

NEW REGULATION 5A
OPERATION OF INTERACTIVE GAMING

PROPOSED NEW REGULATIONS

PURPOSE: To adopt a comprehensive framework to regulate the operation of interactive gaming in the State of Nevada to include: the scope of the regulations; definitions; licensing and application requirements; license fees; investigative fees; operation of only approved interactive gaming systems; required internal controls that shall meet minimum standards; detection and prevention of criminal activities; access to premises and production of records; revolving investigative fund; requirements pertaining to house rules; registration of individuals to engage in interactive gaming; requirements pertaining to interactive gaming accounts; requirements pertaining to self-exclusion; prohibitions against certain types of wagers; requirements pertaining to information that must be on an interactive gaming website; requirements pertaining to filing suspicious wagering reports; gross revenue computations for interactive gaming; resolution of disputes; requirements pertaining to records; grounds for disciplinary action; powers pertaining to the issuance of an interlocutory stop order; provisions pertaining to interactive gaming service providers; provisions allowing for a waiver; scope and effectiveness of an operator of interactive gaming license; and to take such additional action as may be necessary and proper to effectuate these stated purposes.

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5A.010 Scope. Regulation 5A shall govern the operation of interactive gaming. The provisions of the Gaming Control Act and all regulations promulgated thereunder shall still otherwise apply when not in conflict with Regulation 5A.

5A.020 Definitions. As used in this regulation:

1. "Authorized player" means a person who has registered with the operator of interactive gaming to engage in interactive gaming.
2. "Chairman" means the chairman of the state gaming control board or his designee.
3. "Interactive gaming account" means an electronic ledger operated and maintained by an operator of interactive gaming wherein information relative to

interactive gaming is recorded on behalf of an authorized player including the following types of transactions:

- (a) Deposits;
- (b) Withdrawals;
- (c) Amounts wagered;
- (d) Amounts paid on winnings; and
- (e) Adjustments to the account.

4. "Interactive gaming service provider" means a person who acts on behalf of an operator of interactive gaming and:

- (a) Manages, administers or controls wagers that are initiated, received or made on an interactive gaming system;
- (b) Manages, administers or controls the games with which wagers that are initiated, received or made on an interactive gaming system are associated;
- (c) Maintains or operates the software or hardware of an interactive gaming system;
- (d) Provides the trademarks, trade names, service marks or similar intellectual property under which an operator of interactive gaming identifies its interactive gaming system to patrons;
- (e) Provides information regarding persons to an operator of interactive gaming via a database or customer list; or
- (f) Provides products, services, information or assets to an operator of interactive gaming and receives therefor a percentage of gaming revenue from the establishment's interactive gaming system.

5. "Interactive gaming system" shall have the same meaning as provided in Regulation 14.010.

6. "Operate interactive gaming" means to engage in the business of operating interactive gaming.

7. "Operator of interactive gaming" means a person who, from Nevada, engages in the business of operating interactive gaming. An operator of interactive gaming who is granted a license by the commission is a licensee.

8. "Poker" means the traditional game of poker, and any derivative of the game of poker as approved by chairman and published on the board's website, wherein two or more players play against each other and wager on the value of their hands. For purposes of interactive gaming, poker is not a banking game.

9. "Wagering communication" means the transmission of a wager between a point of origin and a point of reception through communications technologies as defined by NRS 463.016425(2).

5A.030 License Required; Applications.

1. A person may act as an operator of interactive gaming only if that person holds a license specifically permitting the person to act as an operator of interactive gaming.

2. Applications for an operator of interactive gaming license shall be made, processed, and determined in the same manner as applications for nonrestricted gaming licenses, using such forms as the chairman may require or approve.

5A.040 Initial and Renewal License Fees. Before the commission issues an initial license or renews a license for an operator of interactive gaming the operator of interactive gaming shall pay the license fees established pursuant to NRS 463.765.

