

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.

~

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:

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

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



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

Finally, existing law requires the Commission to adopt regulations providing for the registration of independent testing laboratories, which may be utilized by the Board to inspect and certify gaming devices, equipment and systems, and any components thereof, and providing for the standards and procedures for the revocation of the registration of such independent testing laboratories. (NRS 463.670) **Section 8** of this bill: (1) extends the requirement of registration to additional persons that own, operate or have significant involvement with an independent testing laboratory; (2) provides that a person who is registered pursuant to **section 8** is subject to the same investigatory and disciplinary procedures as all other gaming licensees; and (3) authorizes the Commission to require a registered independent testing laboratory and certain persons associated with a registered 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:

Section 1. NRS 463.014 is hereby amended to read as follows:
463.014 "Cashless wagering system" means a method of wagering and accounting:

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

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

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

463.0157 1. "Gaming employee" means any person connected directly with an operator of a slot route, the operator of a pari-mutuel system, the operator of an inter-casino linked system or a manufacturer, distributor or disseminator, or with the operation of a gaming establishment licensed to conduct any game, 16 or more



* S B 9 R 3 *

1 slot machines, a race book, sports pool or pari-mutuel wagering,
2 including:

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

6 (b) Boxpersons;

7 (c) Cashiers;

8 (d) Change personnel;

9 (e) Counting room personnel;

10 (f) Dealers;

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

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

17 (i) Employees whose duties are directly involved with the
18 manufacture, repair, sale or distribution of gaming devices, cashless
19 wagering systems, mobile gaming systems, equipment associated
20 with mobile gaming systems, interactive gaming systems or
21 equipment associated with interactive gaming;

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

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

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

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

36 (n) Floorpersons;

37 (o) Hosts or other persons empowered to extend credit or
38 complimentary services;

39 (p) Keno runners;

40 (q) Keno writers;

41 (r) Machine mechanics;

42 (s) Odds makers and line setters;

43 (t) Security personnel;

44 (u) Shift or pit bosses;

45 (v) Shills;



- 1 (w) Supervisors or managers;
2 (x) Ticket writers;
3 (y) Employees of a person required by NRS 463.160 to be
4 licensed to operate an information service; ~~and~~
5 (z) *Employees of a licensee who have local access and provide*
6 *management, support, security or disaster recovery services for*
7 *any hardware or software that is regulated pursuant to the*
8 *provisions of this chapter and any regulations adopted pursuant*
9 *thereto; and*
10 (aa) Temporary or contract employees hired by a licensee to
11 perform a function related to gaming.
12 2. "Gaming employee" does not include barbacks ~~H~~ or
13 bartenders ~~H~~ *whose duties do not involve gaming activities,*
14 cocktail servers or other persons engaged exclusively in preparing or
15 serving food or beverages.
16 3. *As used in this section, "local access" means access to*
17 *hardware or software from within a licensed gaming*
18 *establishment, hosting center or elsewhere within this State.*
19 **Sec. 3.** NRS 463.0161 is hereby amended to read as follows:
20 463.0161 1. "Gross revenue" means the total of all:
21 (a) Cash received as winnings;
22 (b) Cash received in payment for credit extended by a licensee
23 to a patron for purposes of gaming; and
24 (c) Compensation received for conducting any game , *or any*
25 *contest or tournament in conjunction with interactive gaming,* in
26 which the licensee is not party to a wager,
27 ➔ less the total of all cash paid out as losses to patrons, those
28 amounts paid to fund periodic payments and any other items made
29 deductible as losses by NRS 463.3715. For the purposes of this
30 section, cash or the value of noncash prizes awarded to patrons in a
31 contest or tournament are not losses, except that losses in a contest
32 or tournament conducted in conjunction with an inter-casino linked
33 system *or interactive gaming* may be deducted to the extent of the
34 compensation received for the right to participate in that contest or
35 tournament.
36 2. The term does not include:
37 (a) Counterfeit facsimiles of money, chips, tokens, wagering
38 instruments or wagering credits;
39 (b) Coins of other countries which are received in gaming
40 devices;
41 (c) Any portion of the face value of any chip, token or other
42 representative of value won by a licensee from a patron for which
43 the licensee can demonstrate that it or its affiliate has not received
44 cash;



