

Amendment No. 3

Senate Amendment to Senate Bill No. 9	(BDR 41-328)
Proposed by: Senate Committee on Judiciary	
Amends: Summary: No Title: No Preamble: No Joint Sponsorship: No Digest: No	

ASSEMBLY ACTION		Initial and Date		SENATE ACTION		Initial and Date			
Adopted	<input type="checkbox"/>	Lost	<input type="checkbox"/>	_____	Adopted	<input type="checkbox"/>	Lost	<input type="checkbox"/>	_____
Concurred In	<input type="checkbox"/>	Not	<input type="checkbox"/>	_____	Concurred In	<input type="checkbox"/>	Not	<input type="checkbox"/>	_____
Receded	<input type="checkbox"/>	Not	<input type="checkbox"/>	_____	Receded	<input type="checkbox"/>	Not	<input type="checkbox"/>	_____

EXPLANATION: Matter in (1) *blue bold italics* is new language in the original bill; (2) green bold italic underlining is new language proposed in this amendment; (3) ~~red strikethrough~~ is deleted language in the original bill; (4) ~~purple double strikethrough~~ is language proposed to be deleted in this amendment; (5) orange double underlining is deleted language in the original bill that is proposed to be retained in this amendment; and (6) green bold underlining is newly added transitory language.

NCA/BAW



Date: 3/27/2013

S.B. No. 9—Makes various changes relating to the regulation of gaming.
(BDR 41-328)



SENATE BILL NO. 9—COMMITTEE ON JUDICIARY

(ON BEHALF OF THE STATE GAMING CONTROL BOARD)

PREFILED DECEMBER 19, 2012

Referred to Committee on Judiciary

SUMMARY—Makes various changes relating to the regulation of gaming.
(BDR 41-328)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to gaming; revising various definitions relating to gaming; revising provisions relating to the registration of persons who hold an ownership interest in certain business entities which hold a gaming license; revising provisions relating to the inspection of games, gaming devices, associated equipment, cashless wagering systems, inter-casino linked systems, mobile gaming systems and interactive gaming systems; revising provisions relating to the regulation of independent testing laboratories; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

1 Under existing law, the Nevada Gaming Commission and the State Gaming Control
2 Board are required to administer state gaming licenses and manufacturer’s, seller’s and
3 distributor’s licenses, and to perform various acts relating to the regulation and control of
4 gaming. (NRS 463.140) **Sections 1-4** of this bill revise the definitions of the terms “cashless
5 wagering system,” “gaming employee,” “gross revenue” and “wagering credit” for the
6 purposes of the statutory provisions governing the licensing and control of gaming.

7 Existing law requires audits of the financial statements of all nonrestricted licensees
8 whose annual gross revenue is \$5,000,000 or more, and requires the amount of annual gross
9 revenue to be increased or decreased annually in an amount determined by the Commission
10 and corresponding to the Consumer Price Index. (NRS 463.159) **Section 5** of this bill requires
11 the Board to make such a determination.

12 Existing law also requires a limited partner holding a 5 percent or less ownership in a
13 limited partnership or a member holding a 5 percent or less ownership in a limited-liability
14 company, who holds or applies for a state gaming license, to register with the Board and
15 submit to the Board’s jurisdiction within 30 days after the person acquires a 5 percent or less
16 ownership interest. (NRS 463.569, 463.5735) **Sections 6 and 7** of this bill remove the
17 requirement to register with the Board after acquiring such an ownership, and instead require
18 a person to register upon seeking to hold a 5 percent or less ownership.

19 Finally, existing law requires the Commission to adopt regulations providing for the
20 registration of independent testing laboratories, which may be utilized by the Board to inspect
21 and certify gaming devices, equipment and systems, and any components thereof, and

22 providing for the standards and procedures for the revocation of the registration of such
23 independent testing laboratories. (NRS 463.670) **Section 8** of this bill: (1) extends the
24 requirement of registration to additional persons that own, operate or have significant
25 involvement with an independent testing laboratory; (2) provides that a person who is
26 registered pursuant to **section 8** is subject to the same investigatory and disciplinary
27 procedures as all other gaming licensees; and (3) authorizes the Commission to require a
28 registered independent testing laboratory and certain persons associated with a registered
29 independent testing laboratory to file an application for a finding of suitability.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** NRS 463.014 is hereby amended to read as follows:

2 463.014 “Cashless wagering system” means a method of wagering and
3 accounting:

4 1. In which the validity and value of a wagering instrument or wagering
5 credits are determined, monitored and retained by a computer operated and
6 maintained by a licensee which maintains a record of each transaction involving the
7 wagering instrument or wagering credits, exclusive of the game or gaming device
8 on which wagers are being made. The term includes computerized systems which
9 facilitate electronic transfers of money directly to or from a game or gaming device;
10 or

11 2. Used in a race book or sports pool in which the validity and value of a
12 wagering instrument *or wagering credits* are determined, monitored and retained
13 on a computer that maintains a record of each transaction involving the wagering
14 instrument *or wagering credits* and is operated and maintained by a licensee.