5A.050 Investigative Fees. Applications for an operator of interactive gaming license shall be subject to the application and investigative fees established pursuant to Regulation 4.070.

5A.060 Interactive Gaming Systems. An operator of interactive gaming shall not operate a new interactive gaming system in this state unless the interactive gaming system has been approved by the commission.

5A.070 Internal Controls for Operators of Interactive Gaming. Each operator of interactive gaming shall establish, maintain, implement and comply with standards that the chairman shall adopt and publish pursuant to the provisions of Regulation 6.090. Such minimum standards shall include internal controls for:

1. As specified under Regulation 6.090(1), administrative, accounting and audit procedures for the purpose of determining the licensee's liability for taxes and fees under the Gaming Control Act and for the purpose of exercising effective control over the licensee's internal affairs.

2. Maintenance of all aspects of security of the interactive gaming system;

3. Registering authorized players to engage in interactive gaming;

4. Identification and verification of authorized players to prevent those who are not authorized players from engaging in interactive gaming. The procedures and controls must incorporate robust and redundant identification methods and measures in order to manage and mitigate the risks of non face-to-face transactions inherent in interactive gaming;

5. Protecting and ensuring confidentiality of authorized players' interactive gaming accounts;

6. Ensuring that interactive gaming is engaged in between human individuals only;

7. Testing the integrity of the interactive gaming system on an ongoing basis;

8. Promoting responsible interactive gaming and preventing individuals who have self-excluded from engaging in interactive gaming. Such internal controls shall include provisions for substantial compliance with Regulation 5.170; and

9. Protecting an authorized player's personally identifiable information, including, but not limited to:

(a) The designation of one senior company official who has primary responsibility for the design, implementation and ongoing evaluation of such procedures and controls;

(b) The procedures to be used to determine the nature and scope of all personally identifiable information collected, the locations in which such information is stored, and the devices or media on which such information may be recorded for purposes of storage or transfer;

(c) The policies to be utilized to protect personally identifiable information from unauthorized access by employees, business partners, and persons unaffiliated with the company;

(d) Notification to authorized player of privacy policies;

(e) Procedures to be used in the event the operator of interactive gaming determines that a breach of data security has occurred, including required notification to the board's enforcement division; and

(f) Provision for compliance with all local, state and federal laws concerning privacy and security of personally identifiable information.

"Personally identifiable information" means any information about an individual maintained by an operator of interactive gaming including (1) any information that can be used to distinguish or trace an individual's identity, such as name, social security number, date and place of birth, mother's maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information.

The chairman may, in his sole and absolute discretion, determine additional areas that require internal controls having minimum standards.

5A.080. Detection and Prevention of Criminal Activities. Each operator of interactive gaming shall implement procedures that are designed to detect and prevent transactions that may be associated with money laundering, fraud and other criminal activities and to ensure compliance with all federal laws related to money laundering.

5A.090 Access to Premises and Production of Records; Revolving Investigative Fund.

1. Operators of interactive gaming holding a license issued by the commission are subject to the provisions of NRS 463.140. It shall be an unsuitable method of operation for an operator of interactive gaming holding a license issued by the commission to deny any board or commission member or agent, upon proper and lawful demand, access to, inspection or disclosure of any portion or aspect of their operations.

2. Upon being granted a license by the commission, operators of interactive gaming shall deposit with the board and thereafter maintain a revolving fund in an amount of \$20,000, unless a lower amount is approved by the chairman, which shall be used to pay the expenses of agents of the board and commission to investigate compliance with this regulation.

5A.100 House Rules. Each operator of interactive gaming shall adopt, conspicuously display, and adhere to written, comprehensive house rules governing wagering transactions by and between authorized players. Such house rules shall include, but not be limited to, specifying the following:

1. Clear and concise explanation of all fees;

3. The rules of play of a game;

4. Any monetary wagering limits; and

5. Any time limits pertaining to the play of a game.

Prior to adopting or amending such house rules, an operator of interactive gaming shall submit such rules to the chairman for his approval.

