



MESQUITE GAMING



July 09, 2016

Mr. Tony Alamo, M.D., Chairman
Nevada Gaming Commission
555 East Washington Avenue
Suite 2600
Las Vegas, NV 89101



Mr. A. G. Burnett, Chairman
Nevada State Gaming Control Board
555 East Washington Avenue
Suite 2600
Las Vegas, NV 89101

Re: Mesquite Gaming, LLC – Petition for New Satellite Sports Book Regulations

Chairman Alamo and Chairman Burnett,

Per our letter to FinCEN dated July 8, 2016 pertaining to satellite sports books that are not subject to Title 31/Suspicious Activity reporting based on annual gross gaming revenue, we are requesting new regulations be considered for adoption.

This petition for adoption of new regulations is to require satellite sports books that are not subject to Title 31 reporting to submit to the Nevada Gaming Control Board a "Satellite Sports Book Payout Report" for all nonpari-mutuel payouts of \$10,000 and higher or that aggregate to over \$10,000 during the designated 24-hour gaming day. Currently, satellite sports books that have annual gross gaming revenue less than \$1.0 million are required to complete IRS Form 8300 which only includes cash wagers in excess of \$10,000; no cash payouts over \$10,000 are reported. As a result, a patron could wager less than \$10,000 and win over \$10,000 and there is no report of these transactions to either the IRS or the Nevada Gaming Control Board. We believe the current practice of exempting these satellites from reporting winning sports book wagers of \$10,000 or higher facilitates money laundering, increases the risk of criminal activity through third-party betting, impedes the efforts of law enforcement in identifying such activity, and could potentially damage the integrity of gaming in the State of Nevada.

Based on regulations already in place, we've drafted proposed changes for your consideration that pertain specifically to satellite sports book operations that do not exceed the \$1.0 million in annual gross gaming revenue to be subject to Title 31 reporting.

Thank you in advance for your consideration on this matter.



950 W. MESQUITE BLVD • MESQUITE, NEVADA 89027
702-345-6789 • ITSMESQUITE.COM • 877-GETAWAY



Respectfully,



Catherine Catanzaro
Corporate Compliance Officer
Mesquite Gaming, LLC
702-346-4000 ext. 3101

cc: Nevada Gaming Control Board:
Shawn R. Reid, Member
Terry Johnson, Member
Karl Bennison, Chief, Enforcement

Internal Revenue Service:
Jason R. Carmen, BSA Casino Group Manager

Mesquite Gaming, LLC
Anthony Toti, Chief Executive Officer
Richard Tomasso, Director of Security & Government Affairs



MESQUITE GAMING

July 8, 2016

Jamal El-Hindi, Deputy Director
Financial Crimes Enforcement Division
PO Box 39
Vienna, VA 22183

Re: Nevada Sports Book Cash Transactions - Form 8300

Deputy Director El-Hindi,

As a brief background, Mesquite Gaming, LLC owns two (2) casinos in Mesquite, Nevada which is 100 miles north of Las Vegas, Nevada. The City of Mesquite has approximately 18,000 residents and three (3) casinos, two (2) of which are Mesquite Gaming, LLC properties. The Company's only competitor is the Eureka Hotel & Casino (annual gross gaming revenue over \$30 million), which is situated directly across the street from one of our properties, Virgin River Hotel & Casino.

The purpose of this letter is to address with you the definition of a "Casino" per 31 C.F.R Part 1010 General Provisions Subpart A §1010.100(t)(5)(i) that states in part ".....has gross annual gaming revenue in excess of \$1 million" and "the term includes the principal headquarters.....". Our in-house sports book operation, subject to Title 31 reporting, is significantly impacted by this regulation as our competitor's book, Eureka Hotel & Casino, is a satellite operation licensed to William Hill US with gross sports book revenue less than \$1 million and therefore is only required to complete Form 8300 for cash wagers over \$10,000.

Per Nevada Gaming Control Board records, William Hill operates 104 of the 190 non-restricted licensed sports books in the State of Nevada. With 55% market share by number of outlets, William Hill's satellites should not be permitted to evade reporting under Title 31 as the definition includes the term "principal headquarters" which I believe is William Hill as the corporation licensed by the State of Nevada Gaming Commission to operate the satellites.

Not only has this situation created an unfair advantage to William Hill over in-house operated books in Nevada subject to Title 31, it aides in money laundering and messenger betting as the patron's know there is no report to the IRS of their wagering activity if less than \$10,000, no report on their winnings over \$10,000, and no personal information is required.

Again, considering William Hill's market share of licensed non-restricted sports books in Nevada, all of William Hill's satellite books, regardless of the gross book revenue, should be subject to the reporting requirements of Chapter X under Part 1021 - Rules for Casinos and Card Clubs of the Bank Secrecy Act instead of just filing Form 8300 for cash-in transactions



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over \$10,000. I also believe that the current practice of exempting these satellites from compliance with Title 31 and Suspicious Activity Reporting increases the risk of criminal activity through third-party betting, facilitates money laundering and severely hampers the efforts of law enforcement in identifying criminal activity.

