii. test mode;
 - iv. a credit meter or win meter increment; or
 - v. an error condition.
- (9) Terminals shall be capable of displaying wager recall, which shall:
 - i. include the last 10 wagers on the terminal, including at least 50 intermediary steps within those wagers, including free spins and bonuses;
 - ii. be retrievable on the terminal via an external key-switch or other secure method not available to the patron; and
 - iii. provide all information required to fully reconstruct the wagers, including:
 - 1. initial credits or ending credits associated with the wager;
 - 2. credits wagered;
 - 3. credits won;
 - 4. entertaining display symbol combinations and credits paid whether the outcome resulted in a win or a loss;
 - 5. representation in a graphical or text format;
 - 6. final wager outcome, including all patron choices and all bonus features; and,
 - 7. as an optional feature, display of values as currency in place of wagering credits.

Q. Requirements for Tickets or Vouchers used in Historical Horse Racing

- (1) Terminals shall not dispense currency. Payment to patrons shall only be accomplished by means of a printed voucher.
- (2) All vouchers shall contain the following printed information at a minimum:
 - i. licensee name and site identifier, which may be contained on the ticket stock itself;
 - ii. terminal number or cashier booth location;
 - iii. date and time stated according to the local time zone;
 - iv. alpha and numeric dollar amount;
 - v. ticket or voucher sequence number;
 - vi. validation number;
 - vii. bar code or any machine-readable code representing the validation number;
 - viii. type of transaction or other method of differentiating voucher types. If the voucher is a non-cashable item, the ticket shall explicitly express that it has "no cash value"; and
 - ix. the expiration period from date of issue, or date and time the ticket or voucher will expire according to the local time zone. This information may be contained on the ticket stock itself. Payment on valid pari-mutuel tickets, including tickets where refunds are ordered, shall be made only upon presentation, and surrender of valid pari-mutuel tickets to the licensee within 180 days after the purchase of

the ticket. Failure to present any valid pari-mutuel ticket to the licensee within 180 days after the purchase of the ticket shall constitute a waiver of the right to payment.

- (3) A system approved by the commission shall be used to validate the payout ticket or voucher. The ticket or voucher information on the central system shall be retained for two calendar years after a voucher is valid at that location.
- (4) Payment by voucher as a method of credit redemption shall only be permissible when the terminal is linked to a computerized voucher validation system that is approved by the commission.
- (5) The validation system must be able to identify a duplicate ticket or voucher to prevent fraud.
- (6) Terminals must meet the following minimum requirements to incorporate the ability to issue offline vouchers after a loss of communication has been identified by a wagering terminal.
 - i. The wagering terminal shall not issue more offline vouchers than it has the ability to retain and display in the wagering terminal-maintained voucher-out log.
 - ii. The wagering terminal shall not request validation numbers used in the issuance of vouchers until all outstanding offline voucher information has been fully communicated to the voucher validation system.
 - iii. The wagering terminal shall request a new set of validation numbers used in the issuance of online or offline vouchers if the current list of validation numbers has the possibility of being compromised, which shall include:
 1. after power has been recycled; or
 2. upon exit of a main door condition.
 - iv. Validation numbers must always be masked when viewable through any display supported by the wagering terminal such that only the last four digits of the validation number are visible.
- (7) Vouchers may be inserted in any terminal participating in the validation system providing that no credits are issued to the terminal prior to confirmation of voucher validity.
- (8) The offline voucher redemption may be validated as an internal control process. A manual handpay may be conducted for the offline voucher value.

R. Terminal Peripheral Device Requirements

- (1) Video monitor touch screens on terminals shall:
 - i. be accurate to manufacturer specifications for touch point sensitivity;
 - ii. be able to be calibrated without access to the terminal cabinet other than opening the main door, and once calibrated shall maintain accuracy for at least the video touch screen manufacturer's recommended maintenance period; and
 - iii. have no hidden or undocumented buttons or touch points anywhere on the screen that affect wagering or that impact the outcome of the bet, except as provided by the wagering configuration rules.
- (2) Paper currency acceptors used in a terminal shall:
 - i. be electronically based;