5A.110 Registration of Authorized Player.

1. Before allowing or accepting any wagering communication from an individual to engage in interactive gaming, an operator of interactive gaming must register the individual as an authorized player and create an interactive gaming account for the individual.

2. An operator of interactive gaming may register an individual as an authorized player only if the operator of interactive gaming establishes and verifies:

(a) The identity of the individual;

(b) That the individual is 21 years of age or older;

(c) The physical location where the individual resides; and

(d) That the individual is not on the list of excluded persons established pursuant to NRS 463.151 and Regulation 28.

3. Before registering an individual as an authorized player, the operator of interactive gaming must have the individual affirm the following:

(a) That the information provided to the operator of interactive gaming by the individual to register is accurate;

(b) That the individual has been provided a copy of the house rules for interactive gaming;

(c) That the individual has been informed and understands that, as an authorized player, they are prohibited from allowing any other person access to or use of their interactive gaming account;

(d) That the individual has been informed and understands that, as an authorized player, they are prohibited from engaging in interactive gaming from a state or foreign jurisdiction in which interactive gaming is illegal and that the operator of interactive gaming is prohibited from allowing such interactive gaming;

(e) Consents to the monitoring and recording by the operator of interactive gaming and the board of any wagering communications; and

(f) Consents to the jurisdiction of the State of Nevada to resolve disputes arising out of interactive gaming.

4. An individual may register as an authorized player remotely or in person.

5. Once an individual has registered as an authorized player and the operator of interactive gaming has verified the accuracy of the information used to register the individual, an operator of interactive gaming may establish an interactive gaming account for the authorized player.

5A.120 Interactive Gaming Accounts.

1. An operator of interactive gaming shall record and maintain the following in relation to an interactive gaming account:

(a) The date and time the interactive gaming account is opened or terminated;

(b) The date and time the interactive gaming account is logged in to or is logged out of; and

(c) The physical location of the authorized player while logged in to the interactive gaming account.

2. An operator of interactive gaming shall ensure that an individual registered as an authorized player holds only one interactive gaming account with the operator of interactive gaming.

3. An operator of interactive gaming shall not set up anonymous interactive gaming accounts or accounts in fictitious names.

4. Funds may be deposited by an authorized player into an interactive gaming account assigned to them as follows:

(a) Cash deposits made directly with the operator of interactive gaming;

(b) Personal checks, cashier's checks, wire transfer and money order deposits made directly or mailed to the operator of interactive gaming;

(c) Transfers from safekeeping or front money accounts otherwise held by the licensed gaming establishment holding the operator of interactive gaming license.

(d) Debits from an authorized player's debit card or credit card; or

(e) Any other means approved by the chairman.

5. Interactive gaming account credits may be made by the following means:

(a) Deposits; and

(b) Amounts won by an authorized player.

6. Interactive gaming account debits may be made by the following means:

(a) Amounts wagered by an authorized player;

(b) Purchases of interactive gaming related merchandise and services requested by an authorized player; and

(c) Withdrawals.

7. An operator of interactive gaming shall comply with a request for a withdrawal of funds by an authorized player from their interactive gaming account within a reasonable amount of time.

8. An operator of interactive gaming shall not allow an authorized player to transfer funds to any other authorized player.

9. Under no circumstances shall an operator of interactive gaming allow an authorized player's interactive gaming account to be overdrawn.

10. An operator of interactive gaming, including its affiliates and agents, shall not extend credit to an authorized player.

11. The language of any agreement used as between an operator of interactive gaming and its authorized players pertaining to interactive gaming and authorized players' access to their interactive gaming account shall be submitted to the chairman for his review. The operator of interactive gaming shall not allow or engage in any interactive gaming until any such agreement is approved by the chairman.