In summary Deputy Director El-Hindi, I realize that when this regulation was written it pertained to taverns and at that time satellite sports books as operated by William Hill and also Cantor Gaming did not exist. Therefore, I would like a broader interpretation on the definition of a casino and in particular a ruling on what constitutes the "principal headquarters" as it pertains to the satellite sports books operated by William Hill at hundreds of locations in the State of Nevada.

Respectfully,



Anthony Toti
Owner & Chief Executive Officer
Mesquite Gaming, LLC
702-346-6803

cc: Mesquite Gaming, LLC:

Catherine Catanzaro, Compliance Officer
Richard Tomasso, Vice President of Security & Government Affairs

Internal Revenue Service:

Jason R. Carmen, BSA Casino Group Manager

Nevada Gaming Control:

Tony Alamo, M.D., Chairman, Nevada Gaming Commission
A.G. Burnett, Chairman, Nevada Gaming Control Board

American Gaming Association:

Geoff Freeman, President and CEO

Satellite Sports Books

Proposed regulatory requirements for Sports Book Payouts in excess of \$10,000 at Satellites>

22.XXX Payouts in excess of \$10,000.

1. Prior to paying any nonpari-mutuel winning wager(s) in excess of \$10,000 the satellite book shall:

- (a) Obtain the patron's name;
- (b) Obtain or reasonably attempt to obtain the patron's permanent address and social security number;
- (c) Obtain one of the following identification credentials from the patron:
 - (1) Driver's license;
 - (2) Passport;
 - (3) Non-resident alien identification card;
 - (4) Other reliable government issued identification credentials; or
 - (5) Other picture identification credential normally acceptable as a means of identification when cashing checks; and
- (d) Examine the identification credential obtained to verify the patron's name, and to the extent possible, to verify the accuracy of the information obtained pursuant to paragraph (b).

2. Prior to paying a nonpari-mutuel winning wager(s) in excess of \$10,000, if a book knows a person is cashing the winning wager(s) on behalf of another person, the licensee shall obtain and record the information required by paragraphs (a) through (d) of subsection 1 with respect to the person on whose behalf the winning wager(s) is being paid, and the licensee shall reasonably attempt to obtain and, to the extent obtained, shall record the information required by paragraphs (a) through (d) of subsection 1 with respect to the person for whom the winning wager is being paid.

3. Prior to paying a nonpari-mutuel winning wager in excess of \$10,000, the book shall record or maintain records that include:

- (a) The patron's name and, if applicable, the agent's name;
- (b) The patron's address and, if applicable, the agent's address; Regulation 22, Race Books and Sports Pools Page 7
- (c) The patron's social security number and, if applicable, the agent's social security number;
- (d) A description including any document number of the identification credential examined (or credential information on file for known patrons) and, if applicable, for the agent;
- (e) The amount of the paid winning wager(s);
- (f) Window number or other identification of the location where the payment- occurred;
- (g) The time and date of the payment;
- (h) The name and signature of the book employee processing or approving payment of the winning wager(s); and
- (i) Any other information as required by the Chairman.

A book shall not implement alternative procedures to comply with this subsection without the written approval of the Chairman.

4. As used in this section, a "known patron" means an individual patron known to the book employee paying the winning wager(s), for whom the licensee has previously obtained the patron's name and identification credential, and with respect to whom the licensee has on file and updates, at least every three years, all the information required to be recorded pursuant to this section.

5. As used in this section, a "listed patron" means a known patron for whom the book has requested and received approval from the Chairman to exclude payment on winning wagers to the patron from the reporting requirements of this section. If the Chairman does not deny the request for approval within 15 days of receipt of the request, the request will be deemed to be approved. All approvals may be revoked at any time at the discretion of the Chairman, and are conditioned that the patron's paid winning wagers remain subject to the identification and recordkeeping requirements of subsections 1 through 4 and of Regulations 22.062 and 22.063. A book's written request to have a patron approved as a listed patron shall include:

- (a) The patron's name;
- (b) The patron's residence, mailing or business address;
- (c) The patron's social security number;
- (d) The patron's identification credential information including any document number and expiration date;
- (e) The patron's birth date;

- (f) A recent photograph of the patron's face or a copy of a current picture identification credential;
- (g) A description of the patron's book activity including the use of any wagering accounts or credit accounts including account numbers;
- (h) A statement as to why the book desires to have the patron approved as a listed patron and an acknowledgment that the book believes that the patron is not involved in illegal wagering activity;
- (i) The signature of the licensee or an officer of the licensee; and
- (j) Any other information as required by the Chairman.

All records related to the patron's activity supporting the request shall be available for board review.

6. Each book shall report **payment on winning** wagers required to be recorded pursuant to this section, excluding any **payment on winning** wagers to listed patrons, on a "Book **Payout** Report," a form published or approved by the Chairman that includes, but is not limited to:

- (a) The patron's and agent's (if applicable) name;
- (b) The patron's and agent's (if applicable) identity credential information;
- (c) The patron's and agent's (if applicable) social security number;
- (d) **Winning wager(s) payout** amounts; and
- (e) Date of transactions.

