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A.G. Burnett, Chairman
Nevada Gaming Control Board
1919 College Parkway
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Dear Mr. Chairman:

We are writing to provide comments on the proposed changes to Regulation 5 that are reflected in the draft of July 7, 2016, posted on the Board's website.

We understand the Board's desire to unify the types of payment instruments permitted to fund the various forms of legal gaming that may be offered in Nevada. As we noted in testimony before the Board and the Commission in February 2014, there is no uniformity of allowed payment instruments across the various gaming verticals. Debit and credit cards may be used to fund race and sports and interactive wagering, while credit cards are by law prohibited from being used to fund games and gaming devices, and debit instruments are allowed to perform such funding only as allowed by the Chairman. The advent of mobile gaming systems makes the matter even more complicated since mobile devices can't accept cash.

While we applaud the Board's initiative to streamline these regulations, we feel obligated to note some problems with the proposed changes as drafted. The problems we note are all related to the proposed use of credit cards and debit instruments as allowed funding devices for deposits to and withdrawals from a Wagering Account as outlined in proposed Regulations 5.225(9) and (10).

Proposed Regulation 5.225(1)(d) defines a "Wagering Account" and states that a Wagering Account may be maintained by a licensee "in connection with the patron's use and play at ... all authorized games and gaming devices ..." (among other uses allowed by that section). Since this one Wagering Account can fund all of the permitted gaming uses, it makes sense that the allowed payment instruments be common across all of these verticals.

However, the interplay between 5.225(1)(d) and 5.225(9) and (10) is problematic with respect to current Nevada laws and regulations. In particular, it would allow credit cards to fund play at games and gaming devices in violation of NRS 463.3557. Further, it would allow funding from debit instruments not approved by the Chairman in violation of Regulations 14.260(3) and (4). While it is clearly within the authority of the Chairman to approve any such debit instrument, only a change in law can provide for credit card usage at games and gaming devices. Perhaps

this proposed regulation change is meant to initiate a discussion of whether that law should be changed.

It is clearly one of the Board's responsibilities to make suggestions for legislative action that it feels would benefit the Nevada gaming industry. As the Board evaluates whether this potential legislative change would, in fact, benefit the industry, we would like to respectfully offer some reasons why the perceived benefits of allowing credit and debit cards to fund games and gaming devices may not be as real as they seem and may bring problems not contemplated in the drafting of the proposed regulations.

First, requests for credit and debit card deposits to a Wagering Account will be routed to the issuing bank with a Merchant Category Code (MCC) identifying the request as being made in connection with gaming activity. As has been well documented, many banks, including many of the largest by national deposit base, are not approving gaming-related requests. Even after two and a half years of online gaming activity in Nevada, New Jersey and Delaware, the approval percentage for credit and debit card requests remains stuck at around 60%. Even after the card associations introduced new MCC codes to identify more specifically the type of wagering activity that is being conducted, approval rates have not materially changed.

The potential consequences of this to the Nevada gaming industry are mixed. While 60% of requests might be approved, it is likely that 40% will not be. That will result in a large number of frustrated customers who had hoped to be able to play without cash but will be denied for reasons they don't understand. And, instead of blaming their bank, they're more likely to blame the casino. This is clearly demonstrated by the volume of unhappy patrons complaining to the call centers of online gaming operators.

The second problem centers on proposed Regulation 5.220(10)(d) which allows patrons to withdraw funds from the Wagering Account via "[c]redits to the patron's debit instrument or credit card." This is the logical reverse of allowing deposits from credit cards and debit cards. However, it is unlikely to work as contemplated. Credits of monetary transactions are not currently well-supported by the US payments networks. Returns of merchandise for the exact same value that they were purchased for are routine, but returns of money are not, especially when the withdrawal amount and the deposit amount are different (as they are likely to be in gaming).

The potential consequences of this to the Nevada gaming industry are not positive. Patrons who have money left over in their Wagering Account and who don't want to wager further will have no convenient way to get it out other than by withdrawing the value in cash in the casino. Lines at cages will multiply. And, customers that are no longer on the casino premises may have to wait up to a week to have the money sent to them via check or ACH. This return-of-money problem means that the cashless wagering system contemplated by the regulatory change is only cashless until the money is all gone. If the patron is a net winner - or just has some money left over - settlement will likely still be in green paper.

Finally, returning to the issue of credit cards, it is not a sufficient remedy to remove credit cards as an allowable funding instrument. Many debit cards have overdraft features and those

overdrafts are funded via a charge to a linked credit card. And there is no way to know - at the time the withdrawal is made - that it is being made via an overdraft from a credit card. As a result, licensees may inadvertently allow wagering funded by a credit card in violation of current law.

We were surprised that Prepaid Access Instrument was not included as an allowed method to fund the proposed Wagering Accounts. As you know, we worked with responsible gaming professionals, the Board and the Commission for nearly 24 months to get Prepaid Access Instrument defined in Nevada gaming regulations and approved to fund a cashless wagering account. A Prepaid Access Instrument has all of the benefits sought in the proposal to accept debit and credit cards (instant funding and withdrawal from Wagering Accounts) and none of the problems just identified. Further, it incorporates controls and other protections that address responsible gaming concerns. Most importantly, it includes a delay on second and subsequent fundings to provide the "time and diversion" standard that is the bedrock of what responsible gaming advocates look for. Finally, a Prepaid Access Instrument has no overdraft feature.

Many gaming operators, gaming system providers, and responsible gaming organizations have already identified Prepaid Access Instruments as a payment option that works better than the direct use of credit and debit cards. Tens of thousands of gaming patrons are currently using Sightline's Play+® Prepaid Access Instrument, and we are moving hundreds of millions of dollars in and out of wagering accounts without cash and with very few complaints.

In defining Prepaid Access Instrument and allowing it to fund approved cashless wagering accounts, the Board and the Commission have already done the work to allow the industry to realize all of the benefits of cashless funding in a way that avoids the problems of credit and debit cards in gaming and in a way that is consistent with regulations, laws and policies as they exist today.

Thank you for the opportunity to provide these comments. We will be happy to provide any additional information you might require.

Sincerely,



Harry C. Hagerty
President and CFO