

CALIFORNIA HORSE RACING BOARD
ADOPTED TEXTS (NOT AMENDED) COMPRISING
ARTICLE 27, EXCHANGE WAGERING

RULE 2086.1, AUTHORIZATION FOR EXCHANGE WAGERING; RULE 2086.8,
MONITORING SYSTEMS AND NOTIFICATION; RULE 2087.5, ANTEPOST MARKET;
RULE 2088, NON-STARTERS AND DECLARED OR SCRATCHED ENTRIES; RULE
2089.6, DEPOSITS TO AN EXCHANGE WAGERING ACCOUNT; RULE 2090, POSTING
CREDITS FOR WINNINGS FROM EXCHANGE WAGERS; RULE 2090.5, DEBITS TO AN
EXCHANGE WAGERING ACCOUNT; RULE 2090.6, WITHDRAWALS BY ACCOUNT
HOLDER; RULE 2091, CLOSING AN INACTIVE EXCHANGE WAGERING ACCOUNT;
RULE 2091.6, POWERS OF THE BOARD TO REVIEW AND AUDIT RECORDS; RULE
2092, EXCHANGE WAGERS PLACED AFTER THE START OF A RACE; RULE 2093,
CERTAIN PRACTICES RELATED TO EXCHANGE WAGERING.

At its November 15, 2012 Regular Meeting at Hollywood Park Race Track in Inglewood, California, the Board adopted Article 27, Exchange Wagering. The March 20, 2013 OAL disapproval letter cited issues with eight of the 25 exchange wagering regulations and identified other areas in the record that required clarity and consistency. The regulations that were not cited are: Rule 2086.1, Authorization for Exchange Wagering; Rule 2086.8, Monitoring Systems and Notification; Rule 2087.5, Antepost Market; Rule 2088, Non-Starters and Declared or Scratched Entries; Rule 2089.6, Deposits to an Exchange Wagering Account; Rule 2090, Posting Credits for Winnings From Exchange Wagers; Rule 2090.5, Debits to an Exchange Wagering Account; Rule 2090.6, Withdrawals by Account Holder; Rule 2091, Closing an Inactive Exchange Wagering Account; Rule 2091.6, Powers of the Board to Review and Audit Records; Rule 2092, Exchange Wagers Placed After the Start of a Race and Rule 2093, Certain Practices Related to Exchange Wagering. **These regulations have not been modified and while interested parties may submit comments regarding Article 27, Exchange Wagering, only comments regarding the 13 modified regulations within this package will be considered.** The Board has provided a copy of Article 27, Exchange Wagering in its entirety (25 regulations) as a courtesy for reference purposes while considering comments on the rules modified for 15-day notice.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
PROPOSED ADDITION OF
ARTICE 27. EXCHANGE WAGERING
RULE 2086.1. AUTHORIZATION FOR EXCHANGE WAGERING

Single Underlined text represents the original language noticed to the public from May 11, 2012 to June 25, 2012.

Deletions to the original noticed text appear as ~~Double-Strikethrough~~ and new and revised text appears as Double Underlined as noticed October 8, 2012 through October 22, 2012 and adopted at the November 15, 2012, regulatory hearing.

2086.1. Authorization for Exchange Wagering.

(a) Exchange Wagering may be conducted upon the approval of the Board as provided for in this article and under the provisions of Business and Professions Code sections 19604.5(b)(2) to (7), inclusive.

(b) Despite subsection (a) of this regulation, a licensee may conduct exchange wagering on any horse race conducted outside of California where the licensee does not offer exchange wagering to residents of California on that race.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
PROPOSED ADDITION OF
ARTICLE 27. EXCHANGE WAGERING
RULE 2086.8. MONITORING SYSTEMS AND NOTIFICATION

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2086.8. Monitoring Systems and Notification.

(a) Pursuant to an agreement between the exchange provider and the Board, or its designee, the exchange provider shall:

(1) Furnish the Board and its designee full access to the provider's real-time monitoring system that displays all wagers made over a set amount approved by the Board in the operating plan, including online documentation and training;

(2) Provide immediate notification by email to the Board and its designee of any unusual wagering patterns;

(3) Provide immediate notification by email to the Board and its designee of when certain predetermined and agreed upon events occur as set out in the operating plan;

(4) Establish and distribute criteria for anti money laundering procedures which include risk based systems for customer due diligence.

