



OFICINA DEL COMISIONADO
DE INSTITUCIONES FINANCIERAS

OCIF

GOBIERNO DE PUERTO RICO

DRAFT

**SPORTS BETTING REGULATIONS
OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS**

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**SPORTS BETTING REGULATIONS
OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS**

ARTICLE 1. GENERAL PROVISIONS

Section 1.1. Title

These Regulations will be known as the "OCIF Sports Betting Regulations".

Section 1.2. Legal basis

These Regulations are promulgated by virtue of the authority vested in the Office of the Commissioner of Financial Institutions, (hereinafter referred to as "OCIF"), by the following laws:

- (a) Act No. 4 of October 11, 1985, as amended, known as the "Office of the Commissioner of Financial Institutions Act" (hereinafter "Act No. 4") including such laws as may subsequently be adopted to amend or replace it;
- (b) Act No. 81-2019, as amended, known as the "Government of Puerto Rico Gaming Commission Act", (hereinafter, "Act No. 81-2019") including laws that are subsequently adopted to amend or replace it; and
- (c) Act No. 38-2017, as amended, known as the "Uniform Administrative Procedure Act of the Government of Puerto Rico" (hereinafter, "Act No. 38-2017") including laws that are subsequently adopted to amend or replace it.

Section 1.3. Purpose

This Regulation is intended to implement the provisions of Law No. 81-2019. In addition, it has the purpose of establishing the rules and regulations relating to Betting on Sports Events and Electronic Gaming Leagues (such as "eSPORTS"), including, but not limited to Special Events and Virtual Events, as supervised and supervised by the OCIF, to, among other things, verify compliance with Law No. 81-2019, in the betting lines that are authorized by said law. Thus, in addition to the inspection through examinations and monitoring of this industry, the OCIF is empowered, among other things, to carry out examinations and investigations, as well as to develop tools and processes to prevent and

identify money laundering and/or any other violation of the state and federal legal framework related to the activities authorized in Law No. 81-2019.

With this Regulation, the OCIF seeks to make more effective the inspection and supervision of the activities authorized in Law No. 81-2019, in accordance with the framework of powers that have been granted to it. Likewise, it allows the Concessionaires a more efficient management of the provisions contained herein and therefore their faithful compliance.

In line with the above, the OCIF certifies that the approval and implementation of this Regulation does not have any additional fiscal impact for the OCIF, or for the public in general. An analysis of the cost-benefit of the Regulation shows that its adoption is a requirement imposed by law and does not imply greater costs for the treasury, nor for the citizenry.

Section 1.4. Scope and applicability

The provisions of these Regulations shall apply to all Concessionaires, for all purposes, including, but not limited to, the supervision, supervision and regulation within the authority and competence granted to the OCIF by Law No. 81-2019.

These Regulations shall also apply to OCIF-licensed Gaming Rooms that have or intend to obtain a license to offer Betting on Sports Events and Electronic Gaming Leagues (such as "eSPORTS") including, but not limited to, Online Multiplayer Battles (MOBAs), Sports Games, Racing, Real-Time Strategies (RTS, Special Events (group face-to-face, individual face-to-face), Virtual Events and any other event that is classified as an eSPORTS.

Section 1.5. Obligations and duties

It shall be the responsibility of the Concessionaire to establish and supervise the implementation of the necessary measures to ensure strict compliance with all the provisions of these Regulations, as well as with all those regulations, rules, administrative orders, circular letters, resolutions and/or determinations that the Commissioner promulgates on the operation or operations of the activities authorized in Law No. 81-2019. In addition, it will be the responsibility of all Concessionaires to comply with those

laws, regulations, rules, administrative orders, circular letters, guides, resolutions and/or determinations, both state and federal, as applicable. Failure by the Concessionaire to comply with this obligation may entail, among other measures, the imposition of fines and/or penalties.

Section 1.6. Rules of interpretation

The provisions of these Regulations shall be interpreted liberally in order to allow the OCIF to carry out its functions and to ensure that all the purposes of Law No. 81-2019 and these Regulations are achieved. In special cases and for just cause, the OCIF may relax or allow deviations from the provisions of these Regulations when their strict and liberal compliance defeats their purpose.

The OCIF may, at its discretion, make partial or total enforcement determinations for Betting on Sports Events and Electronic Gaming Leagues (such as "eSPORTS") including, but not limited to, Online Multiplayer Battles (MOBAs), Sports Games, Racing, Real-Time Strategies (RTS), Special Events (group face-to-face, individual face-to-face), Virtual Events and any other that is classified as eSPORTS in other jurisdictions, when it results in a benefit for said industry in Puerto Rico.

ARTICLE 2. DEFINITIONS

Section 2.1. Rule

All definitions included in Law No. 81-2019, and in Regulation No. 9316 of October 20, 2021, known as the "Puerto Rico Sports Betting Regulations" issued by the Puerto Rico Gaming Commission, are adopted and incorporated into these Regulations. Provided that, if there are discrepancies between the definitions of the Puerto Rico Sports Betting Regulations and those of these Regulations, the definitions of these Regulations shall prevail.

Section 2.2. Words and terms

When interpreting the provisions of these Regulations, except where expressly stated, or the context clearly indicates otherwise, words conjugated in the present tense shall be

understood to include the future; words used in their masculine form will include the feminine; and words in the singular will include the plural and vice versa.