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- ii. detect the entry of bills or vouchers inserted into the paper currency acceptor and provide a method to enable the terminal software to interpret and act appropriately upon a valid or invalid input;
 - iii. configured to ensure the acceptance of only valid bills or vouchers and reject all other items;
 - iv. return to the patron all rejected bills or vouchers, and any other item inserted into the acceptor;
 - v. be constructed in a manner that protects against vandalism, abuse, or fraudulent activity;
 - vi. register the actual monetary value or appropriate number of wagering credits received for the denomination used on the patron's credit meter for each valid bill or voucher;
 - vii. register wagering credits only when the bill or other note has passed the point where it is accepted or stacked, and the acceptor has sent an "irrevocably stacked" message to the terminal;
 - viii. be designed to prevent the use of fraudulent crediting, the insertion of foreign objects, and any other fraudulent technique;
 - ix. implement a method of detecting counterfeit bills;
 - x. only accept bills or vouchers when the terminal is enabled for play;
 - xi. have the capability of detecting and displaying any supported error conditions;
 - xii. shall communicate with the terminal using a bi-directional protocol;
 - xiii. be located in a locked area of the terminal that requires the opening of the main door for access. The paper currency acceptor shall not be located in the logic area. Only the bill or voucher insertion area shall be accessible by the patron;
 - xiv. have a secure stacker that shall:
 - 1. deposit into the stacker all accepted items;
 - 2. be attached to the terminal in such a manner that it cannot be easily removed by physical force; and
 - 3. have a separate keyed lock to access the stacker area. The keyed lock shall be separate from the main door, and a separate keyed lock shall be required to remove the bills from the stacker; and
 - xv. have a bill validator that shall:
 - 1. retain in its memory and have the ability to display the information required of the last 25 items accepted by the bill validator;
 - 2. have a recall log that may be combined or maintained separately by item type. If combined, the type of item accepted shall be recorded with the respective timestamp; and
 - 3. give proper credit or return the bill or note if power failure occurs during acceptance of a bill or note.
- (3) Each terminal shall be equipped with a printer that:
- i. is used to make payments to the patron by issuing a printed voucher. The terminal shall transmit the following data to an online system that records the following information regarding each payout ticket or voucher printed:
 - 1. the value of credits in local monetary units in numerical form;

2. the time of day the ticket or voucher was printed, showing hours and minutes;
 3. the date, in format approved by the commission, indicating the day, month, and year that the ticket or voucher was issued;
 4. the terminal number; and
 5. a unique ticket or voucher validation number.
- ii. prints only one copy to the patron and retains information on the last 25 printed vouchers;
 - iii. is housed in a locked area of the terminal but shall not be located within the logic area or the drop box; and
 - iv. allows control program software to interpret and act upon all error conditions.
- (4) With appropriate security in place, historical horse racing wagering accounts may be funded directly from mobile devices and through various advance-deposit account funding mechanisms, whether it be through credit card, bank, or attendant or kiosk at association locations.

S. Location of Terminals Used for Wagering on Historical Horse Races

- (1) Terminals offering wagering on historical horse races shall be located within designated areas which have the prior written approval of the commission. Designated areas shall be established in such a way as to control access by the general public and prevent entry by any patron who is under 18 years of age or is otherwise not permitted to place wagers.
- (2) Each association shall monitor persons entering and leaving the designated areas and shall prevent access to any patron who is under 18 years of age or is otherwise not permitted to place wagers on historical horse races.
- (3) Each association shall provide terminals that are accessible to handicapped patrons.

T. Records to be Maintained

- (1) Each association shall maintain complete records of all pari-mutuel wagering transactions on historical horse races, including the amounts wagered at each historical horse racing terminal.
- (2) A copy of the wagering records shall be retained and safeguarded for a period of not less than 18 months and shall not be destroyed without the prior written permission of the commission.

U. Accounting and Occurrence Meter Requirements

- (1) The required accounting meters and related reporting as follows using the same or similar terminology:
 - i. coin in, which accumulates the total value of all wagers, whether the wagered amount results from the insertion of bills or vouchers or deduction from a credit meter;
 - ii. coin out, which accumulates the total value of all amounts directly paid by the terminal as a result of winning wagers, whether the payback is made to a credit meter or any other means;
 - iii. attendant paid jackpot, which accumulates the total value of credits paid by an attendant resulting from a single wager, in excess of thresholds established by

- the Internal Revenue Service reporting requirements, the amount of which results in Internal Revenue Service or applicable agency reporting;
- iv. attendant paid canceled credit, which accumulates the total value paid by an attendant resulting from a patron-initiated cashout or non-taxable winning wager that exceeds the physical or configured capability of the terminal to make the proper payout amount;
 - v. bill in, which accumulates the total value of currency accepted. Each wagering terminal shall have a specific occurrence meter for each denomination of currency accepted that records the number of bills accepted of each denomination;
 - vi. voucher in, which accumulates the total value of all wagering terminal vouchers accepted by the device;
 - vii. voucher out, which accumulates the total value of all wagering terminal vouchers issued by the device;
 - viii. noncashable electronic promotion in, which accumulates the total value of noncashable credits from vouchers accepted by the terminal;
 - ix. cashable electronic promotion in, which accumulates the total value of cashable credits from vouchers accepted by the terminal;
 - x. noncashable electronic promotion out, which accumulates the total value of noncashable credits issued to vouchers by the device; and
 - xi. cashable electronic promotion out, which accumulates the total value of cashable credits issued to vouchers by the device.
- (2) Additional required occurrence meters are as follows:
- i. cashable promotional credit wagered, which accumulates the total value of promotional cashable credits that are wagered;
 - ii. plays wagered, which accumulates the number of wagers placed; and
 - iii. plays won, which accumulates the number of wagers resulting in a win to the patron.
- (3) Electronic accounting meters shall maintain and calculate data to at least 10 digits in length.
- (4) Electronic accounting meters shall be maintained in credit units equal to the denomination or in dollars and cents.
- (5) If the electronic accounting meter is maintained in dollars and cents, eight digits must be used for the dollar amount and two digits must be used for the cents amount.
- (6) Devices configured for multi-denomination wagering shall display the units in dollars and cents at all times.
- (7) Any time the meter exceeds a value it is not capable of exceeding, the meter must roll over to zero.
- (8) Occurrence meters shall be at least eight digits in length but are not required to automatically roll over.
- (9) Meters shall be identified so that they can be clearly understood in accordance with their function.
- (10) Meters can be on the server instead of the terminal.