12. An operator of interactive gaming shall hold funds of authorized players that are to be used in connection with interactive gaming and that are in the possession of the operator of interactive gaming separate from the operator of interactive gaming's own property. All funds received or held on behalf of an authorized player shall be deposited in one or more identifiable bank accounts designated as a trust account maintained in the State of Nevada. Trust account

arrangements must be administratively approved by the chairman and the chairman shall be notified when a trust account is closed. Complete records of such account funds shall be kept by the operator of interactive gaming and shall be preserved for a period of five years after termination of the authorized player's account.

13. An operator of interactive gaming shall ensure that an authorized player has the ability, through their interactive gaming account, to select responsible gambling options that include a wager limit, loss limit, time-based loss limits, deposit limit, session time limit, and time-based exclusion from gambling.

5A.130 Self-Exclusion

1. Operators of interactive gaming must have and put into effect policies and procedures for self-exclusion and take all reasonable steps to refuse service or to otherwise prevent an individual who has self-excluded from participating in interactive gaming. These policies and procedures include without limitation the following:

(a) The maintenance of a register of those individuals who have self-excluded that includes the name, address and account details of self-excluded individuals;

(b) The closing of the interactive gaming account held by the individual who has self-excluded; and

(c) Employee training to ensure enforcement of these policies and procedures.

2. Operators of interactive gaming must take all reasonable steps to prevent any marketing material from being sent to an individual who has self-excluded.

5A.140 Acceptance of Wagers. Operators of interactive gaming shall not accept or facilitate a wager:

1. On any game other than the game of poker and its derivatives as approved by the chairman.

2. On any game which the operator of interactive gaming knows or reasonably should know is not between individuals.

3. On any game which the operator of interactive gaming knows or reasonably should know is made by a person on the self-exclusion list.

4. From a person who the operator of interactive gaming knows or reasonably should know is placing the wager in violation of state or federal law.

5A.150 Information Displayed on Website. Operators of interactive gaming must provide for the prominent display of the following information on a page which, by virtue of the construction of the website, authorized players must access before gambling:

1. The full name of the operator of interactive gaming and address from which it carries on business;

2. A statement that the operator of interactive gaming is licensed and regulated by the commission;

3. The operator of interactive gaming's license number;

4. A statement that persons under the age of 21 are not permitted to engage in interactive gaming.

5. A statement that persons located in a jurisdiction where interactive gaming is not legal are not permitted to engage in interactive gaming.

6. A link to information explaining how disputes are resolved;

7. A link to a problem gambling website that is designed to offer information pertaining to responsible gaming;

8. A link to the state gaming control board's website; and

9. A link to a website that allows for an authorized player to choose to be excluded from engaging in interactive gaming;

5A.160 Suspicious Wagering Report.

1. As used in this section, "suspicious wager" means a wager which an operator of interactive gaming licensee knows or in the judgment of it or its directors, officers, employees and agents has reason to suspect is being attempted or was placed:

(a) In violation of or as part of a plan to violate or evade any federal, state or local law or regulation;

(b) Has no business or apparent lawful purpose or is not the sort of wager which the particular authorized player would normally be expected to place, and the licensee knows of no reasonable explanation for the wager after examining the available facts, including the background of the wager.

2. An operator of interactive gaming licensee shall file a report of any suspicious wager, regardless of the amount, if the licensee believes it is relevant to the possible violation of any law or regulation.

3. The report in subsection 2 shall be filed no later than 7 calendar days after the initial detection by the licensee of facts that may constitute a basis for filing such a report. If no suspect was identified on the date of the detection of the incident requiring the filing of the report, a licensee may delay filing a report for an additional 7 calendar days to identify a suspect. In no case shall reporting be delayed more than 14 calendar days after the date of initial detection of a reportable transaction. In situations involving violations that require immediate attention, the licensee shall immediately notify, by telephone, the board in addition to timely filing a report.

