

DEPARTMENT OF REVENUE

Division of Gaming

SPORTS BETTING REGULATIONS

Rule 1.4 Definitions

- i. “ADDITIONAL FEE” MEANS ANY FEE, INCLUDING BUT NOT LIMITED TO MONTHLY FEES OR SIGN-UP COSTS, THAT A SPORTS BETTING OPERATOR OR AN INTERNET SPORTS BETTING OPERATOR CHARGES TO A PATRON THAT ALLOWS THE PATRON TO PLACE, BUY OR SELL WAGERS WITH THE SPORTS BETTING OPERATOR OR INTERNET SPORTS BETTING OPERATOR IN THE STATE OF COLORADO. ADDITIONAL FEES ARE PROHIBITED.
- ii. “BACK” MEANS TO WAGER ON A SELECTED OUTCOME OCCURRING (BETTING THAT AN OUTCOME WILL OCCUR) IN A GIVEN MARKET.
- iii. “COMMISSION RATE” MEANS A FEE RELATING TO PATRONS’ WAGERING ACTIVITY CHARGED TO PATRONS AND COLLECTED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR AUTHORIZED TO OFFER EXCHANGE WAGERING.
- iv. “CORRECTIVE WAGER” MEANS AN EXCHANGE WAGER PLACED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IN A GIVEN MARKET, UNDER CIRCUMSTANCES APPROVED BY THE DIRECTOR, IN ORDER TO ADDRESS THE IMPACT ON THAT MARKET OF THE CANCELLATION OR VOIDING OF A GIVEN MATCHED WAGER OR GIVEN PART OF A MATCHED WAGER.
- v. “ENTITY WAGERING” MEANS AN ENTITY OR PERSON, OTHER THAN AN INDIVIDUAL ACTING IN THEIR PERSONAL NAME WITHIN THE STATE OF COLORADO, THAT HAS FUNDS ON DEPOSIT WITH AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR BY PLACING WAGERS, AND BUYING AND SELLING WAGERS ON THE EXCHANGE.
- vi. “EXCHANGE” MEANS A SYSTEM OPERATED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IN WHICH THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR ACCEPTS, MATCHES, AND/OR CANCELS WAGERS TO BACK OR LAY OUTCOMES ON A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS.
- vii. “EXCHANGE BETS” IS A REPORTING TERM USED TO DERIVE NET SPORTS BETTING PROCEEDS, AND SHALL BE CALCULATED AS THE CUMULATIVE RISK TAKEN BY PATRONS ON A MARKET ON THE GAMING DAY ON WHICH THE MARKET IS SETTLED.
- viii. “EXCHANGE BETS PAID” IS A REPORTING TERM USED TO DERIVE NET SPORTS BETTING PROCEEDS, AND SHALL BE CALCULATED AS THE CUMULATIVE AMOUNT PAID OUT TO PATRONS ON A MARKET ON THE GAMING DAY ON WHICH THE MARKET IS SETTLED. EXCHANGE BETS PAID SHALL NOT INCLUDE ANY

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COMMISSION COLLECTED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR APPROVED TO CONDUCT EXCHANGE WAGERING.

- ix. ~~“Exchange wagers” means a form of wagering in which two or more persons place identically opposing wagers in a given market, allowing patrons to wager on both winning and non-winning outcomes in the same event.~~ “EXCHANGE WAGERS” MEANS WAGERS PLACED IN AN EXCHANGE WAGERING SYSTEM BY THOSE PRESENT IN THIS STATE ON THE RESULTS OF A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS.
- x. “EXCHANGE WAGERING” MEANS THE FORM OF WAGERING, AUTHORIZED BY THIS SECTION 7.6 (17), IN WHICH PATRONS PLACE WAGERS THAT CAN BE MATCHED BY AN EXCHANGE WAGERING SYSTEM TO BECOME BACK OR LAY WAGERS, AND WHICH WAGERING IS CONDUCTED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR APPROVED TO CONDUCT EXCHANGE WAGERING.
- xi. “EXCHANGE WAGERING SYSTEM” MEANS A SYSTEM THROUGH WHICH EXCHANGE WAGERS ARE PROCESSED.
- xii. “MARKET MAKER” MEANS AN ENTITY OR INDIVIDUAL OTHER THAN AN INDIVIDUAL ACTING IN THEIR PERSONAL NAME, WHO PARTICIPATES IN REVENUE SHARING AND PROVIDES ODDS AND LIQUIDITY TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE.
- xiii. “LAY” MEANS TO WAGER ON A SELECTED OUTCOME NOT OCCURRING (BETTING THE OUTCOME WILL NOT OCCUR) IN A GIVEN MARKET.