(5) Establish and distribute criteria for monitoring telephone records of account holders.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
PROPOSED ADDITION OF
ARTICLE 27. EXCHANGE WAGERING
RULE 2087.5. ANTEPOST MARKET

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2087.5. Antepost Market.

(a) Antepost market wagers are authorized on Grade 1/Group 1 or Grade 2/Group 2 stakes races and are exchange wagers placed in advance of the closing of entries on an outcome that includes both:

(1) that the selected horse will run the race; and

(2) that the selected horse will finish the race in the selected position of win, place, or

show.

(b) Antepost markets close for wagering at the close of entries.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
PROPOSED ADDITION OF
ARTICLE 27. EXCHANGE WAGERING
RULE 2088. NON-STARTERS AND DECLARED OR SCRATCHED ENTRIES

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2088. Non-Starters and Declared or Scratched Entries.

(a) Except for in an antepost market, matched wagers on non-starters and declared or scratched entries shall be voided by the exchange provider.

(b) In the event of a non-starter, declared or scratched entry, the price of all other matched wagers existing at the time the declared or scratched entry occurred, or the non-starter declared, may/may not be reduced proportionally by the exchange provider in accordance with the terms set forth in its operating plan to reflect the increased probability that those outcomes will become winning outcomes.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5(k),
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
PROPOSED ADDITION OF
ARTICLE 27. EXCHANGE WAGERING
RULE 2089.6. DEPOSITS TO AN EXCHANGE WAGERING ACCOUNT

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2089.6. Deposits to an Exchange Wagering Account.

Deposits to an exchange wagering account shall be made, in person, by mail, by telephone, or by other electronic media, as follows:

(a) The account holder's deposits to the account shall be submitted by the account holder to the exchange provider and shall be in the form of any of the following as may be accepted by the exchange provider:

(1) cash given to the exchange provider;

(2) check, money order, negotiable order of withdrawal, or wire or electronic transfer, payable and remitted to the exchange provider; or

(3) charges made to an account holder's debit or credit card upon the account holder's direct and personal instruction, which instruction may be given by telephone communication or other electronic media to the exchange provider or its agent by the account holder if the use of the card has been approved by the exchange provider.

(4) the name and billing address for any credit card, debit card, bank account, or other method of payment through which an account holder funds or transfers from an account shall be the same as the account holder's registered name and address.

(b) Funds in an account shall bear no interest to the account holder.

(c) The account holder may be liable for any charges imposed by the transmitting or receiving entity involved in a wire or electronic transfer, and such charges may be deducted from the account holder's account.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
PROPOSED ADDITION OF
ARTICLE 27. EXCHANGE WAGERING
RULE 2090. POSTING CREDITS FOR WINNINGS FROM EXCHANGE WAGERS

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2090. Posting Credits for Winnings from Exchange Wagers.

(a) Credit for winnings from matched wagers placed with funds in an account shall be posted to the account by the exchange provider after the race is declared official.

(b) Credit for any wagers on a scratched entry shall be posted to the account by the exchange provider immediately after the scratch.

(c) Notwithstanding Rule 1955 of this division, where the outcome of a matched antepost wager can be determined with certainty by the exchange provider prior to the time that the race is declared official, the exchange provider may settle such matched antepost wager as soon as that outcome is determined with certainty.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
PROPOSED ADDITION OF
ARTICLE 27. EXCHANGE WAGERING
RULE 2090.5. DEBITS TO AN EXCHANGE WAGERING ACCOUNT

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2090.5. Debits to an Exchange Wagering Account.

Debits to an exchange wagering account shall be made as follows:

(a) Upon receipt by the exchange provider of an exchange wager properly placed, the provider shall determine whether there are sufficient funds in the account holder's wagering account to cover the maximum amount the account holder could be liable for based on the wager. If so, the wager shall be accepted. The exchange provider will debit the account holder's account the total maximum amount which the account holder could be liable for based on all exchange wagers placed by the account holder on races which have not yet been declared official.

(b) Wagers shall be accepted only during days and times designated as operating by the exchange provider.

