

Senate Bill No. 46–Committee on Judiciary

CHAPTER.....

AN ACT relating to gaming; revising the definition of “gross revenue”; prohibiting a person from performing an act that requires registration without being registered; revising the definition of “service provider”; providing for the registration, rather than licensure, of service providers; authorizing the Attorney General or district attorney of any county to apply for a court order to intercept communications during an investigation involving certain offenses relating to gaming; providing a penalty; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Existing law requires the Nevada Gaming Commission to charge and collect from each licensee a license fee based upon all the gross revenue of the licensee. (NRS 463.370) Under existing law, “gross revenue” does not include 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. (NRS 463.0161) **Section 3** of this bill revises the definition of “gross revenue” to include cash received as entry fees for all contests or tournaments, with the exception of all cash and the cost of any noncash prizes paid out to participants which does not exceed the total compensation received for the right to participate in the contests or tournaments.

Existing law provides that it is unlawful for a person to perform certain acts relating to gaming without having first procured, and thereafter maintaining in effect, all federal, state, county and municipal gaming licenses as required by statute, regulation or ordinance or by the governing board of any unincorporated town. (NRS 463.160) **Section 4** of this bill extends this prohibition to performing such acts related to gaming without first having procured, and thereafter maintained, all federal, state, county or municipal gaming registrations, if applicable.

Existing law authorizes the Commission to provide by regulation for the licensing and operation of service providers and all persons, locations and matters associated therewith. Existing law defines “service provider” as a person who: (1) acts on behalf of a person who holds a nonrestricted gaming license, who assists, manages, administers or controls wagers or games or its software or hardware and who is authorized to share revenue from the games without being licensed to conduct a gaming establishment; (2) is an interactive gaming service provider; (3) is a cash accessing and wagering instrument service provider; or (4) meets certain criteria established by the Commission. Existing law defines “interactive gaming service provider” as a person who acts on behalf of an establishment licensed to operate interactive gaming and: (1) manages, administers or controls wagers initiated, made or received on an interactive gaming system; (2) manages, administers or controls the games with which wagers are initiated, received or made on such a system; (3) maintains or operates the software or hardware of such a system; or (4) provides products, services, information or assets to an interactive gaming establishment and receives a percentage of such an establishment’s interactive gaming revenue. (NRS 463.677)



Section 5 of this bill revises the definition of “service provider” to mean a person who: (1) is a cash access and wagering instrument service provider; or (2) meets certain criteria established by the Commission. **Sections 5-7** of this bill revise various sections of NRS to provide for: (1) the licensure of an interactive gaming service provider; and (2) the registration, rather than licensure, of service providers.

Existing law authorizes the Attorney General or the district attorney of any county to apply for a court order authorizing the interception of wire, electronic or oral communications by investigative or law enforcement officers having responsibility for the investigation of certain offenses. (NRS 179.460) Existing law also provides that it is unlawful for a person to: (1) perform certain actions relating to gaming without having first procured, and thereafter maintaining, all required gaming licenses; or (2) receive any compensation or reward, or any percentage or share of the money or property played, for performing certain actions relating to a bet or wager on the result of any event held at a track involving a horse or other animal, sporting event or other event, without having first procured, and thereafter maintaining, all required gaming licenses. (NRS 463.160, 465.086) **Section 8** of this bill adds those offenses to the list of offenses for which such an interception of communications may be ordered.

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

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

Sections 1 and 2. (Deleted by amendment.)