BASIS AND PURPOSE FOR RULE 7

The purpose of Rule 7 is to establish a Sports Betting Operations Fee to defray the cost of regulating the sports betting industry, specify the requirements regarding the certification, assessment and security of sports betting systems and kiosks, direct Sports Betting Operations to establish internal control procedures, including accounting controls, outline reporting requirements and the computation of taxes, establish geofence and sports betting account requirements, and to outline procedures for change control. The statutory basis for Rule 7 is found in sections 44-30-102, C.R.S., 44-30-201, C.R.S., 44-30-202, C.R.S., 44-30-203, C.R.S., 44-30-302, C.R.S., 44-30-503, C.R.S., 44-30-510, C.R.S., 44-30-528, C.R.S., 44-30-833, C.R.S., 44-30-1501, C.R.S, and part 15 of article 30 of title 44, C.R.S.

RULE 7 REQUIREMENTS OF SPORTS BETTING OPERATIONS

Rule 7.6 Sport betting system requirements.

~~(15) — Layoff wagers.~~

~~Sports Betting Operations shall be permitted to place and accept layoff wagers. A layoff wager shall be defined as a wager placed by a Sports Betting Operation with another Sports Betting Operation for the purpose of offsetting patron wagers. Such wagers shall be reported to the Division.~~

~~(15) ENTITY WAGERING.~~

~~ENTITY WAGERING IS NOT PERMITTED. INTERNET SPORTS BETTING OPERATORS AND SPORTS BETTING OPERATORS SHALL ONLY ACCEPT WAGERS FROM INDIVIDUALS, NOT INCLUDING INDIVIDUALS ACTING ON BEHALF OF ENTITIES.~~

~~(17) — Exchange wagers.~~

~~Prior to accepting exchange wagers a sports betting operation must obtain approval from the Commission.~~

7.13 EXCHANGE WAGERS.

THE RULES IN THIS SECTION 7.13 ARE APPLICABLE ONLY TO EXCHANGE WAGERING. THIS SECTION, IN ADDITION TO ALL APPLICABLE SPORT BETTING RULES, SHALL BE APPLICABLE TO ALL PERSONS LICENSED AND APPROVED BY THE COMMISSION IN CONNECTION WITH EXCHANGE WAGERING, AND EVERY PATRON AND ACCOUNT HOLDER OF THE EXCHANGE WAGERING SYSTEM.

(1) THE FOLLOWING WORDS AND TERMS, WHEN USED IN THIS SECTION 7.13, SHALL HAVE THE FOLLOWING MEANINGS, UNLESS THE CONTEXT CLEARLY INDICATES OTHERWISE:

- (a) "MARKET" MEANS, IN RELATION TO THE RESULTS OF A SPORTING EVENT, SET OF SPORTING EVENTS, OR OUTCOMES THAT OCCUR DURING THE PLAYING OF A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS, A PARTICULAR OUTCOME THAT IS SUBJECT TO EXCHANGE WAGERING AS DETERMINED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR.