Reports shall be submitted to the board no later than 15 days after the end of the month of the occurrence of the transaction and in such manner as the Chairman may approve or require. Each book shall file an amended report if the licensee obtains information to correct or complete a previously submitted report, and the amended report shall reference to the previously submitted report. Each book shall retain a copy of each report filed for at least 5 years unless the Chairman requires retention for a longer period of time.

22.062 Multiple wagers/payouts.

1. A book and its employees and agents shall not knowingly allow, and each book shall take reasonable steps to prevent, the circumvention of Regulation 22.061 by multiple **nonpari-mutuel wagers and payouts on winning** wagers within its designated 24-hour period with a patron or a patron's agent or by the use of a series of **wagers/payouts** that are designed to accomplish indirectly that which could not be accomplished directly. As part of a book's efforts to prevent such circumventions relative to Regulation 22.061 a book shall establish and implement **wagering** multiple transaction logs **for wagering and payouts**.

2. Each book shall record in a **wagering** multiple transaction log all nonpari-mutuel wagers/payouts in excess of \$5,000, or in smaller amounts that aggregate in excess of \$5,000 when any single officer, employee, or agent of the book has actual knowledge of the wagers/payouts or would in the ordinary course of business have reason to know of the wagers/payouts between the book and a patron or a person who the book knows or has reason to know is the patron's confederate or agent. This record shall be made for nonpari-mutuel wagers/payouts occurring during a designated 24-hour period, within a monitoring area.

3. Each log entry in a **wagering**-multiple transaction log shall be made by the employee accepting or approving the wager/payout, immediately after accepting the wager **or making the payout**, and shall include at a minimum:

- (a) Description of the patron (or agent), which may include such identifiers as age, sex, race, eye color, hair, weight, height and attire, if the person is present when the wager is accepted **or payout made**;
- (b) Patron's name and agent's name, if known;
- (c) Window number or other identification of the location where the wager/payout occurred;
- (d) Time and date of the wager/payout;
- (e) Dollar amount of the wager/payout; and
- (f) Signature of person accepting or approving the wager **or payout**.

One log shall be maintained for each monitoring area, for each designated 24-hour period. A log is completed for each 24-hour period regardless of whether any nonpari-mutuel wagers/payouts occurred. At the conclusion of each designated 24-hour period, the last entry on the log shall be an indication that the end of the designated 24-hour period has occurred. A book shall not implement alternative procedures or records to comply with this subsection without the written approval of the chairman.

4. Each book shall aggregate all nonpari-mutuel wagers/payouts in excess of \$5,000 or smaller amounts when any single officer, employee, or agent of the book has actual knowledge of the wagers/payouts or would in the ordinary course of business have reason to know of the wagers/payouts between the book and a patron or a person who the book knows or has reason to know is the patron's confederate or agent during a designated 24-hour period within a monitoring area.

5. Before completing a wager/payout that, when aggregated with other wagers/payouts pursuant to subsection 4, will aggregate to an amount that will exceed \$10,000, the book shall complete the identification and recordkeeping requirements described in subsection 1 of Regulation 22.061. When aggregated wagers/payouts exceed \$10,000, the book shall complete the recording and reporting requirements of Regulation 22.061.

6. If a patron places a wager **or is paid on a winning wager** that pursuant to subsection 4 is to be aggregated with previous wagers/payouts for which a record has been completed pursuant to this section or Regulation 22.061, the book shall complete the identification, recordation and reporting procedures described in Regulation 22.061 for any additional wager/payout regardless of amount occurring during a designated 24-hour period.

7. As used in this section:

- (a) "Designated 24-hour period" means the 24-hour period ending at midnight each day unless otherwise approved by the chairman.
- (b) "Monitoring area" means all race book and sports pool writing locations unless otherwise approved by the chairman.

(Adopted: 11/98. Amended: 6/30/07; 8/21/08. Effective: 3/1/99.)

22.063 Structured wagers.

1. A book, its officers, employees or agents shall not encourage or instruct the patron to structure or attempt to structure wagers/payouts. This subsection does not prohibit a book from informing Regulation 22, Race Books and Sports Pools Page 9 (Rev. 4/16)

a patron of the regulatory requirements imposed upon the book, including the definition of structured wagers.

2. A book, its officers, employees or agents shall not knowingly assist a patron in structuring or attempting to structure wagers/payouts.

3. As used in this section, "structure wagers/payouts" or "structuring wagers/payouts" means to willfully conduct or attempt to conduct a series of wagers/payouts in any amount, at one or more books, on one or more days in any manner as to willfully evade or circumvent the recording and reporting requirements of Regulation 22.061. The wager/payout or wagers/payouts need not exceed the dollar thresholds in Regulation 22.061 at any single book in any single day in order to constitute structuring within the meaning of this definition.

(Adopted: 11/98. Effective: 3/1/99.)