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

463.0161 1. “Gross revenue” means the total of all:

- (a) Cash received as winnings;
- (b) *Cash received as entry fees for contests and tournaments;*
- (c) Cash received in payment for credit extended by a licensee to a patron for purposes of gaming; and

~~(e)~~ (d) Compensation received for conducting any game, or any contest or tournament in conjunction with interactive gaming, in which the licensee is not party to a wager,

↳ less the total of all cash paid out as losses to patrons, *all cash and the cost of any noncash prizes paid out to participants in contests or tournaments not to exceed the total compensation received for the right to participate in the contests or tournaments*, those amounts paid to fund periodic payments and any other items made deductible as losses by NRS 463.3715. ~~[For the purposes of this section, cash or the value of noncash prizes awarded to patrons in a contest or tournament are not losses, except that losses in a contest or tournament conducted in conjunction with an inter-casino-linked system may be deducted to the extent of the compensation received for the right to participate in that contest or tournament.]~~

- 2. The term does not include:



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

(b) Coins of other countries which are received in gaming devices;

(c) Any portion of the face value of any chip, token or other representative of value won by a licensee from a patron for which the licensee can demonstrate that it or its affiliate has not received 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;~~

~~—(f) Uncollected baccarat commissions; or~~

~~(g)~~ (f) 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 463.160 is hereby amended to read as follows:

463.160 1. Except as otherwise provided in subsection 4 and NRS 463.172, it is unlawful for any person, either as owner, lessee or employee, whether for hire or not, either solely or in conjunction with others:

(a) To deal, operate, carry on, conduct, maintain or expose for play in the State of Nevada any gambling game, gaming device, inter-casino linked system, mobile gaming system, slot machine, race book or sports pool;

(b) To provide or maintain any information service;

(c) To operate a gaming salon;

(d) To receive, directly or indirectly, any compensation or reward or any percentage or share of the money or property played, for keeping, running or carrying on any gambling game, slot machine, gaming device, mobile gaming system, race book or sports pool;

(e) To operate as a cash access and wagering instrument service provider; or

(f) To operate, carry on, conduct, maintain or expose for play in or from the State of Nevada any interactive gaming system,



↳ without having first procured, and thereafter maintaining in effect, all federal, state, county and municipal gaming licenses **or registrations** as required by statute, regulation or ordinance or by the governing board of any unincorporated town.

2. The licensure of an operator of an inter-casino linked system is not required if:

(a) A gaming licensee is operating an inter-casino linked system on the premises of an affiliated licensee; or

(b) An operator of a slot machine route is operating an inter-casino linked system consisting of slot machines only.

3. Except as otherwise provided in subsection 4, it is unlawful for any person knowingly to permit any gambling game, slot machine, gaming device, inter-casino linked system, mobile gaming system, race book or sports pool to be conducted, operated, dealt or carried on in any house or building or other premises owned by the person, in whole or in part, by a person who is not licensed pursuant to this chapter, or that person's employee.

4. The Commission may, by regulation, authorize a person to own or lease gaming devices for the limited purpose of display or use in the person's private residence without procuring a state gaming license.

5. For the purposes of this section, the operation of a race book or sports pool includes making the premises available for any of the following purposes:

(a) Allowing patrons to establish an account for wagering with the race book or sports pool;

(b) Accepting wagers from patrons;

(c) Allowing patrons to place wagers;

(d) Paying winning wagers to patrons; or

(e) Allowing patrons to withdraw cash from an account for wagering or to be issued a ticket, receipt, representation of value or other credit representing a withdrawal from an account for wagering that can be redeemed for cash,

↳ whether by a transaction in person at an establishment or through mechanical means, such as a kiosk or similar device, regardless of whether that device would otherwise be considered associated equipment. A separate license must be obtained for each location at which such an operation is conducted.

6. As used in this section, "affiliated licensee" has the meaning ascribed to it in NRS 463.430.

Sec. 5. NRS 463.677 is hereby amended to read as follows:

463.677 1. The Legislature finds that:



(a) Technological advances have evolved which allow licensed gaming establishments to expose games, including, without limitation, system-based and system-supported games, gaming devices, mobile gaming systems, interactive gaming, cashless wagering systems or race books and sports pools, and to be assisted by **an interactive gaming service provider or** a service provider , **as applicable**, who provides important services to the public with regard to the conduct and exposure of such games.