Section 2.3. Specific definitions

The following terms shall have the meanings set out below:

- (a) **AMLA:** Refers to the federal law entitled "William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021" ("NDAA"), which included the federal law entitled "Anti-Money Laundering Act of 2020" and within the "Anti-Money Laundering Act of 2020" included the federal law entitled "Corporate Transparency Act" ("CTA"). These laws are intended to modernize and simplify the anti-money laundering ("AML") regime in the United States. The AMLA may be referred to to include the entirety of such law, including laws that are subsequently adopted to amend or replace it.
- (b) **Commission:** The Puerto Rico Gaming Commission.
- (c) **Commissioner:** The Commissioner of Financial Institutions of Puerto Rico.
- (d) **Concessionaire:** Person authorized by the Commission to have a license related to the activities that are authorized in Law No. 81-2019, in the Puerto Rico Sports Betting Regulations and these Regulations. It includes, but is not limited to, Operators, Satellites and/or any person wholly or partially engaged in the activities authorized by Law No. 81-2019.
- (e) **Day:** These are calendar days, except in those cases in which otherwise expressly provided. Any provision of these Regulations that requires that an act or an event occur on a specific day or date, and such day or date happens to be a Saturday, Sunday or official holiday in Puerto Rico, such provision shall be understood to refer to the next business day following such day or date. When the period granted is less than seven (7) days, Saturdays, Sundays, and official holidays in Puerto Rico, within said period, will be excluded from the calculation. A half-day holiday and/or government shutdown order will be considered an official holiday in its entirety.

- (f) **Examination:** These are the inspections, investigations, audits, examinations or studies carried out by the OCIF on the Concessionaires, to verify, among other things, compliance with applicable state and federal laws and regulations. This, as part of the supervision and inspection powers of the OCIF granted by Law No. 4, Law No. 81-2019 and these Regulations.
- (g) **Examiner or Investigator:** Persons whose functions are, among others, to conduct examinations of Concessionaires, in accordance with the provisions of Law No. 4, Law No. 81-2019 and these Regulations.
- (h) **Signature:** Sign or writing in manuscript or electronic, usually formed by name and surname, that a person puts on a writing or document to identify themselves, authorize the document, express that they approve of its content, etc.
- (i) **Examination Report:** The document containing, among other things, the indications arising from the OCIF's inspection and supervision through the examinations it conducts on each Concessionaire, in accordance with Law No. 4, Law No. 81 and these Regulations.
- (j) **Books and Records:** Any book, record, information or document relating to, prepared in or produced by, the operation of Sports Betting and Electronic Gaming Leagues (such as "eSPORTS") including, but not limited to Special Events and Virtual Events; or services provided in the course of business regardless of the medium in which the record is produced or maintained whether in paper or electronic form. It shall include, but is not limited to, all forms, reports, accounting records, general ledgers, accounts, subledgers, computer-created information, files, correspondence and personnel records.
- (k) **OCIF:** Office of the Commissioner of Financial Institutions.
- (l) **OFAC:** Office of Foreign Assets Control (OFAC).
- (m) **Order or Resolution:** Any decision or action of the OCIF of particular application in which rights or obligations are granted in one or more specific matters or in which administrative sanctions or penalties are imposed.

- (n) **Person:** Means any natural or legal person, including, but not limited to, individuals, partnerships, corporations, trusts, or any other entity.
- (o) **Regulation:** Shall mean these Regulations, including any regulations subsequently adopted to amend them.
- (p) **Puerto Rico Sports Betting Regulations:** Regulation No. 9316 of October 20, 2021, known as the "Puerto Rico Sports Betting Regulations", including any regulations that are subsequently adopted to amend or replace them.
- (q) **OCIF Adjudicative Procedures Regulations:** Regulation No. 9551 of April 11, 2024, known as the "Adjudicative Procedures Regulations of the Office of the Commissioner of Financial Institutions," including any regulations that may subsequently be adopted to amend or replace them.
- (r) **"SOP's" or "Standard Operating Procedures":** It is the document prepared by each Concessionaire and reviewed by the Commission in which the procedure to be followed to comply with the objectives established by the internal controls and how the controls will be implemented is detailed. It includes processes that may be proprietary by nature, as different Concessionaires may establish different procedures to implement controls.

ARTICLE 3. NOTIFICATION

Section 3.1. License Notification

Any Concessionaire that obtains a license under Law No. 81-2019, must send to the OCIF a copy of the license issued by the Commission within a term of no more than five (5) days from the date on which the Commission has issued the license. In addition, within the terms described above, you must notify the OCIF in writing of the following information:

- (a) The name, physical and postal address, telephone number and email of the Concessionaire, as well as the contact person, telephone number and email address of the Concessionaire;

- (b) Specify if it has any authorized and licensed place as a Point of Sale or Satellite. In these cases, it must include the physical address with the location for each Point of Sale or Satellite, as well as the contact person, telephone number and email of the same;
- (c) Date of commencement of operations of the Concessionaire and, if applicable, of the Point of Sale or Satellite;
- (d) Copy of SOPs; and
- (e) Copy of the Multijurisdictional Personal History Disclosure Form.

Section 3.2. Transitional measures

Any Concessionaire that has obtained a license from the Commission prior to the approval of these Regulations shall have a period of thirty (30) days after the approval of these Regulations to send to the OCIF the information and/or documentation required in Section 3.1 of this Article.

Section 3.3. Sending License Notification

The information to be provided as required in this Article will be sent to the following email: apuestasdeportivas@ocif.pr.gov. The OCIF may modify or update the method of receipt of licence notifications when it deems it necessary, by means of an order or circular letter.

ARTICLE 4. ORGANIZATIONAL STRUCTURE

Section 4.1. In general

- (a) Each Concessionaire must notify the OCIF of its organizational structure within five (5) days after it has been approved by the Commission. If any change is approved by the Commission, the Concessionaire must notify the OCIF within five (5) days after its approval. The notification will be sent to the following email: apuestasdeportivas@ocif.pr.gov. The OCIF may modify or update the method of receipt of notifications when it deems it necessary, by means of a circular letter or order.

