

REGULATION 5A

OPERATION OF INTERACTIVE GAMING

PROPOSED AMENDMENTS TO REGULATION 5A

PURPOSE: In accordance with NRS 463.145, NRS 463.150, and S.B. 9 passed during the 2015 Legislative Session and as part of the creation of a comprehensive framework for wagering accounts through new Regulation 5.225: 1) to amend the definition of “interactive gaming account;” 2) to remove regulatory provisions that are otherwise now addressed in Regulation 5.225; 3) to provide provisions clarifying the interplay between Regulation 5A and Regulation 5.225; 4) to specify that an operator shall not allow the use of a wagering account for forms of wagering other than interactive gaming unless the establishment and use of the wagering account otherwise meets all of the requirements of regulation 5.225 and administrative approval has been granted by the chairman; and 5) to take such additional action as may be necessary and proper to effectuate these stated purposes.

(Draft Date: March 30, 2017)

[Deleted]/Added Language

5A.020 Definitions. As used in this regulation:

1. No change.

2. No change.

3. “Interactive gaming account” means ~~[an electronic ledger operated and maintained by an operator of interactive gaming wherein information relative to interactive gaming is recorded on behalf of an authorized player including, but not limited to, the following types of transactions:~~

~~—(a) Deposits;~~

~~—(b) Withdrawals;~~

~~—(c) Amounts wagered;~~

~~—(d) Amounts paid on winnings; and~~

~~—(e) Adjustments to the account.]~~ a wagering account as that term is defined in Regulation 5.225.

4. No change.
5. No change.
6. No change.
7. No change.
8. No change.
9. No change.
10. No change.

5A.110 Registration of Authorized Player.

1. Before allowing or accepting any wagering communication from an individual to engage in interactive gaming, an operator must register the individual as an authorized player and create an interactive gaming account for the individual in accordance with this section.

2. An operator may register an individual as an authorized player only if the individual provides the operator with the following information:

- (a) The identity of the individual;
- (b) The individual's date of birth showing that the individual is 21 years of age or older;
- (c) The physical address where the individual resides;
- (d) The social security number for the individual, if a United States resident,
- (e) That the individual had not previously self-excluded with the operator and otherwise remains on the operator's self-exclusion list; and
- (f) That the individual is not on the list of excluded persons established pursuant to NRS 463.151 and Regulation 28.

3. Before registering an individual as an authorized player, the operator must have the individual affirm the following:

- (a) That the information provided to the operator by the individual to register is accurate;
- (b) That the individual has reviewed and acknowledged access to the house rules for interactive gaming;
- (c) That the individual has been informed and has acknowledged that, as an authorized player, they are prohibited from allowing any other person access to or use of their interactive gaming account;
- (d) That the individual has been informed and has acknowledged that, as an authorized player, they are prohibited from engaging in interactive gaming from a state or foreign jurisdiction in which

interactive gaming is illegal and that the operator is prohibited from allowing such interactive gaming;

(e) That the individual has been informed and has acknowledged that, if the operator is unable to verify the information provided by the individual pursuant to subsection 2 within 30 days of registration, any winnings attributable to the individual will be retained by the operator and the individual shall have no right to such winnings;

(f) Consents to the monitoring and recording by the operator and the board of any wagering communications; and

(g) Consents to the jurisdiction of the State of Nevada to resolve disputes arising out of interactive gaming.

4. An operator may allow an individual to register as an authorized player either remotely or in person.

5. Within 30 days of the registration of the authorized player, the operator shall verify the information provided by the individual pursuant to subsection 2. Until such verification has occurred:

(a) The authorized player may not deposit more than \$5,000 in their interactive gaming account; and

(b) The authorized player may not withdraw any funds from their interactive gaming account.

6. If verification of the information provided pursuant to subsection 2 has not occurred within 30 days, the operator shall:

(a) Immediately suspend the interactive gaming account and not allow any further interactive gaming;

(b) Retain any winnings attributable to the authorized player; and

(c) Refund the balance of deposits made to the interactive gaming account to the source of such deposit or by issuance of a check and then permanently close the account.

7. Any winnings due to an authorized player prior to completion of the verification process shall be credited to the authorized player's interactive gaming account immediately upon successful verification.

5A.120 Interactive Gaming Accounts. In addition to the requirements established pursuant to Regulation 5.225, an operator shall comply with the following for interactive gaming accounts:

