

PROPOSED REGULATION 14

MANUFACTURERS, DISTRIBUTORS, OPERATORS OF INTER-CASINO LINKED SYSTEMS, GAMING DEVICES, NEW GAMES, INTER-CASINO LINKED SYSTEMS, ON-LINE SLOT METERING SYSTEMS, CASHLESS WAGERING SYSTEMS AND ASSOCIATED EQUIPMENT

(Draft Date: 10/21/09)

- 14.010 Definitions.
 - 14.020 License required; applications.
 - 14.021 Independent contractors; registration.
 - 14.022 Independent contractors; reporting.
 - 14.023 Manufacturer's agreements with independent contractors.
 - 14.024 Manufacturer's responsibilities for independent contractors.
 - 14.025 Certain themes prohibited in association with gaming devices or slot machines.
 - 14.030 Approval of gaming devices and the operation of new inter-casino linked systems; applications and procedures.
 - 14.040 Minimum standards for gaming devices.
 - 14.045 Minimum standards for inter-casino linked systems.
 - 14.050 Technical standards.
 - 14.060 Employment of individual to respond to inquiries from the board.
 - 14.070 Board evaluation of new gaming devices.
 - 14.075 Board evaluation of inter-casino linked systems.
 - 14.080 Field test of new gaming devices and new inter-casino linked systems.
 - 14.090 Certification by manufacturer.
 - 14.100 Final approval of new gaming devices and new inter-casino linked systems.
 - 14.105 Installation of a System Based Game or a System Supported Game.
 - 14.110 Approval to modify gaming devices or inter-casino linked systems; applications and procedures.
 - 14.120 Board evaluation of modifications.
 - 14.130 Field test of modified gaming devices and modified inter-casino linked systems.
 - 14.140 Final approval of modifications.
 - 14.150 Conversions.
 - 14.160 Duplication of program storage media.
 - 14.170 Marking, registration, and distribution of gaming devices.
 - 14.180 Approval to distribute gaming devices out of Nevada; applications and procedures.
 - 14.190 Approval to sell or dispose of gaming devices.
 - 14.200 Maintenance of gaming devices.
 - 14.210 Approval of promotional devices; applications and procedures.
 - 14.220 Summary suspension of approval of gaming devices and inter-casino linked systems.
 - 14.230 Approval of new games; applications and procedures.
 - 14.240 Field trials of new games.
 - 14.250 Final approval of new games.
 - 14.260 Approval of associated equipment; applications and procedures.
 - 14.270 Board evaluation of associated equipment.
 - 14.280 Field trial of associated equipment.
 - 14.290 Installation of associated equipment.
 - 14.300 Maintenance of associated equipment.
 - 14.310 Retention of records.
 - 14.320 Sale of antique gaming devices.
 - 14.330 Sale of slot machines displayed or used in a private residence.
 - 14.340 Display and marketing of gaming devices by unlicensed entities.
- Technical Standards for Gaming Devices and On-Line Slot Systems

14.010 Definitions. As used in this regulation, unless the context otherwise requires:

1. "Assume Responsibility" means to acquire complete control over, or ownership of, a gaming device, cashless wagering system, mobile gaming system or interactive gaming system.

2. "Cashless wagering system" means the collective hardware, software, communications technology, and other associated equipment used to facilitate wagering with other than chips, tokens or legal tender of the United States. The term does not include any race and sports

computerized bookmaking system that accepts pari-mutuel wagers, or any other race and sports book systems that do not accept wagering instruments or process electronic money transfers. This type of associated equipment is further defined in NRS 463.014.

32. "Chairman" means the chairman or other member of the state gaming control board.

4. **"Control Program" means any software, source language or executable code which affects the result of a wager by determining win or loss. The term includes, but is not limited to, software, source language or executable code associated with the:**

(a) Random number generation process;

(b) Mapping of random numbers to game elements displayed as part of game outcome;

(c) Evaluation of the randomly selected game elements to determine win or loss;

(d) Payment of winning wagers;

(e) Game recall;

(f) Game accounting including the reporting of meter and log information to on-line slot metering system;

(g) Monetary transactions conducted with associated equipment;

(h) Software verification and authentication functions which are specifically designed and intended for use in a gaming device;

(i) Monitoring and generation of game tilts or error conditions; and

(j) Game operating systems which are specifically designed and intended for use in a gaming device.