(b) The Concessionaire must comply with the minimum requirements to guarantee the adjudication of responsibility or omission of the personnel; the separation of incompatible functions; controls to prevent errors or fraud; the authorization or supervision of any necessary transaction at all relevant times; and must also contain the distribution of functions for the following areas individually, as shown below:

- | | |
|---------------------|--------------------------------|
| 1. Supervision | 6. Compliance |
| 2. Accounting | 7. Information Technology (IT) |
| 3. Internal Audit | 8. Safety |
| 4. Customer Service | 9. Vigilance |
| 5. Sports Betting | 10. Main Box |

Section 4.2. Rules for Employees and Service Providers

The Concessionaire shall notify the OCIF of any authorization from the Commission on dual-function licenses. The notification shall be made within a period of no more than five (5) days from the date on which the Commission has issued the authorization. The notification will be sent to the following email: apuestasdeportivas@ocif.pr.gov. The OCIF may modify or update the method of receipt of notifications when it deems it necessary, by means of a circular letter or order.

In addition, upon request by OCIF, Grantee shall provide the master list of employees, and permanently licensed or temporary licensed companies or service providers, as well as a copy of prohibited or exempted companies or suppliers.

Section 4.3. Transitional measures

Any Dealer that has been licensed by the Commission prior to the approval of these Regulations, it will have a term of thirty (30) days after the approval of these Regulations to send to the OCIF the information and/or documentation required in this Article to the following email: apuestasdeportivas@ocif.pr.gov. The OCIF may modify or update the method of receipt of notifications when it deems it necessary, by means of a circular letter or order.

ARTICLE 5. SYSTEM OF INTERNAL CONTROLS

In addition to the notification of the license, the Concessionaire will send to the OCIF the SOPs that include the internal control system implemented or a description of those that will be implemented.

(a) The system of internal controls developed by the Concessionaire shall be designed to ensure, inter alia, the following:

1. Record transactions in compliance with Generally Accepted Accounting Principles (GAAP) which sets forth the principles of Costs, Revenues, Matching and Disclosure, so as to allow for proper accounting of revenues and rights for Sports Betting and/or Electronic Gaming Leagues, as well as accounting responsibility for assets;
2. Compare, at reasonable intervals, the accounting records of assets with existing assets and that action be taken in case of any discrepancies;
3. Separate functions so that tasks can be divided so that a single person does not have sole or excessive control and then misuse that control for unauthorized purposes such as fraud or embezzlement, duties and responsibilities that must be performed by competent and qualified personnel. The organizational chart showing such separation must be included in the SOPs;
4. Have available at all times the records related to the identity, age and location of the players;
5. The OCIF will determine whether the Concessionaire's internal control systems, contained in the SOPs or any other document, meet the minimum standards contained in these Regulations;
6. Each Concessionaire shall make available to the OCIF its system of internal controls, received and reviewed by the Commission, when requested;

7. It is the responsibility of the Concessionaire to approve, review and ensure that internal controls are appropriate and comply with all requirements established by law and regulation.

(b) The Concessionaire must specify in its internal controls what functions, if any, are performed by a service provider. The Grantee remains responsible for the proper design and operational effectiveness of all required internal controls, regardless of who performs the function.

(c) Grantee shall submit to OCIF the notices it sends to the Commission of any anticipated change in its internal controls system at least thirty (30) days prior to such change becoming effective, unless otherwise directed by the Commission or in extraordinary circumstances, Grantee deems it necessary to implement the change immediately, in which case it will send the notification immediately to put it into force together with the reasons that justified its immediate implementation. The notification will be sent to the following email: apuestasdeportivas@ocif.pr.gov. The OCIF may modify or update the method of receipt of notifications when it deems it necessary, by means of a circular letter or order.

ARTICLE 6. DUTY TO INFORM

Each Concessionaire has an ongoing duty to disclose any material changes in its operation or business activity. The Concessionaire must disclose to the OCIF, without limitation, any changes in the information submitted to the OCIF, the modifications, the information provided to the competitors and/or players. The notification will be sent to the following email: apuestasdeportivas@ocif.pr.gov. The OCIF may modify or update the method of receipt of notifications when it deems it necessary, by means of a circular letter or order

ARTICLE 7. SPORTS BETTING CONTROL

- (a) All Concessionaires shall be subject to inspection and supervision by the OCIF which, through any of its representatives or employees, may carry out examinations in accordance with the powers granted to it by Law No. 4, Law No. 81-2019 and these Regulations.
- (b) If OCIF decides to conduct an examination, it may do so with OCIF staff and/or an auditor hired for that purpose. The scope of the examination shall be determined by the OCIF and, in the exercise of its discretion, may modify the examination at any time. In addition, the OCIF, in the exercise of its discretion, may reopen any exam that has been completed.
- (c) All Concessionaires shall make available to the OCIF the physical facilities or services that it deems necessary to adequately supervise and supervise the activities authorized by Law No. 81-2019. In addition, it will provide the OCIF, or its representatives or employees, with all the information requested by them in any requirement and/or examination related to the implementation of Law No. 81-2019 and these Regulations.
- (d) Among the objectives of the OCIF when performing these exams are, among others, the following:
1. Determine whether the internal control systems meet the minimum standards of internal control established in Law No. 81-2019 and in these Regulations;
 2. Determine whether it maintains a *Bank Secrecy Act* (BSA) program that includes reporting on both monetary transactions and suspicious activity;
 3. Determine whether it maintains an OFAC compliance-related program;
 4. Collect information on deposits and total wagering annually;
 5. Determine whether it complies with the requirements set forth in these Regulations, as well as any state or federal laws, circular letters, regulations, rules, or orders issued related to the activities authorized in such law;

6. Review that they comply with generally accepted accounting principles and established cybersecurity programs;
 7. Any authorized location will allow examiners to access and/or examine books and records related to vouchers, tickets, and any other information used to calculate or verify adjusted gross receipts;
 8. The OCIF may make referrals to other state or federal agencies when it finds non-compliance with Law No. 81-2019, the Puerto Rico Sports Betting Regulations, with any provision of these Regulations, as well as with any other applicable state or federal law or regulation.
- (e) After the examination has been carried out, the OCIF shall deliver to the Concessionaire an Examination Report containing the indications or results thereof.
- (f) In the event that the Examination Report contains indications, the Concessionaire shall prepare a written response regarding each indication contained in the Examination Report that the OCIF notifies you of it. In it, it shall indicate what corrective measures it has taken or will take with respect to each indication and shall include evidence that supports them. Such a written response shall be submitted within thirty (30) days from the date of notification of the Review Report. This is unless, at the written request of the Concessionaire, the OCIF in its sole discretion grants an extension. The presentation of corrective measures does not exempt the Concessionaire from the possible imposition of fines for having incurred in such indications. After considering the response submitted by the Concessionaire regarding the Examination Report, the OCIF will issue its Final Examination Report together with a Resolution or Order of the Commissioner which will contain the corresponding remedies and warnings to request reconsideration of the same.

