

## REGULATION 26B

### OFF-TRACK PARI-MUTUEL SPORTS WAGERING

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**26B.010 Scope.** This regulation governs and its applicability is limited to off-track pari-mutuel wagering on sporting events for which a license or approval has been granted by the commission pursuant to chapter 464 of the Nevada Revised Statutes. The provisions of chapter 463 of the Nevada Revised Statutes and all other regulations of the commission apply when not in conflict with this regulation.

(Adopted: 3/93.)

**26B.020 Definitions.** As used in this regulation:

1. "Breakage" means the odd cents over a multiple of ten cents arising from the computation of odds and payoffs on off-track pari-mutuel sports wagers.
2. "Chairman" means the chairman of the board or his designee.
3. "Commission on wagers" means an amount retained and not returned to patrons by a pari-mutuel sports book from the aggregate amount of off-track pari-mutuel sports wagers.
4. "Common pari-mutuel pool" means a pari-mutuel wagering pool consisting of the off-track pari-mutuel sports wagers placed at two or more pari-mutuel sports books.
5. "Manual merge" means the process used in the event of a systems or communications failure by which participating pari-mutuel sports books transmit to the systems operator through telephone, telecopy, cellular or other means of communication, the sports books' wagering information, and the process by which the systems operator includes the off-track pari-mutuel sports wagers in the common pari-mutuel pool in such event.
6. "Off-track pari-mutuel sports system" means a computerized system or component of a system that is used to receive wagering information from and transmit pool data to a pari-mutuel sports book.
7. "Off-track pari-mutuel sports wager" means a pari-mutuel wager on a sporting event offered as part of a common pari-mutuel pool, whether or not the wager is actually included in the common pari-mutuel pool.
8. "Pari-mutuel sports book" means an establishment within this state that has been licensed to accept off-track pari-mutuel sports wagers pursuant to the provisions of chapters 463 and 464 of the Nevada Revised Statutes and this regulation, or an out-of-state facility approved to accept off-track pari-mutuel sports wagers. Where applicable, the term also includes a person or governmental agency from outside this state that operates such a facility, and an association of such facilities.

9. "Pool data" means data regarding the results, payoffs, odds or payoff prices, and the aggregate amount of off-track pari-mutuel sports wagers accepted on each sporting event by all pari-mutuel sports books.

10. "Post time" means five minutes before the scheduled start of a sporting event or such other time as designated by the chairman.

11. "Sporting event" means an individual race, game, match or contest, and any group, series or part thereof. The term does not include horse or dog races.

12. "Systems operator" or "operator of a system" means a person engaged in providing the off-track pari-mutuel sports system or services directly related to the reconciliation of a common pari-mutuel pool and transfers of funds between the participating pari-mutuel sports books.

13. "Wagering information" means the amount of off-track pari-mutuel sports wagers accepted for each sporting event by a single pari-mutuel sports book.

(Adopted: 3/93.)

#### **26B.030 License required to accept off-track pari-mutuel sports wagers; application.**

1. A person shall not accept off-track pari-mutuel sports wagers in Nevada unless he has received a license pursuant to chapters 463 and 464 of the Nevada Revised Statutes to accept such wagers. A license to accept off-track pari-mutuel sports wagers shall only be granted to a nonrestricted operation licensed to accept wagers on sporting events.

2. An application for a license to accept off-track pari-mutuel sports wagers must be submitted using such forms as the chairman approves. The application must be accompanied by an internal control system that complies with Regulation 6.

(Adopted: 3/93.)

#### **26B.040 Conduct of off-track pari-mutuel sports wagering.**

1. Off-track pari-mutuel sports wagering may be conducted only at a pari-mutuel sports book.

2. A pari-mutuel sports book shall comply with the provisions of Regulation 22 when not in conflict with this regulation.

3. A pari-mutuel sports book shall not accept off-track pari-mutuel sports wagers after post time. Off-track pari-mutuel sports wagers become final at the start of the sporting event.

4. A pari-mutuel sports book shall conspicuously display, at periodic intervals to be determined by the chairman, both the aggregate amount of off-track pari-mutuel sports wagers accepted and the odds for each sporting event on which off-track pari-mutuel sports wagering is being conducted.