53. "Conversion" means a change in a gaming device from one pre-approved configuration to another pre-approved configuration or from one approved mode of play to another approved mode of play.

6. **"Distribution" or "distribute" means:**

(a) The sale, offering for sale, lease, offering for lease, licensing or other offer of any gaming device, cashless wagering system, mobile gaming system or interactive gaming system for use or play in Nevada, or

(b) The sale, offering for sale, lease, offering for lease or other offer of any gaming device, cashless wagering system, mobile gaming system or interactive gaming system from a location within Nevada.

74. "Distributor" is any person that sells, leases, markets, offers, or otherwise distributes any gaming device, cashless wagering system, or mobile gaming system for use or play in Nevada or sells, leases, or otherwise distributes any gaming device, cashless wagering system, or mobile gaming system from a location within Nevada **means a person or entity that distributes any gaming device, cashless wagering system, mobile gaming system or interactive gaming system.**

85. "Distributor of associated equipment" is any person that sells, **offers to sell,** leases, **offers to lease, licenses,** markets or otherwise distributes **offers** associated equipment in Nevada for use by licensees.

96. "Game outcome" is the final result of the wager.

10. **"Game variation" means a change or alteration in a game or gambling game that affects the manner or mode of play of an approved game. This includes, but is not limited to, the addition or removal of wagering opportunities or a change in the theoretical hold percentage of the game. The term game or gambling game is defined in NRS 463.0152.**

11. **"Independent contractor" means any person who:**

(a) Is not an employee of a licensed manufacturer; and

(b) Pursuant to an agreement with a licensed manufacturer:

1. Designs, develops, programs, produces or composes a control program on behalf of the licensed manufacturer; or

2. Designs, develops, produces or composes software, source language or executable code intended to be compiled into a control program by the licensed manufacturer.

127. "Inter-casino linked system" means an inter-casino linked system including the collective hardware, software, communications technology and other associated equipment used to link and monitor games or devices located at two or more licensed gaming establishments. Systems that

solely record a patron's wagering activity among affiliated properties are not inter-casino linked systems. This term is further defined in NRS 463.01643.

~~138.~~ "Inter-casino linked system modification" means a change or alteration to an inter-casino linked system made by an operator who has been previously approved by the commission to operate that system. With regard to inter-casino linked systems that link progressive payout schedules, the term includes, but is not limited to:

- (a) A change in a system name or theme; or
- (b) A change in gaming device denomination.

14. "Manufacture" means:

(a) To manufacture, produce, program, design, control the design of, maintain a copyright over or make modifications to a gaming device, cashless wagering system, mobile gaming system or interactive gaming system;

(b) To direct, control or assume responsibility for the methods and processes used to design, develop, program, assemble, produce, fabricate, compose and combine the components and other tangible objects of any gaming device, cashless wagering system, mobile gaming system or interactive gaming system; or

(c) To assemble, or control the assembly of, a gaming device, cashless wagering system, mobile gaming system or interactive gaming system.

~~159.~~ "Manufacturer" is ~~any person that manufactures, assembles, produces, programs, or makes modifications to any gaming device, cashless wagering system, or mobile gaming system for use or play in Nevada or for distribution outside of Nevada~~ **means a person who operates, carries on, conducts or maintains any form of manufacture.**

~~1610.~~ "Manufacturer of associated equipment" is any person that manufactures, assembles, or produces any associated equipment, including inter-casino linked systems, for use **in Nevada** by licensees.

~~1711.~~ "Mobile gaming system" or "system" means a system that allows for the conduct of games through mobile communications devices operated solely within a public area of the licensed gaming establishment by the use of communications technology that allows a patron to bet or wager, and corresponding information related to the display of the game, gaming outcomes or other similar information.

~~1812.~~ "Mobile gaming system modification" means any change or alteration to a mobile gaming system made by a manufacturer from its approved configuration.

~~1913.~~ "Modification" means a change or alteration in a gaming device **previously approved by the commission for use or play in Nevada** that affects the manner or mode of play of the device. The term includes a change to control or graphics programs and, except as provided in paragraphs (d) and (e), in the theoretical hold percentage. The term does not include:

- (a) A conversion;
- (b) Replacement of one component with another, pre-approved component;
- (c) The rebuilding of a previously approved device with pre-approved components;
- (d) A change in the theoretical hold percentage of a mechanical or electro-mechanical device, provided that the device as changed meets the standards of Regulation 14.040(1); or
- (e) A change in the theoretical hold percentage of an electronic device which is the result of a top award jackpot or bonus jackpot payment which is paid directly by an attendant and which is not accounted for by the device.