ARTICLE 8. BOOKS AND RECORDS

Section 8.1. Books and records

The Concessionaire shall keep and keep available for inspection by the OCIF its books and records of the operations it carries out. Books and records shall be kept up to date and kept in their faithful and exact condition.

Section 8.2. Form and access to books and records

- (a) The Commissioner, or designee, may, at any time, conduct examinations without prior notice, to review and inspect the activities of the Concessionaire as authorized in Act No. 81-2019. It may also require that any book or record subject to the Commissioner's inspection be submitted to the OCIF to determine whether it has complied with applicable laws or regulations.
- (b) Licensee shall make available to the Commissioner, for inspection, all books and records in its possession or that of a third party that has information related to its business in Sports Betting and/or Electronic Gaming Leagues (such as "eSPORTS") including, but not limited to Special Events and Virtual Events, or that lead to information related to its business as a Licensee.
- (c) All such books and records which are not in the immediate possession of the Grantee, but which the Grantee could obtain, shall be obtained and submitted to the Commissioner or the person designated by the Grantee, within two (2) days of being requested. Upon the Commissioner's request, the Grantee may request an extension of no more than three (3) days to make available to the OCIF any book, record and document relating to the Grantee's operations. It is provided that, depending on the circumstances of each case, the OCIF will have full discretion to grant or not the extension.
- (d) If Grantee refuses to produce any document and/or information under the claim that it is covered by a privilege, Grantee shall identify in detail the document and/or information of a privileged nature claimed, and the specific privilege invoked with respect to each item in the document. A claim of privilege does not

excuse a Grantee from maintaining the books and records required by these Regulations.

Section 8.3. Electronic storage allowed

- (a) The books and records required by this Article 8 to be maintained and retained may be maintained and retained for the period of time required by or on behalf of Grantee through electronic storage means, including any digital storage or data processing means or systems.
- (b) The Grantee and/or the Person who maintains and retains the records in the name of the Grantee shall comply with the following:
 - 1. Prepare an index or tabulate records in such a way as to allow easy locating, access, and retrieval of any particular record;
 - 2. Provide the OCIF, within two (2) days of being requested, any of the following:
 - (i) A legible, reliable and complete copy of the record in the medium and format in which it is stored;
 - (ii) A legible, reliable and complete form of the record; and
 - (iii) Means to access, view and print records.

Upon the Commissioner's request, the Grantee may request an extension of no more than three (3) days to make available to the OCIF any book, record and document relating to the Grantee's operations. It is provided that, depending on the circumstances of each case, the OCIF will have full discretion to grant or not the extension.

- (c) Special requirements for electronic storage media. In the case of books and records that are kept on electronic storage media, the Concessionaire and/or the person who maintains and preserves such books and records, shall establish and maintain procedures:

1. To maintain and preserve books and records so that they are reasonably protected from loss, alteration, or destruction;
2. To limit access to books and records to persons duly authorized by the Concessionaire;
3. To reasonably ensure that any reproduction on an electronic storage medium of any book and/or record that was originally not electronic is complete, reliable and legible when retrieved; and
4. To notify customers in the event of a data breach in compliance with Law No. 111-2005, as amended, known as the "Law on Information to Citizens on the Security of Information Banks", including any other law that amends or replaces it.

Section 8.4. Keeping books and records

- (a) The following original books, records, or reports shall be retained for a minimum of five (5) years from the date of creation:
 1. Sports betting reports;
 2. Documentation accrediting the calculation of income from sports betting;
 3. Internal audit documentation and reports;
 4. All other books and records relating to the operation of sports betting containing the original signature attesting to the accuracy of the sports betting transaction; and
 5. Notwithstanding anything to the contrary, each accounting record as described in Section 10.1 of these Regulations.
- (b) All Licensees shall retain copies of all advertisements for at least five (5) years from the date of the last use of that advertisement and shall retain records sufficient to identify where such advertisements were placed. If an ad can't be kept in its original form, the ad copy will be retained.
- (c) The OCIF may, by means of a circular letter or order, add books, records or reports that must be kept for the period provided herein.

It shall be the responsibility of all Grantees to comply with applicable federal or Government of Puerto Rico laws and regulations regarding the preservation of books, records and documents. Nothing herein shall be construed as waiving Grantee from any obligation to prepare or maintain any book, record or document required by any other federal or Government of Puerto Rico governmental agency, entity, authority or agency.

ARTICLE 9. INFORMATION SECURITY

Section 9.1. Cybersecurity

(a) Each Concessionaire shall establish a cybersecurity program that includes policies and procedures designed to ensure the security, confidentiality, integrity, and availability of information systems, as well as confidential information accessible to or held by third parties. Such a cybersecurity programme shall include, at a minimum, the following:

1. identification and risk assessment of third parties with access to such information systems or such confidential information;
2. implementing policies and procedures to protect against unauthorized access or use or other malicious acts;
3. minimum cybersecurity practices that such third parties must comply with;
4. detection of cybersecurity events;
5. responsiveness to identified cybersecurity events to mitigate any negative events;
6. recovery from cybersecurity events and restoration of normal operations and services;
7. due diligence processes used to assess the adequacy of such third parties' cybersecurity practices;
8. changes in service delivery, including maintaining and improving existing information security policies, procedures, and controls, taking into account the business systems and processes involved and reassessing risks;

9. periodic evaluation, at least annually, of third parties and the continued adequacy of such parties' cybersecurity practices; and
 10. The access rights of the external service providers will be removed upon termination of the contract or agreement or adjusted upon change.
- (b) The cybersecurity program shall meet or exceed industry standards for website and payment data security, as required by the Commission.
- (c) Each Dealer shall designate a chief information security officer, who is responsible for overseeing and implementing the Dealership's cybersecurity program and enforcing such Dealership's cybersecurity program. The Chief Information Security Officer shall submit a written report to the OCIF every two (2) years or at the request of the OCIF, to:
1. assess the confidentiality, integrity and availability of information systems;
 2. detail exceptions to cybersecurity policies and procedures;
 3. identify cyber risks;
 4. evaluate the effectiveness of the cybersecurity program;
 5. propose measures to remedy any identified deficiencies; and
 6. include a summary of all significant cybersecurity events that affected the Dealership during the time period addressed by the report.