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

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

(f) Uncollected baccarat commissions; or

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

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

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

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

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

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

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

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

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

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

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

(a) The independent accountants shall submit an audit report which must express an unqualified or qualified opinion or, if appropriate, disclaim an opinion on the statements taken as a whole



1 in accordance with standards for the accounting profession
2 established by rules and regulations of the Nevada State Board of
3 Accountancy, but the preparation of statements without audit does
4 not constitute compliance.

5 (b) The examination and audit must disclose whether the
6 accounts, records and control procedures maintained by the licensee
7 are as required by the regulations published by the Commission
8 pursuant to NRS 463.156 to 463.1592, inclusive.

9 5. If the license of a nonrestricted licensee is terminated within
10 3 months after the end of a period covered by an audit, the licensee
11 may submit compiled statements in lieu of an additional audited
12 statement for the licensee's final period of business.

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

14 463.569 1. Every general partner of, and every limited
15 partner with more than a 5 percent ownership interest in, a limited
16 partnership which holds a state gaming license must be licensed
17 individually, according to the provisions of this chapter, and if, in
18 the judgment of the Commission, the public interest will be served
19 by requiring any other limited partners or any or all of the limited
20 partnership's lenders, holders of evidence of indebtedness,
21 underwriters, key executives, agents or employees to be licensed,
22 the limited partnership shall require those persons to apply for a
23 license in accordance with the laws and requirements in effect at the
24 time the Commission requires the licensing. Publicly traded
25 corporations which are limited partners of limited partnerships are
26 not required to be licensed, but shall comply with NRS 463.635 to
27 463.645, inclusive. A person who is required to be licensed by this
28 section as a general or limited partner shall not receive that position
29 until the person secures the required approval of the Commission. A
30 person who is required to be licensed pursuant to a decision of the
31 Commission shall apply for a license within 30 days after the
32 Commission requests the person to do so.

33 2. All limited partners ~~holding~~ *seeking to hold* a 5 percent or
34 less ownership interest in a limited partnership, other than a publicly
35 traded limited partnership, which hold or apply for a state gaming
36 license, must register in that capacity with the Board and submit to
37 the Board's jurisdiction. Such registration must be made on forms
38 prescribed by the Chair of the Board. The Chair of the Board may
39 require a registrant to apply for licensure at any time in the Chair's
40 discretion. ~~[A person who is required to be registered by this section
41 shall apply for registration within 30 days after the person becomes
42 a limited partner holding a 5 percent or less ownership interest in a
43 limited partnership.]~~



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

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

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

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

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

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

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

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

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

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

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



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

463.670 1. The Legislature finds and declares as facts:

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

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

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

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

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

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

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

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

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

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

7. The Commission shall adopt regulations which:

(a) Provide for the registration of independent testing laboratories *and of each person that owns, operates or has*



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

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

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

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

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

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

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

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

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



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

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

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

6 ***(c) An officer, director, partner, principal, manager, member,***
7 ***trustee or direct or beneficial owner of a registered independent***
8 ***testing laboratory or any person that owns or has significant***
9 ***involvement with the activities of a registered independent testing***
10 ***laboratory.***

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

17 ***12. As used in this section, unless the context otherwise***
18 ***requires, "independent testing laboratory" means a private***
19 ***laboratory that is registered by the ~~Commission~~ Board to inspect***
20 ***and certify games, gaming devices, associated equipment, cashless***
21 ***wagering systems, inter-casino linked systems, mobile gaming***
22 ***systems ~~and~~ or interactive gaming systems, and any components***
23 ***thereof ~~it~~ and modifications thereto, and to perform such other***
24 ***services as the Board and Commission may request.***

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