4. An operator of interactive gaming licensee shall maintain a copy of any report filed and the original or business record equivalent of any supporting documentation for a period of five years from the date of filing the report. Supporting documentation shall be identified, and maintained by the licensee as such, and shall be deemed to have been filed with the report. A licensee shall make all supporting documentation available to the board and any appropriate law enforcement agencies upon request.

5. An operator of interactive gaming licensee and its directors, officers, employees, or agents who file a report pursuant to this regulation shall not notify any person involved in the transaction that the transaction has been reported.

5A.170 Gross Revenue License Fees, Attribution, Liability and Computations for Interactive Gaming.

1. 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.

2. For a nonrestricted licensee granted an operator of interactive gaming license pursuant to the provisions of NRS 463.750(4), gross revenue received from the operation of interactive gaming shall be attributed to the nonrestricted licensee and counted as part of the gross revenue of the nonrestricted licensee for the purpose of computing the license fee.

3. For an affiliate of a nonrestricted licensee granted an operator of interactive gaming license pursuant to the provisions of NRS 463.750(5), gross revenue received from the operation of interactive gaming by the affiliate is subject to the same licensee fee provisions of NRS 463.370 as the games and gaming devices of the affiliated nonrestricted licensee and shall be attributed to the affiliated nonrestricted licensee and counted as part of the gross revenue of the affiliated nonrestricted licensee for the purpose of computing the license fee, unless federal law otherwise provides for a similar fee or tax. The operator of interactive gaming, if receiving all or a share of the revenue from interactive gaming, is liable to the affiliated nonrestricted licensee for the operator of interactive gaming's proportionate share of the license fees paid by the affiliated nonrestricted licensee pursuant to NRS 463.370.

4. For each game in which the operator of interactive gaming is not a party to the wager, gross revenue equals all money received by the operator of interactive gaming as compensation for conducting the game.

5. The nonrestricted licensee holding an operator of interactive gaming license or the affiliated nonrestricted licensee holding an operator of interactive gaming license is responsible for reporting all gross revenue derived through interactive gaming.

5A.180 Resolution of Disputes

1. In the event that an authorized player has a dispute with an operator of interactive gaming regarding interactive gaming, the operator of interactive gaming may freeze the disbursement of all disputed amounts until resolution of the dispute.

2. Operators of interactive gaming may establish procedures that allow for or require informal arbitration to resolve disputes pertaining to interactive gaming that fall within the provisions of NRS 463.362(1). Upon the completion of informal arbitration, where an authorized player is not satisfied with the resolution of the dispute, the provisions of NRS 463.362 to 463.3668 shall apply.

3. Disputes arising between authorized players which are potentially resolved without board involvement are ultimately the responsibility of the operator of interactive gaming.

5A.190 Records. In addition to any other record required to be maintained pursuant to this regulation, each operator of interactive gaming shall maintain

complete and accurate records of all matters related to their interactive gaming activity, including without limitation the following:

1. The identity of all current and prior authorized players;
2. All information used to register an authorized player;
3. A record of any changes made to an interactive gaming account;
4. A record and summary of all person-to-person contact, by telephone or otherwise, with an authorized player;
5. All deposits and withdrawals to an interactive gaming account; and
6. A complete game history for every game played including the identification of all authorized players who participate in a game, the date and time a game begins and ends, the outcome of every game, the amounts wagered, and the amounts won or lost by each authorized player.

Operators of interactive gaming shall preserve the records required by this regulation for at least 5 years after they are made.

5A.200 Grounds for Disciplinary Action.

1. Failure to comply with the provisions of this regulation shall be an unsuitable method of operation and grounds for disciplinary action.
2. The commission may limit, condition, suspend, revoke or fine any license, registration, finding of suitability or approval given or granted under this regulation on the same grounds as it may take such action with respect to any other license, registration, finding of suitability or approval.

5A.210 Power of Commission and Board.