The report will be sent to the following email: apuestasdeportivas@ocif.pr.gov. The OCIF may modify or update the method of receipt of the report when it deems it necessary, by means of a circular letter or order.

- (d) Each Concessionaire shall prepare a disaster recovery plan that minimizes the loss of funds to competitors and/or players in the event that the system becomes inoperative.
- (g) The Concessionaire must maintain a Backup and Contingency Plan of all the data of the activities it carries out. Concessionaire shall make such plan available to OCIF in the event of a system failure or any other event resulting in the loss of

system data. This plan must include backup, recovery, and must be detailed enough to ensure timely restoration of data in order to resume operations following a hardware or software failure or other event resulting in data loss.

- (h) The OCIF may require the Concessionaire to adopt additional measures to correct and/or avoid deficiencies in the system.

ARTICLE 10. REPORTS AND STATEMENTS

Section 10.1. Accounting and Financial Records

- (a) Each Grantee shall maintain complete, accurate and legible accounting records that correctly record and explain all transactions relating to such Grantee's income, expenses, assets, liabilities and equity, in accordance with generally accepted accounting principles.
- (b) Accounting records maintained by the Grantee shall be maintained using a double-entry accounting system, with transactions recorded on an accumulation basis and supported by detailed ancillary records. Such ancillary records shall include, at least, each of the following:
1. detailed general ledger accounts identifying all income, expenses, assets, liabilities and equity of such Concessionaire;
 2. a record of all investments, advances, loans, and accounts receivable balances owed to such Concessionaire;
 3. a record of all loans and other accounts payable of such Grantee;
 4. a record of all accounts receivable derecognized as uncollectible by such Concessionaire;
 5. records that support the taxes applied;
 6. records required by the internal controls system of said Concessionaire;
 7. working papers supporting monthly cash accountability reconciliation; and
 8. other records that the Commission or OCIF may require.

Section 10.2. Monthly and quarterly financial reports

Each Grantee shall submit a monthly report regarding gross receipts and deposits received and made during the preceding month.

(a) Monthly Reports

1. The Concessionaires shall submit to the OCIF the monthly financial reports independent of each other, including financial and statistical data, as detailed below:
 - a. Among the information that will be contained in the reports are the adjusted gross receipts that contain the amounts of bets, prizes, cancellations, withdrawals or fees and other expenses; and
 - b. Sports betting reports indicating the total amount of bets accepted, the total amount paid for winning bets, the net amount won by the bookmaker (i.e. taxable income), and the percentage of wins in each sport (e.g. baseball, basketball, football, hockey, golf, boxing, etc.) in order to ensure the integrity of operations related to the operation of sports betting.
2. In the event of liquidation of the Concessionaire, change of business entity, or change of ownership, the OCIF may require the submission of an interim report covering the period from the date of the last report to the date on which the change in question occurs.
3. The monthly reports will be submitted to the OCIF within the first fifteen (15) days following the end of the previous month.
4. OCIF may use the information contained in such reports, among others, to evaluate the financial condition and operational performance of the Concessionaires, as well as to compile information regarding industry performance and trends.

5. The monthly financial report shall be certified as complete and accurate, and signed by an officer of the Grantee as well as the person preparing it.
6. A Grantee may, upon written request and approval from OCIF, submit an amended monthly report for any of the following reasons:
 - i. transfer of the award of a prize claimed in a subsequent month;
 - li. correct or reconcile errors, corroborated with supporting documentation, in a previous report; or
 - lii. for errors identified by another government agency or independent audit.
7. Monthly reports will be sent to the following email: apuestasdeportivas@ocif.pr.gov. The OCIF may modify or update the method of receipt of the report when it deems it necessary, by means of a circular letter or order.

(b) Quarterly Reports

1. The Concessionaires shall submit to the OCIF the quarterly financial reports that shall include, at least:
 - i. Balance *sheet*;
 - ii. Income *statement*
2. Concessionaires will submit reports for the quarters ending March 31, June 30, September 30, and December 31, before the first day of the months of May, August, November, and February, respectively.
3. Quarterly reports will be sent to the following e-mail: informesad@ocif.pr.gov. The OCIF may modify or update the method of receipt of the report when it deems it necessary, by means of a circular letter or order.

Section 10.3. Annual audited financial statements.

Each Licensee, and each of the directors of such Licensee, shall establish and maintain for the duration of the license sufficient financial stability to ensure such Licensee's ability to perform the duties and responsibilities of a Sports Betting and Electronic Gaming League Licensee.

In the event that a Grantee fails to demonstrate financial stability to the satisfaction of OCIF, OCIF may take such action as may be necessary to comply with the purposes of Act No. 81-2019 and protect the public interest, including, without limitation, conditional or temporary determinations; the establishment of an appropriate period of rectification; the imposition of reporting requirements that exceed those otherwise required by this Regulation; the requirement to maintain reasonable reserves or the establishment of dedicated or fiduciary accounts to ensure future compliance with financial stability standards; the requirement of a special audit, whose audit plan must be approved by the OCIF and carried out by an independent accounting firm at the expense of the Concessionaire; recommend to the Commission the suspension, revocation or denial of the Concessionaire's license; and any other measures that the OCIF determines appropriate in accordance with these Regulations.