~~2014.~~ "On-line slot metering system" means the collective hardware, software and other associated equipment used to monitor, accumulate, and record meter information from gaming devices within a licensed establishment.

~~2115.~~ "Operator" means any person or entity holding a license to operate an inter-casino linked system or mobile gaming system in Nevada, a person or entity holding a license to operate a slot machine route that operates an inter-casino linked system for slot machines only, or a person or entity holding a license to operate a nonrestricted gaming operation that operates an inter-casino linked system of affiliates.

~~2216.~~ "Private residence" means a noncommercial structure used by a natural person as a place of abode and which is not used for a commercial purpose.

~~2317.~~ "Randomness" is the observed unpredictability and absence of pattern in a set of elements or events that have definite probabilities of occurrence.

2418. "Theme" means a concept, subject matter and methodology of design.
(Adopted: 7/89. Amended: 10/90; 8/93; 1/27/00; 5/00; 5/03; 3/06.)

.....

14.021 Independent contractors; registration.

1. An independent contractor whose software, source language or executable code has been compiled into the control program of a new gaming device or a modification to a gaming device submitted for approval must register with the board. The approval of the new gaming device or the modification to a gaming device will not be completed until such registration has been reviewed by the board.

2. An independent contractor that has previously registered with the board may request a waiver from the chairman lifting the requirement that the independent contractor register with the board for each additional licensed manufacturer with whom the independent contractor enters into an agreement. The aforementioned waiver may be granted by the chairman or the chairman's designee upon a showing of good cause by the independent contractor.

3. An independent contractor may be required by the commission, upon recommendation of the board, to file an application for a finding of suitability to be a manufacturer of a gaming device.

4. Registration as an independent contractor shall be made, processed, and determined using such forms as the chairman may require or approve.

5. The chairman may waive the registration requirements of section 1 if an independent contractor entered into any valid, binding and effective agreement with a licensed manufacturer prior to October 1, 2009. Any such waiver shall apply only to statements of work existing prior to October 1, 2009. Any subsequent statements of work generated under the agreement would require the independent contractor to be registered with the board pursuant to the provisions of this Regulation.

14.022 Independent contractors; reporting.

1. Each licensed manufacturer must file a report with the board that identifies any independent contractor having a current agreement with the licensed manufacturer during the previous calendar quarter.

2. The report required by subsection 1 of this regulation shall include:

(a) The name of the independent contractor;

(b) If the independent contractor is a business organization or association, the names of the natural persons employed or engaged to perform the work for the licensed manufacturer;

(c) The business address of the independent contractor;

(d) To the extent existent, and where applicable law permits disclosure, identifying information for any person or entity disclosed pursuant to paragraphs (a) and (b) of this subsection, including, but not limited to, tax identification numbers, date and jurisdiction of organization, date and place of birth for natural persons;

(e) A description of the scope of the work performed for the licensed manufacturer by the independent contractor; and

(f) A summary of the business and other arrangement between the licensed manufacturer and such person or entity.

3. The report must be filed by the last day of the month following the end of the calendar quarter covered by the report.

14.023 Manufacturer's agreements with independent contractors. Any agreement between a licensed manufacturer and an independent contractor shall provide for termination without continuing obligation of the licensed manufacturer in the event the independent contractor:

1. Refuses to respond to information requests from the board;

2. Fails to file an application for a finding of suitability as required by the commission; or

3. Is found unsuitable by the commission.

14.024 Manufacturer's responsibilities for independent contractors. Each licensed manufacturer must:

1. Complete a review of any software, source language or executable code designed, developed, produced or composed by an independent contractor for compliance with all applicable regulations and technical standards of the commission and board prior to submission to the board; and

2. Maintain a record of the software, source language or executable code that was designed, developed, produced or composed by an independent contractor, by contractor name. Such record shall be maintained for a minimum of five years from the date of the relevant submission and must be made available to the board upon request.

....