15 **Sec. 2.** NRS 463.0157 is hereby amended to read as follows:

16 463.0157 1. “Gaming employee” means any person connected directly with
17 an operator of a slot route, the operator of a pari-mutuel system, the operator of an
18 inter-casino linked system or a manufacturer, distributor or disseminator, or with
19 the operation of a gaming establishment licensed to conduct any game, 16 or more
20 slot machines, a race book, sports pool or pari-mutuel wagering, including:

21 (a) Accounting or internal auditing personnel who are directly involved in any
22 recordkeeping or the examination of records associated with revenue from gaming;

23 (b) Boxpersons;

24 (c) Cashiers;

25 (d) Change personnel;

26 (e) Counting room personnel;

27 (f) Dealers;

28 (g) Employees of a person required by NRS 464.010 to be licensed to operate
29 an off-track pari-mutuel system;

30 (h) Employees of a person required by NRS 463.430 to be licensed to
31 disseminate information concerning racing and employees of an affiliate of such a
32 person involved in assisting the person in carrying out the duties of the person in
33 this State;

34 (i) Employees whose duties are directly involved with the manufacture, repair,
35 sale or distribution of gaming devices, cashless wagering systems, mobile gaming
36 systems, equipment associated with mobile gaming systems, interactive gaming
37 systems or equipment associated with interactive gaming;

38 (j) Employees of operators of slot routes who have keys for slot machines or
39 who accept and transport revenue from the slot drop;

1 (k) Employees of operators of inter-casino linked systems, mobile gaming
2 systems or interactive gaming systems whose duties include the operational or
3 supervisory control of the systems or the games that are part of the systems;

4 (l) Employees of operators of call centers who perform, or who supervise the
5 performance of, the function of receiving and transmitting wagering instructions;

6 (m) Employees who have access to the Board's system of records for the
7 purpose of processing the registrations of gaming employees that a licensee is
8 required to perform pursuant to the provisions of this chapter and any regulations
9 adopted pursuant thereto;

10 (n) Floorpersons;

11 (o) Hosts or other persons empowered to extend credit or complimentary
12 services;

13 (p) Keno runners;

14 (q) Keno writers;

15 (r) Machine mechanics;

16 (s) Odds makers and line setters;

17 (t) Security personnel;

18 (u) Shift or pit bosses;

19 (v) Shills;

20 (w) Supervisors or managers;

21 (x) Ticket writers;

22 (y) Employees of a person required by NRS 463.160 to be licensed to operate
23 an information service; ~~and~~

24 (z) *Employees of a licensee who have local access and provide management,*
25 *support, security or disaster recovery services for any hardware or software that*
26 *is regulated pursuant to the provisions of this chapter and any regulations*
27 *adopted pursuant thereto; and*

28 (aa) Temporary or contract employees hired by a licensee to perform a
29 function related to gaming.

30 2. "Gaming employee" does not include barbacks ~~or~~ bartenders ~~whose~~
31 *duties do not involve gaming activities*, cocktail servers or other persons engaged
32 exclusively in preparing or serving food or beverages.

33 3. *As used in this section, "local access" means access to hardware or*
34 *software from within a licensed gaming establishment, hosting center or*
35 *elsewhere within this State.*

36 **Sec. 3.** NRS 463.0161 is hereby amended to read as follows:

37 463.0161 1. "Gross revenue" means the total of all:

38 (a) Cash received as winnings;

39 (b) Cash received in payment for credit extended by a licensee to a patron for
40 purposes of gaming; and

41 (c) Compensation received for conducting any game, *or any contest or*
42 *tournament in conjunction with interactive gaming*, in which the licensee is not
43 party to a wager,

44 ~~less~~ the total of all cash paid out as losses to patrons, those amounts paid to fund
45 periodic payments and any other items made deductible as losses by NRS
46 463.3715. For the purposes of this section, cash or the value of noncash prizes
47 awarded to patrons in a contest or tournament are not losses, except that losses in a
48 contest or tournament conducted in conjunction with an inter-casino linked system
49 *or interactive gaming* may be deducted to the extent of the compensation received
50 for the right to participate in that contest or tournament.