- (b) "PRICE" MEANS THE ODDS FOR A GIVEN EXCHANGE WAGER.
- (2) THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL GIVE EACH PATRON THE OPTION TO HAVE THE LIQUIDITY AT THE BEST AVAILABLE PRICE FOR EXCHANGE WAGERING ON A MARKET BE CLEARLY DISPLAYED TO THAT PATRON WITHIN THE SPORTS BETTING SYSTEM.
- (3) FOR THE PURPOSES OF EXCHANGE WAGERING, WHEN CALCULATING NET SPORTS BETTING PROCEEDS PURSUANT TO RULE 1.4 (XX), 'EXCHANGE BETS' SHALL EQUAL TOTAL AMOUNT OF ALL BETS PLACED BY PLAYERS AND 'EXCHANGE BETS PAID' SHALL EQUAL ALL PAYMENTS TO PLAYERS.
- (4) WHERE A RESETTLEMENT OF AN EXCHANGE WAGER OCCURS, THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IS RESPONSIBLE FOR PAYING THE WINNING WAGER REGARDLESS OF THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR'S ABILITY TO RECOVER FUNDS FOR THE LOSING WAGER.
- (5) IF AN ERROR OCCURS IN THE PAYMENT OF AMOUNTS OF EXCHANGE WAGERS, REGARDLESS OF CAUSE, THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR OFFERING EXCHANGE WAGERING SHALL BE RESPONSIBLE FOR SUCH OVERPAYMENT OR UNDERPAYMENT.
- (6) MARKET MAKER
- (a) A MARKET MAKER MUST POSSESS A VENDOR MAJOR LICENSE PRIOR TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR POSTING WAGERS ON BEHALF OF THE MARKET MAKER.
- (b) ANY REVENUE DERIVED FROM A MARKET MAKER FACILITATING THE PLACING OF, BUYING OF, OR SELLING OF WAGERS THROUGH PROVIDING ODDS AND LIQUIDITY TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE MUST BE COLLECTED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR, AND CONSTITUTES NET SPORTS BETTING PROCEEDS. ANY REVENUE SHARING PAYMENTS TO A MARKET MAKER BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DO NOT CONSTITUTE PAYMENTS TO PLAYERS AND DO NOT FACTOR INTO THE CALCULATION OF NET SPORTS BETTING PROCEEDS.
- (c) A SPORTS BETTING OPERATOR AND INTERNET SPORTS BETTING OPERATOR MUST CLEARLY DISCLOSE THE PRESENCE OF WAGERS FOR SALE OR FOR PURCHASE BY A MARKET MAKER THROUGH THE EXCHANGE IN A MANNER APPROVED BY THE DIRECTOR OR THE DIRECTOR'S DESIGNEE.
- (7) THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR OFFERING EXCHANGE WAGERING MAY CANCEL AN UNMATCHED WAGER AT ANY TIME, WITHOUT CAUSE, BEFORE IT IS MATCHED TO FORM A BACK OR LAY WAGER.
- (8) A PATRON WHO OFFERS AN UNMATCHED WAGER MAY CANCEL THAT UNMATCHED WAGER AT ANY TIME, WITHOUT CAUSE, BEFORE IT IS MATCHED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR TO FORM ONE OR MORE IDENTICALLY OPPOSING WAGERS. HOWEVER, THE SUSPECTED ABUSE OF THIS CANCELLATION PRIVILEGE BY A PATRON, INCLUDING, BUT NOT LIMITED TO, WHERE ANY SUCH CANCELLATION IS MADE PURSUANT TO OR IN FURTHERANCE OF FRAUDULENT ACTIVITY OR WHERE THE FREQUENCY OF SUCH CANCELLATIONS IS DETERMINED BY THE INTERNET SPORTS

BETTING OPERATOR OR SPORTS BETTING OPERATOR TO NEGATIVELY IMPACT THE EXCHANGE OR ANY GIVEN MARKET, SHALL SERVE AS A BASIS FOR THE CLOSURE OR SUSPENSION OF THE EXCHANGE WAGERING ACCOUNT.