For the Audited Financial Statements, the OCIF will ensure compliance with the following:

- (a) The Concessionaire shall require the services of an independent Certified Public Accountant with a valid license, who shall audit the financial statements of the Concessionaire, in accordance with generally accepted accounting principles.
- (b) The audited financial statements shall present the financial position and results of operations of the Concessionaire in accordance with generally accepted accounting principles, establishing a comparison between the current tax year and the prior tax year of each Concessionaire, in accordance with generally accepted accounting principles.

- (c) Each audited financial statement shall contain an appendix reconciling and explaining any differences between the financial reports submitted by the Concessionaire pursuant to Section 10.2 of these Regulations and the audited financial statements, resulting within the Concessionaire's taxable year. Such information shall be subject to the audit procedures required by generally accepted auditing standards and shall include the independent auditors' report on such supplementary information.
- (d) Such an appendix shall disclose, at a minimum, the consequences of any adjustment to sports betting and other net income (other than ancillary or courtesy services), total cost and total expenses, income before special items and net income.
- (e) A copy of the audited financial statements shall be submitted to the OCIF within ninety (90) days after the close of each Concessionaire's tax year.
- (f) Each Grantee shall require its Independent Certified Public Accountants to submit a written report of significant *deficiencies and material weaknesses*, as required by the *Statements on Auditing Standards* observed during the audit of the financial statements and recommendations for improvement. The Grantee shall prepare a written reaction to this report describing the corrective actions taken or envisaged and shall submit it to the OCIF no later than sixty (60) days after receipt of the report from the Independent Certified Public Accountants.
- (g) The annual audited financial statements will be sent to the following email: informesad@ocif.pr.gov. The OCIF may modify or update the method of receipt of the report when it deems it necessary, by means of a circular letter or order.

Section 10.4. Other reports

In addition to the reports required in this Article, each Concessionaire shall submit to the OCIF those reports that it requires to carry out the supervisory function required by Law No. 4 and Law No. 81-2019.

Section 10.5. Extensions

At the request of the Concessionaire, the Commissioner, in its sole discretion, may extend for such period of time as it deems reasonable, the term for rendering quarterly reports, or such other period as may be required by the OCIF under this Article.

In the specific case of the Audited Financial Statement, at the request of the Concessionaire, the Commissioner, in its sole discretion, may extend for an additional thirty (30) days, counted from the date on which the report is submitted, the term for submitting such report. Along with the extension request, the Concessionaire must submit evidence of the contracting with the external auditors and/or "*Engagement Letter*".

Any request for an extension shall be submitted to the OCIF in writing no less than five (5) days prior to the deadline established for the filing of the report with respect to which the extension is requested, and shall detail the reasons why it is not possible for the Concessionaire to submit such report within the established term. If the extension is approved, the Concessionaire will attach a copy of the extension concession with the report once it is filed.

Section 10.6. Failure to Submit

The Concessionaire who does not submit the quarterly reports and the Annual Audited Financial Statements, without first obtaining a written extension from the OCIF, will be subject to appropriate penalties for each of the reports not submitted.

ARTICLE 11. COMPLIANCE WITH LAWS RELATED TO PREVENTION OF MONEY LAUNDERING AND OTHER ACTIONS

Section 11.1. Anti-Money Laundering

- (a) Any Concessionaire licensed under the provisions of Law No. 81-2019 shall must:
1. adopt the business's policies and procedures in writing to ensure compliance with applicable state and federal laws and those that may be promulgated from time to time, including these Regulations, but not limited to: *Bank Secrecy Act* the *USA Patriot Act*, and/or the AMLA, and any regulations

promulgated thereunder, including any statutory provisions subsequently adopted to amend or replace them;

2. faithfully comply with all applicable state and federal laws and those enacted from time to time, including these Regulations, but not limited to: *Bank Secrecy Act* the *USA Patriot Act* and/or the AMLA, and any regulations promulgated thereunder, including any statutory provisions subsequently adopted to amend or replace them;
3. file reports of monetary transactions or suspicious activity, as required by the *Bank Secrecy Act* the *USA Patriot Act* and/or the AMLA;
4. implement the rules and procedures necessary in the business to comply with the regulations of, but not limited to, OFAC and the Federal Trade Commission ("FTC").

(b) Specifically, the Concessionaire shall, at least:

1. establish a system of policies, procedures and internal controls to assess the risks related to anti-money laundering present in your business, considering, among other things, the volume of bets, the range of financial services offered, the characteristics of certain transactions, the behaviours and characteristics of players and/or competitors;
2. designate a money laundering compliance officer and register the name of such officer with the OCIF;
3. conduct an independent internal and/or external audit to verify compliance and provide a copy to the OCIF;
4. train employees in reportable currency transactions and identify unusual or suspicious transactions;
5. assign a person or group of people to be responsible for day-to-day compliance; and
6. employ the use of automated programs to help ensure compliance when automated processing systems are used.

- (c) To ensure compliance with this Section, each Grantee shall submit to OCIF by June 30 of each year a statement of compliance on a form issued by OCIF, duly signed by the compliance officer or management personnel designated by the Grantee. The declaration of compliance will be sent to the following email: apuestasdeportivas@ocif.pr.gov. Nothing in this section shall relieve Grantee of any related reporting requirements under any other state or federal law.
- (d) Money laundering. In the event that the Concessionaire becomes aware of or reasonably suspects that there is a fraudulent or suspicious transaction in the operation of the Sports Betting and/or Electronic Game Leagues that may involve money laundering, or an activity similar to money laundering, it must inform the OCIF in writing, within two (2) days of the occurrence of the situation, suspicious activity. Nothing in this section shall relieve Grantee of any related reporting requirements under any other state or federal law. Such Concessionaire shall make available to OCIF any documents or access to computer systems or other data systems that OCIF may request in connection with the matter.