(c) The exchange provider may at any time declare the system closed for receiving any wagers on any race or closed for all exchange wagering.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
PROPOSED ADDITION OF
ARTICLE 27. EXCHANGE WAGERING
RULE 2090.6. WITHDRAWALS BY ACCOUNT HOLDER

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2090.6. Withdrawals by Account Holder.

(a) Withdrawals shall be completed within five business days after the exchange provider receives a request from an account holder by mail, by telephone, or other electronic media, accompanied by the valid account number and a means of personal identification or, if by mail, a signed completed withdrawal form. In the case of any withdrawal requested by mail, by telephone, or by other electronic media:

(1) If sufficient funds are available in the account, the exchange provider shall send a check payable to the account holder in the amount of the requested withdrawal to the address of record.

(2) If sufficient funds are not available in the account, the exchange provider shall, within five business days of receipt, provide notification to the account holder of insufficient funds and send a check payable to the account holder in the amount of the funds available to the address of record.

(3) A wire or electronic funds transfer, including but not limited through the automated clearing house system, may be used in lieu of a check, at the discretion of the account holder and the exchange provider, to deliver funds withdrawn from an exchange wagering account to a monetary account controlled by the account holder. The account holder may be liable for any

charges imposed by the transmitting or receiving entity involved in a wire or electronic transfer, and such charges may be deducted from the account holder's account.

(b) Exchange wagering account holders may make withdrawals in person with such identification as required by the exchange provider, the valid account number, and a means of personal identification.

Authority: Sections 19420, 19440, 19590 and 19604.5, Business and Professions Code.

Reference: Sections 19593 and 19604.5, Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
PROPOSED ADDITION OF
ARTICLE 27. EXCHANGE WAGERING
RULE 2091. CLOSING AN INACTIVE EXCHANGE WAGERING ACCOUNT

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2091. Closing an Inactive Exchange Wagering Account.

The exchange provider may close any exchange wagering account that has remained inactive for six months or longer. When an account is closed the exchange provider shall return any funds remaining in the account to the account holder at the address of record within five business days of closing the account.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
PROPOSED ADDITION OF
ARTICLE 27. EXCHANGE WAGERING
RULE 2091.6. POWERS OF THE BOARD TO REVIEW AND AUDIT RECORDS

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2091.6. Powers of the Board to Review and Audit Records.

The Board shall have access for review and audit, to all records and financial information of an exchange provider. The information shall be made available upon notice from the Board, at all reasonable times to the extent such disclosure is not prohibited by law. Board access to and use of information concerning exchange wagering transactions and account holders shall be considered proprietary to the exchange provider and shall not be disclosed publicly except as may be required by law.

Authority: Sections 19420, 19433, 19440, 19590 and 19604.5, Business and Professions Code.

Reference: Sections 19593 and 19604.5(e)(4), Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
PROPOSED ADDITION OF
ARTICLE 27. EXCHANGE WAGERING
RULE 2092. EXCHANGE WAGERS PLACED AFTER THE START OF A RACE

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2092. Exchange Wagers Placed After the Start of a Race.

(a) As reflected in the exchange provider's operating plan, authorized by the racing association and horsemen's organization, and as approved by the Board, an exchange provider may accept wagers placed on a market after the start of a live race but before the results of that race have been declared official.

(b) No exchange wagers shall be placed on a market after the conclusion of a live race.

(c) Exchange wagering on previously run races is prohibited.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5(k),
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
PROPOSED ADDITION OF
ARTICLE 27. EXCHANGE WAGERING
RULE 2093. CERTAIN PRACTICES RELATED TO EXCHANGE WAGERING

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2093. Certain Practices Related to Exchange Wagering.

(a) The exchange provider shall provide an account holder with information on the race, including the track where the race will take place and the names of the participating horses before the account holder may place an exchange wager.

(b) The exchange provider shall require the account holder making the exchange wager to select the specific race and horse for the wager. The exchange provider may not offer automatic, quick-pick, or similar features to aid in the placing of an exchange wager.

(c) The exchange provider shall not display the results of an exchange wager through the use of video or mechanical reels or other slot machine or casino game themes, including, but not limited to, dice games, wheel games, card games, and lotto.

Authority: Sections 19420, 19440, 19590 and 19604.5, Business and Professions Code.

Reference: Sections 19593 and 19604.5(e)(3), Business and Professions Code.