- (9) NOTHING CONTAINED IN THIS SECTION SHALL BE INTERPRETED TO PRECLUDE THE DIRECTOR FROM ORDERING THAT AN APPROVED MARKET, OR PREVIOUSLY APPROVED MARKET, BE DISCONTINUED BECAUSE THE SPORTING EVENT HAS BEEN REMOVED FROM THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS, THERE ARE ISSUES WITH THE INTEGRITY OF A MARKET, OR WHERE THE CONTINUANCE THEREOF WOULD BE INCONSISTENT WITH THE EXCHANGE WAGERING SYSTEM, INCLUDING ITS WAGERING AND TECHNOLOGICAL RELIABILITY ASPECTS.
- (10) IN THE EVENT OF A TECHNOLOGICAL BREAKDOWN ASSOCIATED WITH THE EXCHANGE WAGERING SYSTEM, WHICH RENDERS THE EXCHANGE WAGERING SYSTEM NON-FUNCTIONAL, AND WHERE THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DETERMINES THAT THE NATURE AND DEGREE OF THE TECHNOLOGICAL BREAKDOWN DOES NOT REQUIRE A SUSPENSION OR VOIDING OF THE MARKET, THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL:
- (a) CAUSE ALL BACK AND LAY WAGERS, AS OF THE TIME OF THE FAILURE, TO REMAIN, AND TO BE PAID IN ACCORDANCE WITH THE ESTABLISHED PRICE FOR SUCH WAGERS AND THE CALCULATION OF 'EXCHANGE BETS' AND 'EXCHANGE BETS PAID' DEFINITIONS AND THE INTERNAL CONTROL PROCEDURES OF THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR APPLICABLE TO BACK AND LAY WAGERS; AND,
 - (b) CAUSE ALL UNMATCHED WAGERS TO BE CANCELED.
 - (c) IN THE EVENT THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR ACTS PURSUANT TO THIS SECTION, IT SHALL PROMPTLY FILE WITH THE DIVISION A WRITTEN REPORT DETAILING THE ACTION TAKEN AND THE REASONS IN SUPPORT OF SUCH ACTION.
- (11) THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAY SUSPEND A MARKET ON ITS OWN ACCORD AND AT ANY TIME, FOR GOOD CAUSE. FOR THE PURPOSES OF THIS SECTION, GOOD CAUSE SHALL EXIST WHERE: THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR HAS REASONABLE CAUSE TO SUSPECT THAT FRAUD OR ANY OTHER ACTION OR INACTION BY ANY NATURAL PERSON CONNECTED WITH THE SPORTING EVENT RAISES QUESTIONS ABOUT THE INTEGRITY AND FAIRNESS OF THE MARKET; THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR HAS REASONABLE CAUSE TO CONCLUDE THAT A MATERIAL TECHNOLOGICAL BREAKDOWN ASSOCIATED WITH THE EXCHANGE WAGERING SYSTEM EXISTS OR HAS ARISEN, WHICH TECHNOLOGICAL BREAKDOWN IS OF SUCH MAGNITUDE THAT THE IMPLEMENTATION OF THE EXCHANGE WAGERING SYSTEM'S BREAKDOWN PROCEDURE AS SET FORTH IN 7.6 (17) (M) WOULD BE INADEQUATE. THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAY ALSO SUSPEND A MARKET FOR OTHER REASONS WHERE THE OPERATOR IMMEDIATELY CONTACTS THE DIRECTOR AND CAN DEMONSTRATE TO THE SATISFACTION OF THE DIRECTOR THAT A FAILURE TO SUSPEND A MARKET WILL LIKELY NEGATIVELY IMPACT THE INTEGRITY OF THE EXCHANGE WAGERING SYSTEM.
- (12) IN THE EVENT THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SUSPENDS A MARKET PURSUANT TO 7.6 (17) (N) ABOVE, IT SHALL IMMEDIATELY NOTIFY THE DIRECTOR OF SUCH ACTION IN WRITING, BY ELECTRONIC MAIL. IN ADDITION, THE INTERNET SPORTS BETTING OPERATOR OR