5. A pari-mutuel sports book shall pay winning off-track pari-mutuel sports wagers in accordance with the pari-mutuel payoff on the off-track pari-mutuel sports wagers accepted on a sporting event, irrespective of whether all wagering information from all pari-mutuel sports books actually was included in the common pari-mutuel pool.

6. A pari-mutuel sports book shall return at least one dollar and five cents for each winning dollar wagered.

7. The pari-mutuel sports books shall be jointly responsible for any deficiencies and shall share in any excesses resulting from the requirements of subsections 5 and 6 of this section.

8. A pari-mutuel sports book shall not pay any systems operator or any other pari-mutuel sports book any compensation for the right to be part of a common pari-mutuel pool unless the agreement setting forth the terms of the compensation has been approved pursuant to section 26B.140 of this regulation.

9. A pari-mutuel sports book shall adopt, conspicuously display, and adhere to written house rules governing off-track pari-mutuel sports wagering transactions with patrons. Prior to adopting or amending such house rules, a pari-mutuel sports book shall submit the rules to the chairman for his approval.

10. A pari-mutuel sports book shall allow a patron to cash an outstanding off-track pari-mutuel sports wagering ticket for at least 30 days from the date the sporting event is concluded. A ticket which is not redeemed within such time becomes valueless, unless the time period is extended by the licensee, and the sum of money represented by the ticket shall then accrue to the issuing licensee.

(Adopted: 3/93.)

#### **26B.050 Approval to share in revenues; application.**

1. A pari-mutuel sports book shall not share the revenue from off-track pari-mutuel sports wagering with any person unless the person who is to share in the revenue has been licensed by or received approval from the commission.

2. An application for approval to receive a share of the revenue from off-track pari-mutuel sports wagering must be submitted using such forms as the chairman approves.

(Adopted: 3/93.)

**26B.060 Criteria for licensing and approval to share in revenue.** The board and the commission may consider the criteria of NRS 463.170 in determining whether to recommend and grant an off-track pari-mutuel sports wagering license or recommend and approve an application by a person to receive a share of the revenue from off-track pari-mutuel sports wagering.

(Adopted: 3/93.)

**26B.070 Requirements imposed upon out-of-state pari-mutuel sports books approved to share in the revenue or otherwise receive compensation.**

1. An out-of-state pari-mutuel sports book approved to share in the revenue or otherwise receive compensation from pari-mutuel sports books within this state for the right to be part of a common pari-mutuel pool shall comply with all applicable state and federal laws regarding wagers on sporting events for which it is offering a common pari-mutuel pool.

2. An out-of-state pari-mutuel sports book approved to share in the revenue from off-track pari-mutuel sports wagering shall maintain a revolving fund with the board in an amount determined by the chairman, which may not exceed \$10,000 without commission approval, for post-approval investigative costs.

(Adopted: 3/93.)

**26B.080 Participation in common pari-mutuel pool.** All pari-mutuel sports books in Nevada must be offered the right to accept wagers in a common pari-mutuel pool at the same fee or rate.

(Adopted: 3/93.)

**26B.090 Licensing of off-track pari-mutuel sports systems operator.**

1. A pari-mutuel sports book shall not use an off-track pari-mutuel sports system unless the systems operator has been licensed by the commission.

2. An application for a license to serve as a systems operator must be submitted using such forms as the chairman approves. The application must be accompanied by an internal control system that complies with Regulation 6.

(Adopted: 3/93.)

**26B.100 Requirements imposed upon systems operator.** As used in this section, the term "chairman" means the chairman or other member of the board designated by the chairman.

1. Each systems operator shall maintain an office in Nevada and designate a key employee located in the Nevada office to supervise and be responsible for the day-to-day operations of the off-track pari-mutuel sports system.

2. Each systems operator shall comply with the internal control system and all amendments to such system as have been approved by the chairman pursuant to Regulation 6. Each systems operator shall, if required by the chairman, amend the written internal control system to comply with any requirements consistent with Regulation 6 that he deems appropriate.