14.030 Approval of gaming devices and the operation of new inter-casino linked systems; applications and procedures.

1. A manufacturer or distributor shall not distribute a gaming device in Nevada and a licensee shall not offer a gaming device for play unless it has been approved by the commission or is offered for play pursuant to a field test ordered by the chairman.

2. An operator of an inter-casino linked system shall not install and operate a new inter-casino linked system in Nevada and a licensee shall not offer any gaming device or game for play that is part of such a system unless operation of the inter-casino linked system and all gaming devices or games that are part of or connected to the inter-casino linked system have been approved by the commission or are offered for play pursuant to a field test ordered by the chairman.

3. Applications for approval of a new gaming device or to operate a new inter-casino linked system shall be made and processed in such manner and using such forms as the chairman may prescribe. Only licensed manufacturers may apply for approval of a new gaming device. Only operators may apply for approval to operate a new inter-casino linked system.

4. At the chairman's request an applicant for a manufacturer's or inter-casino linked system operator's license shall, or upon the chairman's prior approval an applicant for a manufacturer's or operator's license may, apply for a preliminary determination that a new gaming device or new inter-casino linked system meets the standards required by this regulation.

5. Each application shall include, in addition to other items or information as the chairman may require:

(a) A complete, comprehensive, and technically accurate description and explanation in both technical and lay language of the manner in which the device or inter-casino linked system operates **and complies with all applicable statutes, regulations and technical standards**, signed under penalty of perjury;

(b) A statement under penalty of perjury that, to the best of the manufacturer's knowledge, the gaming device meets the standards of section 14.040 or, in the case of an inter-casino linked system, that to the best of the operator's knowledge the system meets the standards of section 14.045;

(c) In the case of a gaming device, a copy of all executable software, including data and graphic information, and a copy of all source code for programs that cannot be reasonably demonstrated to have any use other than in a gaming device, submitted on electronically readable, unalterable media;

(d) In the case of a gaming device, a copy of all graphical images displayed on the gaming device including, but not limited to, reel strips, rules, instructions and paytables;

(e) In the case of an inter-casino linked system:

(1) ~~A~~An operator's manual;

(2) A network topology diagram;

~~(3)~~(2) An internal control system;

~~(4)~~(3) A hold harmless agreement;

~~(5)~~(4) A graphical representation of the system theme and all related sign-age; and

~~(6)~~(5) Information sufficient to calculate a theoretical payoff schedule amount including, but not limited to, the base and reset amounts, the total contribution percentage and a breakdown of that percentage including contribution rates to all progressive payoff schedules and all reset funds, the odds of winning the progressive payoff schedule and the amount of the wager required to win the progressive payoff schedule; and

(f) In the case of a mobile gaming system:

(1) An operator's manual;

(2) A network topology diagram;

~~(3)~~(2) An internal control system; and

~~(4)~~(3) A description of the method used to isolate game function to the areas listed in Regulation 5.220(1)(i).

(Adopted: 7/89. Amended: 11/20/97; 1/27/00; 5/00; 5/03; 3/06.)

14.040 Minimum standards for gaming devices. All gaming devices submitted for approval:

1. Must theoretically pay out a mathematically demonstrable percentage of all amounts wagered, which must not be less than 75 percent for each wager available for play on the device.

(a) Gaming devices that may be affected by player skill must meet this standard when using a method of play that will provide the greatest return to the player over a period of continuous play.

(b) The chairman may waive the 75 percent standard if the manufacturer can show to the chairman's satisfaction that this requirement inhibits design of the device or is inappropriate under the circumstances, the device theoretically pays out at least 75 percent of all wagers made when all wagers are played equally, and the device otherwise meets the standards of subsections 2 through 6. A waiver will be effective when the manufacturer receives written notification from the chairman that this standard will be waived pursuant to this paragraph. A waiver of this standard pursuant to this paragraph is not an approval of the device.

2. Must use a random selection process to determine the game outcome of each play of a game. The random selection process must meet 95 percent confidence limits using a standard chi-squared test for goodness of fit.

(a) Each possible permutation or combination of game elements which produce winning or losing game outcomes must be available for random selection at the initiation of each play.

(b) For gaming devices that are representative of live gambling games, the mathematical probability of a symbol or other element appearing in a game outcome must be equal to the mathematical probability of that symbol or element occurring in the live gambling game. For other gaming devices, the mathematical probability of a symbol appearing in a position in any game outcome must be constant.