SPORTS BETTING OPERATOR SHALL PROMPTLY FILE A WRITTEN REPORT TO THE DIRECTOR WHICH, AT A MINIMUM, IDENTIFIES:

- (a) THE MARKET SUSPENDED;
 - (b) THE DATE AND TIME OF THE SUSPENSION;
 - (c) THE REASON FOR THE MARKET SUSPENSION, THE REASONS WHY THE IMPLEMENTATION OF THE PROCEDURE SET FORTH IN 7.6 (17) (N) WOULD HAVE BEEN INSUFFICIENT;
 - (d) THE RESULTS OF THE RELATED DUE DILIGENCE INVESTIGATION CONDUCTED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR; AND
 - (e) A PROPOSAL FOR SETTLING THE MARKET.
 - (f) UPON SATISFACTORY REVIEW AND WRITTEN AUTHORIZATION FROM THE DIRECTOR, THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL SETTLE THE MARKET.
- (13) AN ENTIRE MARKET MAY ONLY BE VOIDED UPON APPLICATION TO THE DIRECTOR WHERE THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DEMONSTRATES TO THE SATISFACTION OF THE DIRECTOR THAT A MATERIAL AND IRREPARABLE TECHNOLOGICAL BREAKDOWN OF THE EXCHANGE WAGERING SYSTEM OCCURRED AND THAT, DUE TO THE NATURE THEREOF AND CIRCUMSTANCES PRESENT, IT WOULD PROVE INSUFFICIENT FOR THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR TO IMPLEMENT THE PROCEDURE SET FORTH IN EITHER 7.6 (N), OR IN (O) OR (P) ABOVE. IN APPROVING ANY SUCH APPLICATION, THE DIRECTOR MAY IMPOSE REASONABLE AND NECESSARY CONDITIONS TO ENSURE THE INTEGRITY OF THE EXCHANGE WAGERING SYSTEM.
- (14) EXCEPT AS PROVIDED IN (I) BELOW, ONCE AN UNMATCHED WAGER IS CONFIRMED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR AS HAVING BEEN MATCHED TO FORM A BACK OR A LAY WAGER IN A GIVEN MARKET ON THE EXCHANGE, SUCH MATCHED WAGER SHALL BE FINAL AND SHALL NOT BE CANCELED.
- (a) THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL ONLY CANCEL A MATCHED WAGER, OR PART OF A MATCHED WAGER, IF SUCH CANCELLATION IS ORDERED BY THE DIRECTOR OR, WHERE IN ITS SOLE DISCRETION, THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DETERMINES THAT:
 - (i) THERE IS A TECHNOLOGICAL FAILURE OF THE EXCHANGE WAGERING SYSTEM AND THE ENTIRE MARKET, WITHIN WHICH THE EXCHANGE WAGER WAS MADE, MUST AS A RESULT BE VOIDED IN ACCORDANCE WITH 7.6 (17) (N);
 - (ii) THERE IS GOOD CAUSE TO SUSPECT THAT A PERSON PLACING A WAGER THROUGH THE EXCHANGE WAGERING SYSTEM HAS ACTED IN VIOLATION OF THE TERMS AND CONDITIONS ENTERED INTO WITH THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR AT THE TIME SUCH PERSON'S EXCHANGE WAGERING ACCOUNT WAS ESTABLISHED, OR AT THE TIME THE TERMS THEREOF WERE AMENDED;
 - (iii) IT IS IN THE INTEREST OF MAINTAINING THE INTEGRITY AND FAIRNESS IN A PARTICULAR MARKET; OR,

- (iv) HUMAN ERROR, BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR, OCCURRED IN THE RECORDING OF THE EXCHANGE WAGER.
- (b) IN THE EVENT THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR CANCELS A BACK OR A LAY WAGER AS AUTHORIZED BY THIS SECTION, THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL PROMPTLY SUBMIT A WRITTEN REPORT DETAILING THE ACTION TAKEN AND THE REASONS IN SUPPORT OF SUCH ACTION TO THE DIVISION.

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