V. Required Reports for Wagering on Historical Horse Races; Audit and Inspection by the Commission

- (1) All systems used for pari-mutuel wagering on historical horse races shall provide financial reports for individual approved wager model configurations and total pool amounts for each pool. Reports shall be available at the end of the wagering day or upon request by the commission with information current since the end of the last wagering day. The reports shall include:
 - i. current values of each pari-mutuel wagering pool and daily net pool change;
 - ii. total amounts wagered for all pools;
 - iii. total amounts won by patrons for all pools;
 - iv. total commission withheld for all pools;
 - v. total breakage for all pools, where applicable;
 - vi. total amount wagered at each terminal;
 - vii. total amount won by patrons at a terminal;
 - viii. the amount wagered on each mathematical model configuration and the amount won from each mathematical model configuration offered at a terminal;
 - ix. total amount of each type of financial instrument inserted into a terminal;
 - x. total amount cashed out in voucher or handpays at a terminal; and
 - xi. taxable win events including:
 1. time and date of win;
 2. wagering terminal identification number;
 3. amount wagered resulting in taxable win; and
 4. taxable amount won.
- (2) As provided in above, the commission or its authorized representatives may, at any time, conduct an audit or inspection of the financial reports, software, terminals, or other equipment used by a licensee in conducting operations under this Chapter.

W. Equipment and Laboratory Testing

- (1) Each association shall provide for a nationally recognized, independent testing laboratory approved by the commission to submit to the commission a general functional evaluation laboratory report regarding the hardware and software installed on each historical horse racing terminal and the software on each historical horse racing app indicating whether same is in compliance with applicable law and regulations.
- (2) Any alterations, modifications, or updates to the software or hardware on any historical horse racing terminal or the software on any historical horse racing app shall require the vendor to submit to the commission a new laboratory report as required under Subsection A of this Section before the wagering configuration may be used for play at an establishment.
- (3) If there is a complete breakdown of a terminal offering wagering on historical horse racing, the association offering the wager shall make a full refund of the patron's balance on the terminal at the time of the breakdown.

X. Minimum Wagers and Payouts

- (1) The minimum wager to be accepted by an association on a wager based on the outcome of a historical horse race or races shall be set by the Commission or applicable statute. The minimum payout on any wager shall not be less than the amount wagered.

Y. Odds and Payouts Posted

- (1) For wagering on historical horse races, approximate odds or payouts for each pari-mutuel pool shall be posted or made available on each terminal for viewing by patrons.

Z. Betting Explanation

- (1) Each association shall post, in conspicuous places in the designated area, a general explanation of pari-mutuel wagering offered on historical horse races and an explanation of each pari-mutuel pool offered. The explanation shall be submitted to the commission for approval prior to its posting.

AA. Wagering Terminal Historical Horse Race Display

- (1) All wagering terminals shall have video displays that clearly identify the entertaining theme, if any, being used to offer pari-mutuel wagering on historical horse racing. The video display shall make available the rules of the historical horse racing wager and the award that will be paid to the patron when the patron obtains a specific win.
- (2) All payable information, rules of play, and help screen information shall be available to a patron prior to placing a wager.
- (3) All wagering terminals shall have video displays that make available to the patron the rules of any features or interactive functions that may occur on the patron interface as part of the entertaining display of the wager and its outcome. The video displays shall:
 - i. clearly identify the entertaining theme, if any, being used to offer pari-mutuel wagering on historical horse racing;
 - ii. make the following information available to the patron:
 1. all payable information, rules of play, and help screen information;
 2. award that will be paid to the patron when the patron obtains a specific win; and
 3. the rules of any features or interactive functions that may occur as part of the entertaining display of the wager and its outcome;
 - iii. provide the race data in a reasonable manner as to not discourage patrons who wish to handicap from doing so; and
 - iv. allows the patron to compare their picks against the true order of finish.
- (4) The video display shall clearly indicate whether awards are designated in credits or currency.
- (5) All wagering terminals shall display the following information to the patron at all times the wagering terminal is available for patron wager input:
 - i. the patron's current credit balance in currency or credits;
 - ii. the current bet amount;
 - iii. the amount won for the last completed wager until the next wager starts or betting options are modified;