(b) To protect and promote the health, safety, morals, good order and general welfare of the inhabitants of this State, and to carry out the public policy declared in NRS 463.0129, it is necessary that the Board and Commission have the ability to ~~license~~ :

(1) License interactive gaming service providers;

(2) Register service providers ~~by maintaining~~ ; and

(3) Maintain strict regulation and control of the operation of such **interactive gaming service providers or** service providers , **respectively**, and all persons and locations associated therewith.

2. Except as otherwise provided in subsection ~~3~~, **4**, the Commission may, with the advice and assistance of the Board, provide by regulation for the ~~licensing~~ :

(a) Licensing of an interactive gaming service provider;

(b) Registration of a service provider; and ~~operation~~

(c) Operation of **such** a service provider **or interactive gaming service provider, respectively**, and all persons, locations and matters associated therewith. ~~Such~~

3. The regulations **pursuant to subsection 2** may include, without limitation:

(a) Provisions requiring ~~the~~ :

(1) The interactive gaming service provider to meet the qualifications for licensing pursuant to NRS 463.170, in addition to any other qualifications established by the Commission ~~and~~ and to be licensed regardless of whether the **interactive gaming** service provider holds any ~~other~~ license.

(2) The service provider to be registered regardless of whether the service provider holds any license.

(b) Criteria regarding the location from which the **interactive gaming service provider or** service provider , **respectively**, conducts its operations, including, without limitation, minimum internal and operational control standards established by the Commission.

(c) Provisions relating to ~~the~~ :

(1) The licensing **of persons owning or operating an interactive gaming service provider, and any person having a**



significant involvement therewith, as determined by the Commission.

(2) *The registration* of persons owning or operating a service provider, and any persons having a significant involvement therewith, as determined by the Commission.

(d) A provision that a person owning, operating or having significant involvement with *an interactive gaming service provider or* a service provider, *respectively*, as determined by the Commission, may be required by the Commission to be found suitable to be associated with licensed gaming, including race book or sports pool operations.

(e) Additional matters which the Commission deems necessary and appropriate to carry out the provisions of this section and which are consistent with the public policy of this State pursuant to NRS 463.0129, including that *an interactive gaming service provider or* a service provider, *respectively*, must be liable to the licensee on whose behalf the services are provided for the *interactive gaming service provider's or* service provider's proportionate share of the fees and taxes paid by the licensee.

~~[4-]~~ 4. The Commission may not adopt regulations pursuant to this section until the Commission first determines that *interactive gaming service providers or* service providers, *respectively*, are secure and reliable, do not pose a threat to the integrity of gaming and are consistent with the public policy of this State pursuant to NRS 463.0129.

~~[4-]~~ 5. Regulations adopted by the Commission pursuant to this section must provide that the premises on which *an interactive gaming service provider and* a service provider, *respectively*, conducts its operations are subject to the power and authority of the Board and Commission pursuant to NRS 463.140, as though the premises are where gaming is conducted and the *interactive gaming service provider or* service provider, *respectively*, is a gaming licensee.

~~[5-]~~ 6. As used in this section:

(a) "Interactive gaming service provider" means a person who acts on behalf of an establishment licensed to operate interactive gaming and:

(1) Manages, administers or controls wagers that are initiated, received or made on an interactive gaming system;

(2) Manages, administers or controls the games with which wagers that are initiated, received or made on an interactive gaming system are associated;



(3) Maintains or operates the software or hardware of an interactive gaming system; or

(4) Provides products, services, information or assets to an establishment licensed to operate interactive gaming and receives therefor a percentage of gaming revenue from the establishment's interactive gaming system.

(b) "Service provider" means a person who:

(1) ~~Acts on behalf of another licensed person who conducts nonrestricted gaming operations, and who assists, manages, administers or controls wagers or games, or maintains or operates the software or hardware of games on behalf of such a licensed person, and is authorized to share in the revenue from games without being licensed to conduct gaming at an establishment;~~

~~— (2) Is an interactive gaming service provider;~~

~~— (3) Is a cash access and wagering instrument service provider; or~~

~~(4)~~ (2) Meets such other or additional criteria as the Commission may establish by regulation.