Section 11.2. Suspicious activity

The Concessionaire shall report to the OCIF any other suspicious activity involving the Concessionaire in the operation of the Sports Betting and/or Electronic Gaming Leagues, whether such acts are committed by the Concessionaire or by its employee or agent, or such acts are committed against the Concessionaire, including, without limitation, criminal activity, financial irresponsibility, fraud, misrepresentation, security breaches, breach of confidentiality of a player's and/or competitor's personal information or any violation of Act No. 81-2019 or these Regulations.

Section 11.3. Bribes

If any person employed by or associated with a Dealer is approached with an offer or promise of a bribe or is solicited or suggested a bribe or any improper, corrupt or fraudulent act or practice in connection with the operation of the Sports Betting and/or Electronic Gaming Leagues or with a suggestion that any betting event be conducted in a manner other than the rules and regulations of the OCIF, such person shall have a duty to

report such suggestion, offer, promise, or bribe immediately to the OCIF. Failure to comply with the notice will expose the person or persons and the Grantee associated with such person to penalties and other actions that the OCIF may take.

Section 11.4. Dishonest or illegal acts

In the event that a Dealer has knowledge or reasonably suspects that:

- i. a person has obtained a personal benefit or a benefit to another person through a dishonest or illegal act affecting the conduct or conduct of the Sports Betting or Electronic Gaming Leagues carried out by the Concessionaire; or
- ii. there has been an illegal act that has affected the Sports Betting or Electronic Gaming Leagues carried out by the Concessionaire.

The Grantee shall immediately give the OCIF written notice informing the OCIF of all known material facts about the matter and any documents or other evidence in the possession or control of the Grantee in connection with the matter.

Section 11.5. Prohibited actions

- (a) Dishonest obtaining of a benefit. No licensed or prohibited player, in connection with Sportsbook or Electronic Gaming Leagues, will dishonestly make a profit by any act, practice or plan or will dishonestly make a profit by using any device or item;
- (b) Alteration or falsification of information. Any person who knowingly alters or falsifies information recorded in any record, document, or report required under this Article, at the time of transaction or after the fact, for any purpose, including, without limitation, for the purpose of concealment, deception, or circumvention of minimum internal control procedures, may be subject to such sanctions and other actions as the OCIF may take pursuant to Act No. 4, Law No. 81-2019 or these Regulations;

ARTICLE 12. COMPLIANCE WITH OTHER LAWS

Section 12.2. Unclaimed money and other property

The Concessionaire shall comply with the provisions set forth in Act No. 36 of July 28, 1989, as amended, known as the "Abandoned or Unclaimed Money and Other Liquid Property Act" and the regulations promulgated thereunder, including any statutory provisions subsequently adopted to amend or replace them.

Section 12.3. Protocol for the prevention of financial exploitation

The Concessionaire will comply with the provisions established in Regulation No. 9368 of March 25, 2022, known as "Regulations to Establish a Protocol for the Prevention and Detection of Cases of Financial Exploitation Against Older Adults and Persons with Disabilities", including any regulations that are subsequently adopted to amend or replace it.

Section 12.4. Tax reports

The Concessionaire shall comply with all applicable tax laws and regulations, including, without limitation, laws and regulations applicable to withholding taxes and those applicable to the provision of information on winnings and withholdings to taxing authorities and players.

ARTICLE 13. COMPLIANCE, OVERSIGHT AND EXAMINATION RIGHTS

Section 13.1 Compliance Reporting

(a) OCIF may require any Grantee to engage, at the expense of such Grantee, an independent firm to review compliance with Act 81-2019 and these Regulations, or any part thereof, and report thereon to OCIF, as directed by the OCIF.

(b) Requirements for independent signature. An independent firm seeking to review a Concessionaire's compliance shall, at a minimum:

1. be independent of any Licensee or third-party provider of Sports Betting systems or Electronic Gaming Leagues;

2. be accredited by an international accreditation body to demonstrate that such signature is competent and qualified; and
3. to be able to test, evaluate, perform forensic analysis or examination, verify, certify, inspect and issue opinions on parts of the Sports Betting systems or Electronic Gaming Leagues and any component thereof or modification thereof that the OCIF deems essential to the integrity of the operation.

Section 13.2. Special supervision

- (a) In the event that OCIF determines that the integrity of Sports Betting or Electronic Gaming Leagues, or public confidence in such integrity, requires particular oversight of a Concessionaire's operations, compliance, or other activities, OCIF may require such Licensee to hire, at the Concessionaire's expense, a monitor acceptable to OCIF. If the OCIF orders the establishment of supervision, such supervision shall last for as long as the OCIF deems necessary. The terms and conditions of such supervision will be subject to OCIF review and approval. Such oversight may include oversight of all activities performed by the Grantee, as determined by OCIF. All costs and expenses of such supervision shall be paid directly by such Concessionaire.
- (b) OCIF will provide written notice to a Grantee to inform them that they will be placed under special supervision. Such notification shall include a brief description of the facts that serve as a rational basis for requiring such supervision, the scope of the supervision, the steps that the Concessionaire must take to comply with the supervision, and a description of the duration of the supervision or the conditions that must be met for the supervision to be terminated. The OCIF may, for good cause, modify the terms and conditions of such supervision at any time.
- (c) Reconsideration of the OCIF's determination. A Concessionaire may challenge the imposition of supervision by filing a reconsideration with the OCIF pursuant to Law No. 38-2017. The Grantee has the burden of proof to demonstrate whether

any basis is established to reconsider.

- (d) Termination of supervision. OCIF shall terminate supervision after the expiration of any period of time, as amended, established for such supervision or after it determines that all conditions established for termination of such supervision have been met.

Section 13.3. Exam Rights

The Commissioner is authorized to collect from each Grantee five hundred dollars (\$500.00) per examiner for each day or fraction of a day, to defray the cost related to the examinations. The Commissioner is also authorized to collect the amount of expenses incurred for subsistence, mileage, and lodging, in accordance with the rules established for officials and employees of the Government of Puerto Rico.