51 2. The term does not include:

52 (a) Counterfeit facsimiles of money, chips, tokens, wagering instruments or
53 wagering credits;

1 (b) Coins of other countries which are received in gaming devices;
2 (c) Any portion of the face value of any chip, token or other representative of
3 value won by a licensee from a patron for which the licensee can demonstrate that it
4 or its affiliate has not received cash;

5 (d) Cash taken in fraudulent acts perpetrated against a licensee for which the
6 licensee is not reimbursed;

7 (e) Cash received as entry fees for contests or tournaments in which patrons
8 compete for prizes, except for a contest or tournament conducted in conjunction
9 with an inter-casino linked system ~~+~~ **or interactive gaming**;

10 (f) Uncollected baccarat commissions; or

11 (g) Cash provided by the licensee to a patron and subsequently won by the
12 licensee, for which the licensee can demonstrate that it or its affiliate has not been
13 reimbursed.

14 3. As used in this section, "baccarat commission" means:

15 (a) A fee assessed by a licensee on cash paid out as a loss to a patron at
16 baccarat to modify the odds of the game; or

17 (b) A rate or fee charged by a licensee for the right to participate in a baccarat
18 game.

19 **Sec. 4.** NRS 463.01963 is hereby amended to read as follows:

20 463.01963 "Wagering credit" means a representative of value, other than a
21 chip, token or wagering instrument, that is used for wagering at a game, ~~+~~
22 gaming device, **race book or sports pool** and is obtained by the payment of cash or
23 a cash equivalent, the use of a wagering instrument or the electronic transfer of
24 money.

25 **Sec. 5.** NRS 463.159 is hereby amended to read as follows:

26 463.159 1. The Commission shall by regulation require audits of the
27 financial statements of all nonrestricted licensees whose annual gross revenue is
28 \$5,000,000 or more.

29 2. The Commission may require audits, compiled statements or reviews of the
30 financial statements of nonrestricted licensees whose annual gross revenue is less
31 than \$5,000,000.

32 3. The amounts of annual gross revenue provided for in subsections 1 and 2
33 must be increased or decreased annually in an amount corresponding to the
34 percentage of increase or decrease in the Consumer Price Index (All Items)
35 published by the United States Department of Labor for the preceding year. On or
36 before December 15 of each year, the ~~Commission~~ **Board** shall determine the
37 amount of the increase or decrease required by this subsection and establish the
38 adjusted amounts of annual gross revenue in effect for the succeeding calendar
39 year. The audits, compilations and reviews provided for in subsections 1 and 2 must
40 be made by independent accountants holding permits to practice public accounting
41 in the State of Nevada.

42 4. Except as otherwise provided in subsection 5, for every audit required
43 pursuant to this section:

44 (a) The independent accountants shall submit an audit report which must
45 express an unqualified or qualified opinion or, if appropriate, disclaim an opinion
46 on the statements taken as a whole in accordance with standards for the accounting
47 profession established by rules and regulations of the Nevada State Board of
48 Accountancy, but the preparation of statements without audit does not constitute
49 compliance.

50 (b) The examination and audit must disclose whether the accounts, records and
51 control procedures maintained by the licensee are as required by the regulations
52 published by the Commission pursuant to NRS 463.156 to 463.159, inclusive.

1 5. If the license of a nonrestricted licensee is terminated within 3 months after
2 the end of a period covered by an audit, the licensee may submit compiled
3 statements in lieu of an additional audited statement for the licensee's final period
4 of business.

5 **Sec. 6.** NRS 463.569 is hereby amended to read as follows:

6 463.569 1. Every general partner of, and every limited partner with more
7 than a 5 percent ownership interest in, a limited partnership which holds a state
8 gaming license must be licensed individually, according to the provisions of this
9 chapter, and if, in the judgment of the Commission, the public interest will be
10 served by requiring any other limited partners or any or all of the limited
11 partnership's lenders, holders of evidence of indebtedness, underwriters, key
12 executives, agents or employees to be licensed, the limited partnership shall require
13 those persons to apply for a license in accordance with the laws and requirements in
14 effect at the time the Commission requires the licensing. Publicly traded
15 corporations which are limited partners of limited partnerships are not required to
16 be licensed, but shall comply with NRS 463.635 to 463.645, inclusive. A person
17 who is required to be licensed by this section as a general or limited partner shall
18 not receive that position until the person secures the required approval of the
19 Commission. A person who is required to be licensed pursuant to a decision of the
20 Commission shall apply for a license within 30 days after the Commission requests
21 the person to do so.