1. An operator shall record and maintain the ~~[following in relation to an interactive gaming account:~~

- ~~—(a) The date and time the interactive gaming account is opened or terminated;~~
- ~~—(b) The date and time the interactive gaming account is logged in to or is logged out of; and~~
- ~~(c) The] physical location, by state or foreign jurisdiction, of the authorized player while logged in to the interactive gaming account.~~
- 2. An operator shall ensure the following:
 - (a) That an individual registered as an authorized player holds only one interactive gaming account with the operator; and
 - (b) That no authorized player shall occupy more than one position at a game at any given time.
- ~~[3. An operator shall not set up anonymous interactive gaming accounts or accounts in fictitious names. Authorized players may, while engaged in interactive gaming, represent themselves using a name other than their actual name.~~
- ~~—4. Funds may be deposited by an authorized player into an interactive gaming account assigned to them as follows:~~
 - ~~—(a) Cash deposits made directly with the operator;~~
 - ~~—(b) Personal checks, cashier's checks, wire transfer and money order deposits made directly or mailed to the operator;~~
 - ~~—(c) Transfers from safekeeping or front money accounts otherwise held by the licensed gaming establishment holding the operator's license.~~
 - ~~—(d) Debits from an authorized player's debit card or credit card;~~
 - ~~—(e) Transfers through the automated clearing house or from another mechanism designed to facilitate electronic commerce transactions; or~~
 - ~~—(f) Any other means approved by the chairman.~~
- ~~—5. Interactive gaming account credits may be made by the following means:~~
 - ~~—(a) Deposits;~~
 - ~~—(b) Amounts won by an authorized player;~~
 - ~~—(c) Promotional credits, or bonus credits provided by the operator and subject to the terms of use established by the operator and as long as such credits are clearly identified as such; and~~
 - ~~—(d) Adjustments made by the operator following the resolution of a dispute.~~
- ~~—6. Interactive gaming account debits may be made by the following means:~~
 - ~~—(a) Amounts wagered by an authorized player;~~

~~—(b) Purchases of interactive gaming related merchandise and services requested by an authorized player;~~

~~—(c) Withdrawals;~~

~~—(d) Transfers to safekeeping or front money accounts held by the licensed gaming establishment holding the operator's license;~~

~~—(e) Adjustments made by the operator following the resolution of a dispute; and~~

~~—(f) Debits as otherwise approved by the chairman.~~

~~—7. Funds deposited into an interactive gaming account from a financial institution shall not be transferred out of the interactive gaming account to a different financial institution except as otherwise allowed by the commission.~~

~~—8. Unless there is a pending unresolved player dispute or investigation, an operator shall comply with a request for a withdrawal of funds by an authorized player from their interactive gaming account within a reasonable amount of time.~~

~~—9. An operator shall not allow an authorized player to transfer funds to any other authorized player.~~

~~—10. An operator shall not allow an authorized player's interactive gaming account to be overdrawn unless caused by payment processing issues outside the control of the operator.~~

~~—11.] **3. Notwithstanding subsection 9 of Regulation 5.225, A**an operator shall neither extend credit to an authorized player **for use in interactive gaming** nor allow the deposit of funds into an interactive gaming account **for use in interactive gaming** that are derived from the extension of credit by affiliates or agents of the operator. For purposes of this subsection, credit shall not be deemed to have been extended where, although funds have been deposited into an interactive gaming account, the operator is awaiting actual receipt of such funds in the ordinary course of business.~~

~~[—12. The language of any agreement used as between an operator and its authorized players pertaining to interactive gaming and authorized players' access to their interactive gaming account shall be submitted to the chairman for his review. The operator shall not allow or engage in any interactive gaming until any such agreement is approved by the chairman.]~~

~~13.~~ **4.** An operator shall ensure that an authorized player has the ability, through their interactive gaming account, to select responsible gambling options that include without limitation:

(a) Loss limits establishing the net loss that can occur within a specified period of time;

(b) Deposit limits establishing the amount of total deposits an authorized player can make to their interactive gaming account within a specified period of time;

(c) Tournament limits establishing the total dollar amount of tournament entries a patron can purchase within a specified period of time;

(d) Buy in limit establishing the total amount of funds an authorized player can allocate for the play of poker within a specified period of time, exclusive of tournament entries purchased;

(e) Play time limits establishing the total amount of time available for play during a specified period of time; and

(f) Time based exclusion from gambling settings.

~~[14. Nothing in this regulation prohibits an operator from closing an interactive gaming account and precluding further interactive gaming by an authorized person pursuant to the terms of the agreement between the operator and an authorized player.]~~

5. An operator shall not allow the use of an interactive gaming account established pursuant to this regulation for forms of wagering other than interactive gaming unless:

(a) The establishment and use of the wagering account otherwise meets all of the requirements of regulation 5.225; and

(b) Administrative approval has been granted by the chairman.

5A.125 Reserve Requirements.