3. Each systems operator shall prepare financial statements covering all financial activities of the systems operator for each business year and shall engage an independent accountant licensed by the Nevada state board of accountancy to audit the financial statements in accordance with generally accepted auditing standards, unless the chairman allows the systems operator upon written request to engage the independent accountant to review the financial statements in accordance with standards established by the American Institute of Certified Public Accountants.

4. Each systems operator shall submit to the board two copies of its audited or reviewed financial statements not later than 120 days after the last day of the system operator's business year.

5. If a systems operator changes its business year, the systems operator shall prepare and submit to the board audited or reviewed financial statements covering the "stub" period from the end of the previous business year to the beginning of the new business year, not later than 120 days after the end of the stub

period or incorporate the financial results of the stub period in the financial statements for the new business year.

6. Reports that directly relate to the independent accountant's review or audit of the systems operator's financial statements must be submitted within 120 days after the end of the systems operator's business year.

7. Each systems operator shall require the independent accountant engaged by the systems operator to audit or to review the systems operator's financial statements to submit to the systems operator two copies of a written report of its compliance with the internal control system approved by the chairman. Not later than 150 days after the end of the systems operator's business year, the systems operator shall submit a copy of the independent accountant's report or any other correspondence directly relating to the systems operator's system of internal control to the board, accompanied by the systems operator's statement addressing each item of noncompliance noted by the independent accountant and describing the corrective measures taken.

8. The chairman may request additional information and documents from either the systems operator or the systems operator's independent accountant, through the systems operator, regarding the financial statements or the services performed by the independent accountant.

9. Each systems operator shall maintain a revolving fund with the board in an amount determined by the chairman, which may not exceed \$10,000 without commission approval, for post-licensing investigative costs.

(Adopted: 3/93.)

**26B.110 Approval of off-track pari-mutuel sports system.** A pari-mutuel sports book shall not use an off-track pari-mutuel sports system unless the system has been approved pursuant to the provisions of Regulation 14 governing associated equipment.

(Adopted: 3/93.)

**26B.120 Minimum technical requirements for off-track pari-mutuel sports systems.** An off-track pari-mutuel sports system must include a fully redundant computer system and must:

1. Receive and aggregate by pool all off-track pari-mutuel sports wagering information received separately from each of the pari-mutuel sports books;

2. Receive and report to each pari-mutuel sports book at periodic intervals to be approved by the chairman all pool data compiled through the system;

3. After each sporting event on which off-track pari-mutuel sports wagering is conducted, report to each pari-mutuel sports book the results and payoffs; and

4. Provide all accounting and reconciliation reports required by the chairman.

(Adopted: 3/93.)

**26B.130 Operation of the off-track pari-mutuel sports system.** A systems operator shall:

1. Immediately notify the pari-mutuel sports books in the event that it is unable to receive wagering information or transmit pool data, and shall cause the system to cease accepting off-track pari-mutuel sports wagers if it is unable to receive the wagering information or transmit the pool data.

2. Cause the system to cease accepting off-track pari-mutuel sports wagers from the pari-mutuel sports books at post time.

(Adopted: 3/93.)

**26B.140 Approval of agreements.**

1. The terms and conditions of any agreement between pari-mutuel sports books, or between pari-mutuel sports books and a systems operator relating in any way to the operation of an off-track pari-mutuel sports system, a common pari-mutuel pool or transmission of wagering information or pool data regarding sporting events on which off-track pari-mutuel sports wagering will be conducted, must be approved by the commission upon a recommendation of the board, or by the chairman pursuant to subsection 2, after whatever investigation the board or chairman deems necessary.

2. An agreement described in subsection 1 may be approved by the chairman if it is an extension, renewal or modification of an agreement previously approved by the commission. Any material modification of a previously approved agreement, such as an increase in the amount of the commission on wagers, must also be approved by the commission.