22 2. All limited partners ~~holding~~ *seeking to hold* a 5 percent or less ownership
23 interest in a limited partnership, other than a publicly traded limited partnership,
24 which hold or apply for a state gaming license, must register in that capacity with
25 the Board and submit to the Board's jurisdiction. Such registration must be made on
26 forms prescribed by the Chair of the Board. The Chair of the Board may require a
27 registrant to apply for licensure at any time in the Chair's discretion. ~~IA person who
28 is required to be registered by this section shall apply for registration within 30 days
29 after the person becomes a limited partner holding a 5 percent or less ownership
30 interest in a limited partnership.~~

31 3. The Commission may, with the advice and assistance of the Board, adopt
32 such regulations as it deems necessary to carry out the provisions of subsection 2.

33 **Sec. 7.** NRS 463.5735 is hereby amended to read as follows:

34 463.5735 1. Every member and transferee of a member's interest with more
35 than a 5 percent ownership interest in a limited-liability company, and every
36 director and manager of a limited-liability company which holds or applies for a
37 state gaming license, must be licensed individually according to the provisions of
38 this chapter.

39 2. All members ~~holding~~ *seeking to hold* a 5 percent or less ownership
40 interest in a limited-liability company, other than a publicly traded limited-liability
41 company, which hold or apply for a state gaming license, must register in that
42 capacity with the Board and submit to the Board's jurisdiction. Such registration
43 must be made on forms prescribed by the Chair of the Board. The Chair of the
44 Board may require a registrant to apply for licensure at any time in the Chair's
45 discretion. ~~IA person who is required to be registered by this section shall apply for
46 registration within 30 days after the person becomes a member holding a 5 percent
47 or less ownership interest in a limited-liability company.~~

48 3. If, in the judgment of the Commission, the public interest will be served by
49 requiring any members with a 5 percent or less ownership interest in a limited-
50 liability company, or any of the limited-liability company's lenders, holders of
51 evidence of indebtedness, underwriters, key executives, agents or employees to be
52 licensed:

1 (a) The limited-liability company shall require those persons to apply for a
2 license in accordance with the laws and requirements in effect at the time the
3 Commission requires the licensing; and

4 (b) Those persons shall apply for a license within 30 days after being requested
5 to do so by the Commission.

6 4. A publicly traded corporation which is a member of a limited-liability
7 company is not required to be licensed, but shall comply with NRS 463.635 to
8 463.645, inclusive.

9 5. No person may become a member or a transferee of a member's interest in
10 a limited-liability company which holds a license until the person secures the
11 required approval of the Commission.

12 6. A director or manager of a limited-liability company shall apply for a
13 license within 30 days after assuming office.

14 7. The Commission may, with the advice and assistance of the Board, adopt
15 such regulations as it deems necessary to carry out the provisions of subsection 2.

16 **Sec. 8.** NRS 463.670 is hereby amended to read as follows:

17 463.670 1. The Legislature finds and declares as facts:

18 (a) That the inspection of *games*, gaming devices, associated equipment,
19 cashless wagering systems, *inter-casino linked systems*, mobile gaming systems
20 and interactive gaming systems is essential to carry out the provisions of this
21 chapter.

22 (b) That the inspection of *games*, gaming devices, associated equipment,
23 cashless wagering systems, *inter-casino linked systems*, mobile gaming systems
24 and interactive gaming systems is greatly facilitated by the opportunity to inspect
25 components before assembly and to examine the methods of manufacture.

26 (c) That the interest of this State in the inspection of *games*, gaming devices,
27 associated equipment, cashless wagering systems, *inter-casino linked systems*,
28 mobile gaming systems and interactive gaming systems must be balanced with the
29 interest of this State in maintaining a competitive gaming industry in which games
30 can be efficiently and expeditiously brought to the market.

31 2. The Commission may, with the advice and assistance of the Board, adopt
32 and implement procedures that preserve and enhance the necessary balance
33 between the regulatory and economic interests of this State which are critical to the
34 vitality of the gaming industry of this State.

35 3. The Board may inspect every *game or* gaming device which is
36 manufactured, sold or distributed:

37 (a) For use in this State, before the *game or* gaming device is put into play.