~~[1. An operator shall maintain a reserve in the form of cash, cash equivalents, an irrevocable letter of credit, a bond, or a combination thereof for the benefit and protection of authorized players' funds held in interactive gaming accounts.~~

~~—2. The amount of the reserve shall be equal to the sum of all authorized players' funds held in the interactive gaming accounts. Amounts available to authorized players for play that are not redeemable for cash may be excluded from the reserve requirement.~~

~~—3. If a reserve is maintained in the form of cash, cash equivalent, or an irrevocable letter of credit, it must be held or issued, as applicable, by a federally insured financial institution. If the reserve is maintained in the form of a bond, it must be written by a bona fide insurance carrier. The reserve must be established pursuant to a written agreement between the operator and the financial institution or insurance carrier, but the operator may engage an intermediary company or agent acceptable to the chairman to deal with the financial institution or insurance carrier, in which event the reserve may be established pursuant to written agreements between the operator and the intermediary and between the intermediary and the financial institution or insurance carrier.~~

~~—4. The agreements described in subsection 3 must reasonably protect the reserve against claims of the operator's creditors other than the authorized players for whose benefit and protection the reserve is established, and must provide that:~~

~~—(a) The reserve is established and held in trust for the benefit and protection of authorized players to the extent the operator holds money in interactive gaming accounts for such authorized players;~~

~~—(b) The reserve must not be released, in whole or in part, except to the board on the written demand of the chairman or to the operator on the written instruction of the chairman. The reserve must be available within 60 days of the written demand or written notice. The operator may receive income accruing on the reserve unless the chairman instructs otherwise pursuant to subsection 10;~~

~~—(c) The operator has no interest in or title to the reserve or income accruing on the reserve except to the extent expressly allowed in this section;~~

~~—(d) Nevada law and this section govern the agreements and the operator's interest in the reserve and income accruing on the reserve;~~

~~—(e) The agreements are not effective until the chairman's approval has been obtained pursuant to subsection 5; and~~

~~—(f) The agreements may be amended only with the prior, written approval of the chairman.~~

~~—5. Each operator shall submit to the chairman all information and copies of all documents relating to its proposed reserve arrangement, including copies of the agreements described in subsections 3 and 4, and must obtain the chairman's approval of the agreements and of the~~

~~reserve arrangements generally. The chairman shall determine whether the agreements and arrangements satisfy the purposes and requirements of this section, may require appropriate changes or withhold approval if they do not, and shall notify the operator of the determination. Amendments to reserve agreements or arrangements must be approved in the same manner.~~

~~—6. An operator must calculate its reserve requirements each day. In the event an operator determines that its reserve is not sufficient to cover the calculated requirement, the operator must, within 24 hours, notify the chairman of this fact in writing and must also indicate the steps the operator has taken to remedy the deficiency.~~

~~—7. Each operator must engage an independent certified public accountant to examine the pertinent records relating to the reserve each month and determine the reserve amounts required by this section for each day of the previous month and the reserve amounts actually maintained by the operator on the corresponding days. The operator shall make available to the accountant whatever records are necessary to make this determination. The accountant shall report the findings with respect to each day of the month under review in writing to the board and the operator no later than the tenth day of the next month. The report shall include the operator's statement addressing each day of noncompliance and the corrective measures taken. If approved in writing by the chairman, this report may be prepared by an employee of the operator or its affiliate, provided that the employee is independent of the operation of interactive gaming.~~

~~—8. The chairman may demand that this reserve be increased to correct any deficiency or for good cause to protect authorized players.~~

~~—9. If the reserve exceeds the requirements of this section, the chairman shall, upon the operator's written request, authorize the release of the excess.~~

~~—10. When an operator ceases operating and its license lapses, is surrendered, or is revoked, the chairman may demand payment of the reserve, any income accruing on the reserve after operations cease, and, if instructions from the chairman that income accruing on the reserve not be paid to the operator are in effect when operations cease, any income accruing since the instructions took effect. The board may interplead the funds in state district court for distribution to the authorized players for whose protection and benefit the reserve was~~

~~established and to such other persons as the court determines are entitled thereto, or shall take such other steps as are necessary to effect the proper distribution of the funds, or may do both.~~

~~—11.]~~ In addition to the reserve required pursuant to ~~[this section]~~ [Regulation 5.225](#), and other requirements that may be imposed pursuant to Regulation 6.150, the operator shall maintain cash in the sum of the following:

(a) 25% of the total amount of authorized players' funds held in interactive gaming accounts, excluding those funds that are not redeemable for cash; and

(b) The full amount of any progressive jackpots related to interactive gaming.

~~[—12. As used in this section, “month” means a calendar month unless the chairman requires or approves a different monthly period to be used for purposes of this section, in which case “month” means the monthly period so required or approved.]~~

5A.190 Records. In addition to any other record required to be maintained pursuant to this regulation [or Regulation 5.225](#), each operator shall maintain complete and accurate records of all matters related to their interactive gaming activity, including without limitation the following:

1. The identity of all current and prior authorized players;
2. All information used to register an authorized player;
3. A record of any changes made to an interactive gaming account;
4. A record and summary of all person-to-person contact, by telephone or otherwise, with an authorized player;
5. All deposits and withdrawals to an interactive gaming account;
6. A complete game history for every game played including the identification of all authorized players who participate in a game, the date and time a game begins and ends, the outcome of every game, the amounts wagered, and the amounts won or lost by each authorized player; and
7. Disputes arising between authorized players.

□ Operators shall preserve the records required by this regulation for at least 5 years after they are made. Such records may be stored by electronic means, but must be maintained on the premises of the operator or must otherwise be immediately available for inspection.