1. The chairman shall have the power to issue an interlocutory stop order to an operator of interactive gaming suspending the operation of its interactive gaming system for any cause deemed reasonable by the chairman. The affected licensee may request that the order be reviewed by the board and commission pursuant to Regulations 4.185 through 4.195, inclusive.
2. An operator of interactive gaming that is the subject of an interlocutory stop order issued by the chairman shall immediately cease the operation of its interactive gaming system until the interlocutory stop order is lifted.

5A.220 Interactive Gaming Service Providers

1. An interactive gaming service provider that acts on behalf of an operator of interactive gaming to perform the services of an interactive gaming service provider shall be subject to the provisions of this regulation applicable to such services to the same extent as the operator of interactive gaming. An operator of interactive gaming continues to have an obligation to ensure, and remains responsible for compliance with this regulation regardless of its use of an interactive gaming service provider.
2. A person may act as an interactive gaming service provider only if that person holds a license specifically permitting the person to act as an interactive gaming service provider.

3. An operator of interactive gaming may only use the services of a service provider that is licensed by the commission as an interactive gaming service provider.

4. Applications for an interactive gaming service provider license shall be made, processed, and determined in the same manner as applications for nonrestricted gaming licenses, using such forms as the chairman may require or approve.

5. License fees.

(a) Before the commission issues an initial license or renews a license for an interactive gaming service provider, the interactive gaming service provider shall pay a license fee of \$1000.

(b) All interactive gaming service provider licenses shall be issued for the calendar year beginning on January 1 and expiring on December 31. If the operation is continuing, the fee prescribed by subsection (a) shall be due on or before December 31 of the ensuing calendar year. Regardless of the date of application or issuance of the license, the fee charged and collected under this section is the full annual fee.

6. Applications for an interactive gaming service provider license shall be subject to the application and investigative fees established pursuant to Regulation 4.070.

7. Any employee of an interactive gaming service provider whose duties include the operational or supervisory control of the interactive gaming system or the games that are part of the interactive gaming system are subject to the provisions of NRS 463.335 and 463.337 and Regulations 5.100 through 5.109 to the same extent as gaming employees.

8. Interactive gaming service providers holding a license issued by the commission are subject to the provisions of NRS 463.140. It shall be an unsuitable method of operation for an interactive gaming service provider holding a license issued by the commission to deny any board or commission member or agent, upon proper and lawful demand, access to, inspection or disclosure of any portion or aspect of their operations.

9. An interactive gaming service provider shall be liable to the licensee on whose behalf the services are provided for the interactive gaming service provider's proportionate share of the fees and taxes paid by the licensee.

5A.230 Waiver of Requirements of Regulation. Except as otherwise inconsistent with federal or state law, the commission may waive one or more requirements of Regulation 5A if it makes a written finding that such waiver is consistent with the state policy set forth in NRS 463.0129.

5A.240 Scope and Effectiveness of Operator of Interactive Gaming License.

1. A license granted by the commission to be an operator of interactive gaming shall not allow such licensee to offer interactive gaming from Nevada to individuals located in jurisdictions outside the state of Nevada unless the commission determines:

(a) That a federal law authorizing the specific type of interactive gaming for which the license was granted is enacted; or

(b) That the board or commission is notified by the United States Department of Justice that it is permissible under federal law to operate the specific type of interactive gaming for which the license was granted.

2. Upon the commission making a determination that 1(a) or (b) of this section has occurred, an operator of interactive gaming licensee that intends to offer interactive gaming from Nevada to individuals located in jurisdictions outside Nevada shall submit a request for administrative approval to the chairman, on such forms as the chairman may require, to begin such interstate interactive gaming. The chairman shall conduct a review of the operator of interactive gaming's operations to ensure that it is able to comply with these regulations and all other applicable state and federal laws. The chairman may approve or deny a request to begin interstate interactive gaming. The affected licensee may request that a denial by the chairman to conduct interstate interactive gaming be reviewed by the board and commission pursuant to Regulations 4.185 through 4.195, inclusive.