ARTICLE 14. CONFIDENTIALITY

Except for orders issued by OCIF, the following will not be subject to public disclosure and will be confidential:

- (a) All information, records and/or physical or electronic documents for which it has been established that they will be confidential in the Puerto Rico Sports Betting Regulations.
- (b) Books and records maintained by the Grantee shall be confidential and not subject to public disclosure unless ordered by a court.
- (c) Records provided by the Grantee to the OCIF will be kept confidential, unless ordered by a court. These records include, but are not limited to:
 - 1. Player registration;
 - 2. Security reports and network audits;
 - 3. Internal control and compliance records;
 - 4. Employee registration;
 - 5. Marketing expenses;
 - 6. Any information specifically requested for inspection by the OCIF.

- (d) The proceeds of investigations and/or examinations by the Concessionaires, carried out by OCIF examiners or their authorized agents, whether public or private, and the proceeds of any other investigations and/or examinations authorized by Act No. 4, Act No. 81-2019 and/or these Regulations, including the reports of the examiners and/or investigators and other documents obtained during such investigations and/or examinations.
- (e) All communications between OCIF and other State, Federal and/or other jurisdictional Agencies.

ARTICLE 15. REMEDIES AND SANCTIONS

Section 15.1. Administrative Procedures

The Commissioner may issue, inter alia, cease and desist orders or orders for immediate action, as well as take the administrative actions authorized by Law No. 81-2019 and Law No. 4, when he understands that Law No. 81-2019, these Regulations have been violated, are being violated, or are being attempted to be violated, or are being acted upon to the detriment of the public interest in general or of any person in particular. If a cease and desist order is issued, the person against whom it is issued may request an adjudicative hearing to be held in accordance with the provisions of the OCIF Adjudicative Procedures Regulations.

The Commissioner may refer to the Commission a report recommending that, in accordance with due process of law, the Commission suspend or revoke a license if, by reason of an examination or investigation, it finds:

- (a) fraud, deception, misrepresentation, or conduct detrimental to the public's confidence in the fairness or integrity of any interactive sports contest;
- (b) violation of OCIF instructions or directives in accordance with the law;
- (c) failure to file any report, retain records, or pay any fines or regulatory fees; or
- (d) failure to demonstrate financial stability.

Section 15.2. Penalties

- (a) OCIF may, without limitation, impose penalties or take other appropriate action against a Grantee if it discovers that any Dealer, or any person employed by or associated with a Dealership:
1. associates, conspires, or negotiates with bookmakers or other persons with similar objectives in connection with illegal activity in Puerto Rico;
 2. associates, conspires, or negotiates with individuals who have been convicted of a gambling or gambling-related offense;
 3. is guilty of any fraud or has attempted to commit any fraud or misrepresentation in connection with interactive sports contests or otherwise;
 4. you have violated any law, rule or regulation with respect to interactive sports or sports betting in any jurisdiction;
 5. has violated any OCIF rule, regulation, or order; or
 6. fails to appear before OCIF when ordered to do so to promote an investigation or hearing or to testify under oath about any fact known to the Grantee or the person and to produce books, records, written material, or other evidence that is in the possession or control of such person and that is relevant to such matter.
- (b) Any Grantee who, among other things, fails to cooperate diligently, delays or obstructs examination, fails to produce documents or information requested, the Commissioner may impose such administrative penalties as in no event shall exceed five thousand dollars (\$5,000.00) for each violation.
- (c) Any Grantee who violates the provisions of Act No. 81-2019, these Regulations, and/or any rules or orders of the Commissioner, shall be subject, among others, to an administrative penalty to be determined by the Commissioner, which in no event shall exceed five thousand dollars (\$5,000.00) for each violation.
- (d) A violation of any provision of these Regulations that is a continuing violation shall

be deemed a separate violation for each day on which it occurs. Nothing in this subsection shall be construed as preventing the Commissioner from determining that multiple violations of those provisions of the Rules of Procedure that establish consistent violations of separate and different acts have been committed on the same day.

ARTICLE 16. OTHER PROVISIONS

Section 16.1. Interpretation

If there is any controversy over the application or interpretation between the conditions, rules, administrative orders, resolutions, and similar determinations issued by the Commission and those issued by the OCIF, both government entities may meet or communicate to jointly agree on the application or interpretation that best suits the purposes of Law No. 81-2019 and its respective regulations. Provided, however, that the Commissioner shall have supremacy in the application and interpretation of the tax and money laundering prevention matters of the Concessionaires; while the Gaming Commission will have supremacy in the application and interpretation of the operational matters of the Concessionaires.

Section 16.2. Additional information

All Concessionaires shall submit to the OCIF any information requested by the OCIF to carry out the inspection and supervision function required by Law No. 4, Law No. 81-2019 and these Regulations.

Section 16.3. Discrepancy between Spanish and English text

Where there are discrepancies between the text of the Spanish version and the text of the English version of these Regulations, the Spanish version shall prevail.

Section 16.4. Severance Clause

The provisions of these Regulations are independent and separable. If any word, phrase, sentence, subsection, article, rule, section, title or other provision of these Regulations is declared unconstitutional or null and void by a competent court, the remaining provisions thereof shall not be affected, impaired or invalidated. The effect of the nullity or

unconstitutionality shall be limited exclusively to the word, phrase, sentence, subparagraph, article, rule, section, title or provision of these Regulations that has been so declared, and the regulations thus modified by the decision of said Court shall continue in full force and effect.

Section 16.5. Validity and Approval

These Regulations shall enter into force thirty (30) days after their presentation to the Department of State of the Government of Puerto Rico, in accordance with the provisions of Act No. 38-2017, including the laws that are subsequently adopted to amend or replace it.

This was approved by the Commissioner of the Office of the Commissioner of Financial Institutions in San Juan, Puerto Rico, today, May ____, 2025.

Lcda. Natalia I. Zequeira Díaz
Commissioner