- iv. the patron's options selected for the last completed wager until the next wager starts or a new selection is made; and
 - v. a disclaimer stating "Malfunction Voids All Pays" or some equivalent wording approved by the commission. This may be presented as a permanent sign on the terminal.
- (6) Entertaining features that simulate bonus or free plays shall meet the following requirements:
- i. the initiation of a bonus or free play shall only be based on the result of the wager placed by the patron on the result of the historical horse race selected for the wager;
 - ii. the bonus or free play shall not require additional money to be wagered by the patron;
 - iii. the entertaining display shall make it clear to the patron that the patron is in bonus mode to avoid the possibility of the patron unknowingly leaving the wagering terminal while in a bonus mode; and
 - iv. if the bonus or free play requires an input from the patron, the terminal shall provide a means to complete the bonus or free play from a touch screen or hard button.
- (7) Electronic metering displays shall:
- i. at all times include all credits or cash available for the patron to wager or cash out unless the terminal is in an error or malfunction state. This information is not required when the patron is viewing a menu or help screen item;
 - ii. reflect the value of every prize at the end of a wager and add it to the patron's credit meter, except for handpays; and
 - iii. show the cash value collected by the patron upon a cashout unless the terminal is in an error or malfunction state. The production of a voucher containing this information shall be sufficient.
- (8) A wager is complete when the final transfer to the patron's credit meter takes place or when all credits wagered are lost.

BB. Access by Commission and Agents of the Commission

- (1) Each association shall allow the commission and the agents of the commission unrestricted access to inspect the entire premises wherein historical horse racing is being conducted at any time to ensure that the applicable rules are being followed, this shall include the unrestricted access to inspect and test any mechanical, electrical, or electronic devices thereon being utilized or capable of being utilized by the association for historical horse racing.
- (2) Subject to the authority of the executive director, the commission may at any time enter into memoranda of understanding with other racing jurisdictions to share historical horse racing investigatory findings, documents, and materials.

CC. Required Audits and Inspections

- (1) Terminals shall have the ability to allow for an independent integrity check of all software that may affect the integrity of the wagering system. The integrity check shall be performed by an independent testing laboratory approved by the commission.

- (2) The independent testing laboratory's software may be embedded within the wagering software, utilize an interface port to communicate with the terminal, or require the removal of terminal media for external verification.
- (3) Each terminal used for wagering on historical horse races shall be tested by the independent testing laboratory to ensure its integrity and proper working order. This evaluation shall include a review of installed software prior to implementation and periodically within a timeframe established by the commission.
- (4) The licensee shall pay the cost of the independent testing laboratory's review and testing, and the reports of the same shall be delivered to the licensee and the commission.
- (5) To ensure the integrity of pari-mutuel wagering and validity of the race results, the licensee shall permit an integrity auditor, selected and paid for by the commission, complete access to review and monitor the integrity, security, and operation, including all race and handicapping data used in order to detect any compromise of or anomalies that would allow a player to have an unfair advantage.
- (6) The integrity auditor shall be in a position to extract actual data and use a statistically significant portion of this data applied to quality assurance testing and assess the validity of the vendor's management reporting by cross-referencing to a body of raw source information to determine correctness. The integrity auditor shall have experience and expertise involving all components of pari-mutuel wagering and totalizator systems.
- (7) The integrity auditor will collect and provide wagering data and reports from the licensee's vendor. This shall include pari-mutuel commission and liability reports for analysis and verification of the amounts wagered, payouts, takeout, and taxes in addition to all transactional data logs and reports daily as specified by the integrity auditor.
- (8) The licensee shall provide access to the integrity auditor to conduct periodic onsite inspections and terminal audits at licensed racetracks and satellite wagering facilities with assistance from the vendor. The licensee shall notify of any adverse or unusual occurrences relating to the operation of play or payouts to the integrity auditor.

ARCI-004-105 Calculation Of Payouts And Distribution Of Pools

Part I

A. General

- (1) All permitted pari-mutuel wagering pools shall be separately and independently calculated and distributed. Takeout shall be deducted from each gross pool as stipulated by law. The remainder of the monies in the pool shall constitute the net pool for distribution as payout on winning wagers.
- (2) Either the standard or net price calculation procedure may be used to calculate single commission pools, while the net price calculation procedure must be used to calculate multicommission pools.