



# MESQUITE GAMING



February 10, 2017

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

Re: Oppositions to Mesquite Gaming's Petition to Amend Nevada Gaming Regulations 22.061 - 22.063 (2016-03RP)

Chairman Burnett,

The request by Geoff Freeman, President/CEO, American Gaming Association (AGA), in his letter to you dated October 20, 2016 requesting that the Board not take any action on our petition dated July 9, 2016 demonstrates a lack of understanding of the inherent risks associated with satellite sports books operations, particularly suspicious activity reporting and large payments on winning sports wagers. We also find the objections to our petition to amend Regulations 22.061, 22.062 and 22.063 made by Scott Scherer, attorney for William Hill, during the Nevada Gaming Commission meeting on July 28, 2016 interesting as his reasoning is not only misleading and off point, he actually made a strong argument for the need to amend the regulations to report payouts in excess of \$10,000.

On July 28, 2016, Mr. Scherer told the Commission that money launderers won't put their money at risk playing games of chance, such as blackjack, poker, or roulette. He claimed that they would more likely bet both sides of a sporting event and collect their winning wager, less the vigorish. He added that the satellite books would meet gaming compliance requirements on the wagering side of the transactions over \$10,000 and therefore make additional reporting on the winning side unnecessary. This statement, although correct as it pertains to transactions over \$10,000, is misleading as he failed to mention that the receipt of cash less than \$10,000 (single wager or multiple wagers during the same reporting period) are not required to be reported. Thus, wagers just under \$10,000 resulting in payouts over \$10,000 are not reported on either side (e.g., cash receipt/cash disbursement). With the advent of the satellite books, money launderers can now launder millions of dollars without a shred of detection or the worry of a suspicious activity report being filed.

For example, a money launderer can place a bet of just under \$10,000 on both sides of the same game (e.g. \$9,900 on one team at one satellite book and \$9,900 on the opponent at another satellite book; \$19,800 total wager). After the game, he/she collects \$18,900 on the winning ticket. This bettor just safely laundered \$19,800 by just giving up the vigorish. If this is done at all satellite books on a daily, weekly, monthly or yearly basis, millions of dollars will be laundered without any reporting on either the amounts wagered or winnings paid, no suspicious activity reports filed, and no identifying data retained on the bettor because of the current loophole in the reporting requirements under Title 31.



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The only way to prevent large scale money laundering at these satellite books in the State of Nevada is for the Nevada Gaming Commission to amend Regulations 22.061, 22.602 and 22.063 to require satellite books to record and maintain certain information with regard to payouts in excess of \$10,000 on winning wagers, and to report this information to the Gaming Control Board, similar to the already existing Book Wagering Report adopted by the Gaming Control Board in 1999.

In addressing Geoff Freeman's objection to our petition to the Board, he stated in his letter that "Gaming venues below the one million dollar threshold are still subject to cash reporting requirements of Internal Revenue Service". Mr. Freeman's statement is only correct as it applies to "cash-in" transactions over \$10,000; cash paid out on winning wagers over \$10,000 are not reported on any form by these books. And, our petition only pertained to "cash out" transactions over \$10,000; we did not petition a change for "cash-in" reporting. Additionally, these satellite venues are not required to file Suspicious Activity Reports. Instead, the "suspicious transaction" box on line 1 of IRS Form 8300 is checked if the wagering activity is considered suspicious; details of the suspicious activity is not required.

Mr. Freeman also stated in his letter "The proposed amendments create State obligations that are inconsistent with federal requirements". We disagree with Mr. Freeman's statement. The State of Nevada withdrew from compliance with Regulation 6A on July 1, 2007 with all applicable licensees then subject to the regulatory requirements of Title 31. William Hill was not even licensed by the Nevada State Gaming Commission to operate in Nevada until June 21, 2012. Prior to licensure, in 2011, William Hill made agreements to purchase American Wagering, Inc., Club Cal Neva Satellite Race and Sportsbook Division, and Brandywine Bookmaking. They currently operate over 100 full service satellite sports book venues in Nevada. Prior to 2012 and the purchases by William Hill, the smaller independent satellite operations did not pose the risk they do today as operated by William Hill under one corporate umbrella. The inherent risk associated with sports wagering and the ease of money laundering through these satellite books necessitates enactment of regulations by the Commission to enhance the Board's oversight of satellite book operations.

If the Nevada Gaming Commission does not act, it would be just a matter of time until the majority of the casino based sports books that do not meet the million dollar threshold become satellite books. In doing so, these sports books would eliminate a large portion of their Title 31 reporting responsibilities, make themselves more competitive with the existing satellite books, and lessen the requirements for compliance paperwork. If this movement develops, the Nevada Gaming Control Board Enforcement Division will receive no information on any satellite book bettors and eventually will have "NOTHING ON NOBODY".

In closing Chairman Burnett, the Nevada Gaming Control Board and the Nevada Gaming Commission are obligated to impose regulations, and monitor the effectiveness of such regulations, to protect the integrity of gaming within the State of Nevada. As activity conducted in sports books is inherently of high risk, the regulatory requirements of all book operations within the State should be evaluated and updated as gaming venues change and as new risks emerge, including the increase of illegal bookmaking and illegal offshore wagering activities.

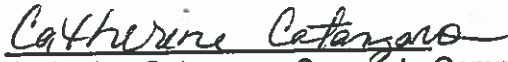
Respectfully,



Anthony Toti, Chief Executive Officer  
Mesquite Gaming, LLC



Dick Tomasso, Vice President of Security & Government Affairs  
Mesquite Gaming, LLC



Catherine Catanzaro, Corporate Compliance Officer  
Mesquite Gaming, LLC

cc: Tony Alamo, M.D., Chairman, Nevada Gaming Commission  
Karl Bennison, Chief, Enforcement Division, Nevada Gaming Control Board