3. An agreement described in subsection 1 may not be approved unless the commission or chairman is satisfied that:

(a) The agreement specifies the manner in which the line or proposition for each sporting event will be established;

(b) The agreement specifies the amount of the commission on wagers;

(c) The agreement specifies the manner in which breakage is to be allocated;

(d) The agreement specifies the manner in which the parties will handle a system or communication failure and specifically requires the systems operator to accept wagering information from the pari-mutuel sports books through a manual merge for a reasonable amount of time;

(e) The agreement specifies the manner in which the pari-mutuel sports books shall be responsible for any deficiencies and share in any excesses resulting from the requirements of subsections 26B.040(5) and (6) of this regulation.

(f) The agreement specifies the manner in which the parties will handle pool amounts that are not won by patrons.

(g) The systems operator and pari-mutuel sports books have complied with all laws applicable to off-track pari-mutuel sports wagering;

(h) The systems operator and pari-mutuel sports books hold all necessary licenses and approvals to participate in the off-track pari-mutuel system;

(i) There are means for the board and the commission to obtain adequate access to information pertaining to the operation of the off-track pari-mutuel sports system, and to investigate any associate of the systems operator and pari-mutuel sports books in such operation;

(j) There is assurance that the operation of the off-track pari-mutuel sports system will be lawfully conducted after approval by the commission and will not pose a threat to gaming control in Nevada;

(k) There is assurance that the systems operator, pari-mutuel sports books and their associates in the off-track pari-mutuel sports system will abide by the conditions and restrictions imposed upon approval;

(l) There is assurance that the right of Nevada to collect license fees from the pari-mutuel sports books will be adequately protected through an effective accounting system designed to prevent the undetected employment of techniques to avoid payment; and

(m) There is assurance that the relationships of the systems operator and pari-mutuel sports books with any associate will not pose a threat to the interest of Nevada in regulating the gaming industry.

(Adopted: 3/93.)

**26B.150 Deduction of commission on wagers.** Except as provided in an agreement approved under section 26B.140, the total percentage of off-track pari-mutuel sports wagers that is to be deducted as a commission on wagers by pari-mutuel sports books in Nevada must not exceed 25 percent.

(Adopted: 3/93.)

**26B.160 Limits and conditions on approvals.** The commission may impose limits or place conditions upon any license or approval issued pursuant to this regulation.

(Adopted: 3/93.)

**26B.170 Record retention; monthly reports; access to premises.** Each pari-mutuel sports book and each systems operator which offers a common pari-mutuel pool, shall:

1. Maintain and retain all records required by the chairman for at least five years after they are made, and provide them to the chairman upon his request.

2. Allow the members of the commission, the board, their agents and employees to immediately inspect and examine the premises and immediately inspect, examine, photocopy, and audit all papers, books and records of the pari-mutuel sports book or systems operator, on its premises or elsewhere as practicable; and

3. File with the board all reports required by the chairman.

(Adopted: 3/93.)

**26B.180 Grounds for disciplinary action.** Violation of any applicable law or regulation by a pari-mutuel sports book or systems operator constitutes reasonable cause for disciplinary action.

(Adopted: 3/93.)

**26B.190 Waivers.** The commission may waive one or more of the requirements of Regulation 26B if it finds that such waiver is consistent with the public policy set forth in NRS 463.0129 and 464.020.  
(Adopted: 3/93.)

**26B.200 Gross revenue computations.**

1. For purposes of NRS 463.370, 464.045 and this regulation, "gross revenue" means the total commission on wagers, plus any pool amounts not won by patrons and retained by the pari-mutuel sports book, plus the face amount of unpaid winning tickets, plus breakage, less any rights fee paid by the pari-mutuel sports book, less any commission on wagers returned to a patron by the pari-mutuel sports book pursuant to section 26B.040(5) and (6) of this regulation.

2. As used in this section, "rights fee" means any compensation paid by a pari-mutuel sports book for the right to participate in a common pari-mutuel pool. The term does not include any amount paid to a systems operator, a gaming licensee, an association of gaming licensees or their affiliates.

(Adopted: 3/93.)

**26B.210 Effective date of regulation.** This regulation shall be effective upon passage.

(Adopted: 3/93. Amended: 4/20/95; 4/97. Effective: 4/23/97.)

**End – Regulation 26B**