(c) The selection process must not produce detectable patterns of game elements or detectable dependency upon any previous game outcome, the amount wagered, or upon the style or method of play.

3. Must display an accurate representation of the game outcome. After selection of the game outcome, the gaming device must not make a variable secondary decision which affects the result shown to the player.

4. Gaming devices connected to a common payoff schedule shall:

(a) All be of the same denomination and have equivalent odds of winning the common payoff schedule/common award; or

(b) If of different denominations, equalize the expected value of winning the payoff schedule/common award on the various denominations by setting the odds of winning the payoff schedule in proportion to the amount wagered or by requiring the same wager to win the payoff schedule/award regardless of the device's denomination. The method of equalizing the expected value of winning the payoff schedule/award shall be conspicuously displayed on each device connected to the common payoff schedule/common award. For the purposes of this requirement equivalent is defined as within a 5% tolerance for expected value and no more than a 1% tolerance on return to player or payback.

54. Must display the rules of play and payoff schedule.

65. Must not automatically alter paytables or any function of the device based on internal computation of the hold percentage.

76. Must meet the technical standards adopted pursuant to section 14.050.

87. Except for devices granted a waiver pursuant to subsections 1(b), or 8, each gaming device exposed for play in the State of Nevada by any gaming licensee, including an operator of a slot machine route, must meet the standards and requirements set forth within subsection 1, as though the gaming device had been submitted for approval subsequent to September 28, 1989.

98. The chairman of the board or his designee may waive the requirements of subsection 7 for a licensee exposing a gaming device to the public for play, if the licensee can demonstrate to the chairman's satisfaction that:

(a) After the waiver the aggregate theoretical payout for all amounts wagered on all gaming devices exposed for play by the licensee at a single establishment meets the 75 percent standard of subsection 1, and

(b) The licensee is unable to bring the device into compliance with the requirements of subsection 1, because of excessive cost or the unavailability of parts.

(Adopted: 7/89. Amended: 9/89; 10/92. Effective: 1/1/93.)

14.045 Minimum standards for inter-casino linked systems. All inter-casino linked systems submitted for approval:

1. Shall, in the case of an inter-casino linked system featuring a progressive payoff schedule that increases as the inter-casino linked system is played, have a minimum rate of progression for the primary jackpot meter of not less than .4 of one percent of amounts wagered. In the case of an inter-casino linked system featuring a progressive payoff schedule that increases over time, have a minimum rate of progression for the primary jackpot meter of not less than one hundred dollars per day. The provisions of this subsection do not prevent an operator from limiting a progressive payoff schedule as allowed by Regulation 5.112(5).

2. Shall have a method to secure data transmissions between the games and devices and the main computer of the operator, as approved by the board.

~~3. Gaming devices connected to a common payoff schedule shall:~~

~~(a) All be of the same denomination; or~~

~~(b) If of different denominations, equalize the expected value of winning the payoff schedule on the various denominations by setting the odds of winning the payoff schedule in proportion to the amount wagered or by requiring the same wager to win the payoff schedule regardless of the device's denomination. The method of equalizing the expected value of winning the payoff schedule shall be conspicuously displayed on each device connected to the inter-casino linked system.~~

34. Shall display the rules of play and the payoff schedule.

45. Shall meet the applicable minimum standards for internal control that have been adopted pursuant to Regulation 6.090.

(Adopted: 5/00. Amended: 5/03.)

14.050 Technical standards.

1. The chairman shall publish technical standards for approval of new gaming devices, on-line slot metering systems, ~~and cashless wagering systems,~~ **and other associated equipment.**

2. The chairman shall:

(a) Publish notice of the proposed action in such newspapers as the commission shall prescribe;

(b) Mail a copy of the proposed technical standards or revisions and a copy of this section of Regulation 14 to every nonrestricted licensee, licensed manufacturer and every person who has filed a request with the commission; and

(c) Provide a copy of the proposed technical standards or revisions to the commission.

3. The chairman shall consider all written statements, arguments, or contentions submitted by interested parties within 30 days of service of the notice provided for in subsection 2.

4. Not later than 45 days after service of written notice that the chairman has proposed the technical standards, any nonrestricted licensee or licensed manufacturer may object to the technical standards or revisions by filing a written objection with the commission.