Sec. 6. NRS 463.750 is hereby amended to read as follows:

463.750 1. The Commission shall, with the advice and assistance of the Board, adopt regulations governing ~~the~~ :

(a) The licensing and operation of interactive gaming ~~it~~ ; and

(b) The registration of service providers to perform any action described in paragraph (b) of subsection 6 of NRS 463.677.

2. The regulations adopted by the Commission pursuant to this section must:

(a) Establish the investigation fees for:

(1) A license to operate interactive gaming;

(2) A license for a manufacturer of interactive gaming systems; ~~and~~

(3) A license for *an interactive gaming service provider to perform the actions described in paragraph (a) of subsection 6 of NRS 463.677; and*

(4) Registration as a service provider to perform the actions described in paragraph ~~(a)~~ (b) of subsection ~~5~~ 6 of NRS 463.677.

(b) Provide that:

(1) A person must hold a license for a manufacturer of interactive gaming systems to supply or provide any interactive gaming system, including, without limitation, any piece of proprietary software or hardware; ~~and~~

(2) A person must hold a license for *an interactive gaming service provider to perform the actions described in paragraph (a) of subsection 6 of NRS 463.677; and*



(3) A person must be registered as a service provider to perform the actions described in paragraph ~~1(a)~~ **(b)** of subsection ~~5~~ **6** of NRS 463.677.

(c) Except as otherwise provided in subsections 6 to 10, inclusive, set forth standards for the suitability of a person to be ~~licensed~~ :

(1) Licensed as a manufacturer of interactive gaming systems ~~for~~ ;

(2) Licensed as an interactive gaming service provider as described in paragraph (a) of subsection 6 of NRS 463.677 that are as stringent as the standards for a nonrestricted license; or

(3) Registered as a service provider as described in paragraph (b) of subsection ~~5~~ **6** of NRS 463.677 that are as stringent as the standards for a nonrestricted license.

(d) Set forth provisions governing:

(1) The initial fee for a license for an interactive gaming service provider as described in paragraph (a) of subsection 6 of NRS 463.677.

(2) The initial fee for registration as a service provider as described in paragraph (b) of subsection ~~5~~ **6** of NRS 463.677.

~~(2)~~ **(3) The fee for the renewal of such a license for such an interactive gaming service provider or registration as** a service provider , **as applicable**, and any renewal requirements for such a license ~~for registration, as applicable.~~

~~(3)~~ **(4) Any portion of the license fee paid by a person licensed to operate interactive gaming, pursuant to subsection 1 of NRS 463.770, for which ~~for~~ an interactive gaming service provider may be liable to the person licensed to operate interactive gaming.**

(e) Provide that gross revenue received by an establishment from the operation of interactive gaming is subject to the same license fee provisions of NRS 463.370 as the games and gaming devices of the establishment, unless federal law otherwise provides for a similar fee or tax.

(f) Set forth standards for the location and security of the computer system and for approval of hardware and software used in connection with interactive gaming.

(g) Define “interactive gaming system,” “manufacturer of interactive gaming systems,” “operate interactive gaming” and “proprietary hardware and software” as the terms are used in this chapter.

3. Except as otherwise provided in subsections 4 and 5, the Commission shall not approve a license for an establishment to operate interactive gaming unless:



(a) In a county whose population is 700,000 or more, the establishment is a resort hotel that holds a nonrestricted license to operate games and gaming devices.

(b) In a county whose population is 45,000 or more but less than 700,000, the establishment is a resort hotel that holds a nonrestricted license to operate games and gaming devices or the establishment:

(1) Holds a nonrestricted license for the operation of games and gaming devices;

(2) Has more than 120 rooms available for sleeping accommodations in the same county;

(3) Has at least one bar with permanent seating capacity for more than 30 patrons that serves alcoholic beverages sold by the drink for consumption on the premises;

(4) Has at least one restaurant with permanent seating capacity for more than 60 patrons that is open to the public 24 hours each day and 7 days each week; and

(5) Has a gaming area that is at least 18,000 square feet in area with at least 1,600 slot machines, 40 table games, and a sports book and race pool.

