

Fantasy sports group aims to stem regulation by fixing self

By Kimberly Pierceall, AP

The trade group representing both daily and season-long fantasy sports companies is hoping to head off outside regulation by regulating itself.

The Fantasy Sports Trade Association announced Tuesday it would form the Fantasy Sports Control Agency led by former acting U.S. Labor Secretary Seth D. Harris.

The attempt to self-regulate comes as legal scrutiny of the daily fantasy sports industry led by DraftKings and FanDuel grows and questions are raised about consumer protections including what information employees have access to and when. Until recently, employees at one site were able to play on other sites.

Paul Charchian, president of the association that was started in 1998 and now represents about 300 companies, wrote in a separate email to the group's membership that for those sites offering paid fantasy contests, "the necessity for some form of regulation is upon us."

"We can establish and enforce these systems ourselves, or we can put our industry in the hands of outside entities who do not understand the industry as we do – outside entities who are not as able nor as committed to establishing rules and regulations that ensure integrity and transparency while allowing the industry to continue to thrive," he wrote. "Simply put, the leadership of the FSTA believes that we cannot and should not allow the future of our industry to rest in the hands of others."

Nevada regulators recently decided that daily fantasy sports is a form of gambling and companies would need to be licensed with the state in order to keep doing business there. Other states are considering legislation that would regulate and tax the industry.

“The first step, when you run into a scandal like this, is we’re going to self-regulate,” said I. Nelson Rose, a professor of gambling law at Whittier University in Southern California. “It’s a good (public relations) move. It won’t do much to prevent legislation and court cases.”

He said the agency should find a friendly state and volunteer to be taxed so states become allies rather than potential enemies.

Having overseen multiple regulatory and enforcement agencies, former U.S. Labor Secretary Harris said he’s seen first-hand government’s limited resources.

“The hope is the government won’t need to intervene,” Harris said.

He said he hopes to have the agency up and running within three to six months.

The group said its agency would operate independently and establish auditing procedures as well as incentives and penalties to enforce the industry standards it creates.

Harris said he envisions the agency issuing certified seals to companies that play by the agency’s rules.

“We think that that seal is going to have immense value,” he said, adding that he expects players, lawmakers and industry members will pay attention to who gets one and why.

He said he’s not sure, yet, if the agency itself will be responsible for auditing the companies to ensure they’re complying or if they’ll be required to hire outside auditors

to do so.

“The central premise of this effort is prevention, not punishment,” he said.

As for punishment, if any member were breaking the law, “nothing we’re going to do is going to foreclose on law enforcement intervening,” he said.