38 (b) In this State for use outside this State, before the *game or* gaming device is
39 shipped out of this State.

40 4. The Board may inspect every *game or* gaming device which is offered for
41 play within this State by a state gaming licensee.

42 5. The Board may inspect all associated equipment, every cashless wagering
43 system, *every inter-casino linked system*, every mobile gaming system and every
44 interactive gaming system which is manufactured, sold or distributed for use in this
45 State before the equipment or system is installed or used by a state gaming licensee
46 and at any time while the state gaming licensee is using the equipment or system.

47 6. In addition to all other fees and charges imposed by this chapter, the Board
48 may determine, charge and collect an inspection fee from each manufacturer, seller,
49 distributor or independent testing laboratory which must not exceed the actual cost
50 of inspection and investigation.

51 7. The Commission shall adopt regulations which:

52 (a) Provide for the registration of independent testing laboratories **†† and of**
53 *each person that owns, operates or has significant involvement with an*

1 *independent testing laboratory*, specify the form of the application required for
2 such registration , *set forth the qualifications required for such registration* and
3 establish the fees required for the application, the investigation of the applicant and
4 the registration of the applicant.

5 (b) Authorize the Board to utilize independent testing laboratories for the
6 inspection and certification of any *game*, gaming device, associated equipment,
7 cashless wagering system, *inter-casino linked system*, mobile gaming system or
8 interactive gaming system, or any components thereof.

9 (c) Establish uniform protocols and procedures which the Board and
10 independent testing laboratories must follow during an inspection performed
11 pursuant to subsection 3 or 5, and which independent testing laboratories must
12 follow during the certification of any *game*, gaming device, associated equipment,
13 cashless wagering system, *inter-casino linked system*, mobile gaming system or
14 interactive gaming system, or any components thereof, for use in this State or for
15 shipment from this State.

16 (d) Allow an application for the registration of an independent testing
17 laboratory to be granted upon the independent testing laboratory's completion of an
18 inspection performed in compliance with the uniform protocols and procedures
19 established pursuant to paragraph (c) and satisfaction of such other requirements
20 that the Board may establish.

21 (e) Provide the standards and procedures for the revocation of the registration
22 of an independent testing laboratory.

23 *(f) Provide the standards and procedures relating to the filing of an*
24 *application for a finding of suitability pursuant to this section and the remedies*
25 *should a person be found unsuitable.*

26 *(g) Provide any additional provisions which the Commission deems*
27 *necessary and appropriate to carry out the provisions of this section and which*
28 *are consistent with the public policy of this State pursuant to NRS 463.0129.*

29 8. *The Commission shall retain jurisdiction over any person registered*
30 *pursuant to this section and any regulation adopted thereto, in all matters*
31 *relating to a game, gaming device, associated equipment, cashless wagering*
32 *system, inter-casino linked system, mobile gaming system or interactive gaming*
33 *system, or any component thereof or modification thereto, even if the person*
34 *ceases to be registered.*

35 9. *A person registered pursuant to this section is subject to the investigatory*
36 *and disciplinary proceedings that are set forth in NRS 463.310 to 463.318,*
37 *inclusive, and shall be punished as provided in those sections.*

38 10. *The Commission may, upon recommendation of the Board, require the*
39 *following persons to file an application for a finding of suitability:*

40 *(a) A registered independent testing laboratory.*

41 *(b) An employee of a registered independent testing laboratory.*

42 *(c) An officer, director, partner, principal, manager, member, trustee or*
43 *direct or beneficial owner of a registered independent testing laboratory or any*
44 *person that owns or has significant involvement with the activities of a registered*
45 *independent testing laboratory.*

46 11. *If a person fails to submit an application for a finding of suitability*
47 *within 30 days after a demand by the Commission pursuant to this section, the*
48 *Commission may make a finding of unsuitability. Upon written request, such*
49 *period may be extended by the Chair of the Commission, at the Chair's sole and*
50 *absolute discretion.*

51 12. As used in this section, unless the context otherwise requires,
52 "independent testing laboratory" means a private laboratory that is registered by the
53 ~~Commission~~ Board to inspect and certify *games*, gaming devices, associated

1 equipment, cashless wagering systems, *inter-casino linked systems*, mobile gaming
2 systems ~~and~~ *or* interactive gaming systems, and any components thereof ~~+~~ *and*
3 *modifications thereto*, and to perform such other services as the Board and
4 Commission may request.

5 **Sec. 9.** This act becomes effective upon passage and approval.