(c) In all other counties, the establishment is a resort hotel that holds a nonrestricted license to operate games and gaming devices or the establishment:

(1) Has held a nonrestricted license for the operation of games and gaming devices for at least 5 years before the date of its application for a license to operate interactive gaming;

(2) Meets the definition of group 1 licensee as set forth in the regulations of the Commission on the date of its application for a license to operate interactive gaming; and

(3) Operates either:

(I) More than 50 rooms for sleeping accommodations in connection therewith; or

(II) More than 50 gaming devices in connection therewith.

4. The Commission may:

(a) Issue a license to operate interactive gaming to an affiliate of an establishment if:

(1) The establishment satisfies the applicable requirements set forth in subsection 3;

(2) The affiliate is located in the same county as the establishment; and

(3) The establishment has held a nonrestricted license for at least 5 years before the date on which the application is filed; and



(b) Require an affiliate that receives a license pursuant to this subsection to comply with any applicable provision of this chapter.

5. The Commission may issue a license to operate interactive gaming to an applicant that meets any qualifications established by federal law regulating the licensure of interactive gaming.

6. Except as otherwise provided in subsections 7, 8 and 9:

(a) A covered person may not be found suitable for licensure under this section within 5 years after February 21, 2013;

(b) A covered person may not be found suitable for licensure under this section unless such covered person expressly submits to the jurisdiction of the United States and of each state in which patrons of interactive gaming operated by such covered person after December 31, 2006, were located, and agrees to waive any statutes of limitation, equitable remedies or laches that otherwise would preclude prosecution for a violation of any provision of federal law or the law of any state in connection with such operation of interactive gaming after that date;

(c) A person may not be found suitable for licensure under this section within 5 years after February 21, 2013, if such person uses a covered asset for the operation of interactive gaming; and

(d) Use of a covered asset is grounds for revocation of an interactive gaming license, or a finding of suitability, issued under this section.

7. The Commission, upon recommendation of the Board, may waive the requirements of subsection 6 if the Commission determines that:

(a) In the case of a covered person described in paragraphs (a) and (b) of subsection 1 of NRS 463.014645:

(1) The covered person did not violate, directly or indirectly, any provision of federal law or the law of any state in connection with the ownership and operation of, or provision of services to, an interactive gaming facility that, after December 31, 2006, operated interactive gaming involving patrons located in the United States; and

(2) The assets to be used or that are being used by such person were not used after that date in violation of any provision of federal law or the law of any state;

(b) In the case of a covered person described in paragraph (c) of subsection 1 of NRS 463.014645, the assets that the person will use in connection with interactive gaming for which the covered person applies for a finding of suitability were not used after December 31, 2006, in violation of any provision of federal law or the law of any state; and



(c) In the case of a covered asset, the asset was not used after December 31, 2006, in violation of any provision of federal law or the law of any state, and the interactive gaming facility in connection with which the asset was used was not used after that date in violation of any provision of federal law or the law of any state.

8. With respect to a person applying for a waiver pursuant to subsection 7, the Commission shall afford the person an opportunity to be heard and present relevant evidence. The Commission shall act as finder of fact and is entitled to evaluate the credibility of witnesses and persuasiveness of the evidence. The affirmative votes of a majority of the whole Commission are required to grant or deny such waiver. The Board shall make appropriate investigations to determine any facts or recommendations that it deems necessary or proper to aid the Commission in making determinations pursuant to this subsection and subsection 7.

9. The Commission shall make a determination pursuant to subsections 7 and 8 with respect to a covered person or covered asset without regard to whether the conduct of the covered person or the use of the covered asset was ever the subject of a criminal proceeding for a violation of any provision of federal law or the law of any state, or whether the person has been prosecuted and the prosecution terminated in a manner other than with a conviction.

10. It is unlawful for any person, either as owner, lessee or employee, whether for hire or not, either solely or in conjunction with others, to operate interactive gaming:

(a) Until the Commission adopts regulations pursuant to this section; and

(b) Unless the person first procures, and thereafter maintains in effect, all appropriate licenses as required by the regulations adopted by the Commission pursuant to this section.

11. A person who violates subsection 10 is guilty of a category B felony and shall be punished by imprisonment in the state prison for a minimum term of not less than 1 year and a maximum term of not more than 10 years or by a fine of not more than \$50,000, or both.

Sec. 7. NRS 463.767 is hereby amended to read as follows:

463.767 1. The Commission may, with the advice and assistance of the Board, adopt a seal for its use to identify:

(a) A license to operate interactive gaming;

(b) A license for a manufacturer of interactive gaming systems;

[and]



(c) A license for *an interactive gaming service provider to perform the actions described in paragraph (a) of subsection 6 of NRS 463.677; and*

(d) Registration as a service provider to perform the actions described in paragraph ~~1(a)~~ (b) of subsection ~~5~~ 6 of NRS 463.677.

2. The Chair of the Commission has the care and custody of the seal.

3. The seal must have imprinted thereon the words "Nevada Gaming Commission."

4. A person shall not use, copy or reproduce the seal in any way not authorized by this chapter or the regulations of the Commission. Except under circumstances where a greater penalty is provided in NRS 205.175, a person who violates this subsection is guilty of a gross misdemeanor.

5. A person convicted of violating subsection 4 is, in addition to any criminal penalty imposed, liable for a civil penalty upon each such conviction. A court before whom a defendant is convicted of a violation of subsection 4 shall, for each violation, order the defendant to pay a civil penalty of \$5,000. The money so collected:

(a) Must not be deducted from any penal fine imposed by the court;

(b) Must be stated separately on the court's docket; and

(c) Must be remitted forthwith to the Commission.

Sec. 8. NRS 179.460 is hereby amended to read as follows:

179.460 1. The Attorney General or the district attorney of any county may apply to a Supreme Court justice or to a district judge in the county where the interception is to take place for an order authorizing the interception of wire, electronic or oral communications, and the judge may, in accordance with NRS 179.470 to 179.515, inclusive, grant an order authorizing the interception of wire, electronic or oral communications by investigative or law enforcement officers having responsibility for the investigation of the offense as to which the application is made, when the interception may provide evidence of the commission of murder, kidnapping, robbery, extortion, bribery, escape of an offender in the custody of the Department of Corrections, destruction of public property by explosives, a sexual offense against a child, sex trafficking, a violation of NRS 200.463, 200.464 or 200.465, trafficking in persons in violation of NRS 200.467 or 200.468 , ~~for~~ the commission of any offense which is made a felony by the provisions of chapter 453 or 454 of NRS ~~1~~ or *a violation of NRS 463.160 or 465.086.*



2. A provider of electronic communication service or a public utility, an officer, employee or agent thereof or another person associated with the provider of electronic communication service or public utility who, pursuant to an order issued pursuant to subsection 1, provides information or otherwise assists an investigative or law enforcement officer in the interception of a wire, electronic or oral communication is immune from any liability relating to any interception made pursuant to the order.

3. As used in this section, "sexual offense against a child" includes any act upon a child constituting:

- (a) Incest pursuant to NRS 201.180;
- (b) Lewdness with a child pursuant to NRS 201.230;
- (c) Sado-masochistic abuse pursuant to NRS 201.262;
- (d) Sexual assault pursuant to NRS 200.366;
- (e) Statutory sexual seduction pursuant to NRS 200.368;
- (f) Open or gross lewdness pursuant to NRS 201.210; or
- (g) Luring a child or a person with mental illness pursuant to NRS 201.560, if punished as a felony.

Sec. 9. This act becomes effective:

- 1. Upon passage and approval for the purpose of adopting regulations and performing any other preparatory administrative tasks that are necessary to carry out the provisions of this act; and
- 2. On July 1, 2019, for all other purposes.

