

REGULATION 14

MANUFACTURERS, DISTRIBUTORS, OPERATORS OF INTER-CASINO LINKED SYSTEMS, GAMING DEVICES, NEW GAMES, INTER-CASINO LINKED SYSTEMS, ON-LINE SLOT METERING SYSTEMS, CASHLESS WAGERING SYSTEMS AND ASSOCIATED EQUIPMENT

PROPOSED AMENDMENTS TO REGULATIONS 14

PURPOSE: In accordance with NRS 463.150 and NRS 463.750, to amend Regulations 14.010, 14.020, and 14.040 to include the following: to amend the definitions of “cashless wagering system,” “chairman” and “manufacture;” to provide definitions for “equipment associated with interactive gaming,” “interactive gaming system,” “manufacturer of equipment associated with interactive gaming,” and “proprietary hardware and software;” to require all manufacturers of associated equipment to register with the board; to provide that a person may act as a manufacturer or distributor of an interactive gaming system only if they hold a license; to provide that applications for a manufacturer or distributor of an interactive gaming system license shall be made, processed, and determined in the same manner as applications for nonrestricted gaming licenses; to provide that applications for a manufacturer’s, distributor’s, manufacturer or distributor of interactive gaming system’s, operator’s licenses, or for a finding of suitability to be a manufacturer of equipment associated with interactive gaming shall be subject to the application and investigative fees established pursuant to Regulation 4.070; to amend the minimum standards for gaming devices to include that gaming devices must display the rules of play, the amounts to be paid on winning wagers, rake-off percentage or any fee charged to play a game, and monetary wagering limits for games representative of live gambling games; and to take such additional action as may be necessary and proper to effectuate these stated purposes.

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14.010 Definitions. As used in this regulation, unless the context otherwise requires:

1. "Assume Responsibility" means to acquire complete control over, or ownership of, a gaming device, cashless wagering system, mobile gaming system or interactive gaming system.
2. "Cashless wagering system" means the collective hardware, software, communications technology, and other associated equipment used to facilitate wagering on any game or gaming device including mobile gaming systems and interactive gaming systems with other than chips, tokens or legal tender of the United States. The term does not include any race and sports computerized bookmaking system that accepts pari-mutuel wagers, or any other race and

sports book systems that do not accept wagering instruments or process electronic money transfers.

This type of associated equipment is further defined in NRS 463.014.

3. "Chairman" means the chairman ~~or other member~~ of the state gaming control board or his designee.

4. "Control Program" means any software, source language or executable code which affects the result of a wager by determining win or loss. The term includes, but is not limited to, software, source language or executable code associated with the:

- (a) Random number generation process;
- (b) Mapping of random numbers to game elements displayed as part of game outcome;
- (c) Evaluation of the randomly selected game elements to determine win or loss;
- (d) Payment of winning wagers;
- (e) Game recall;
- (f) Game accounting including the reporting of meter and log information to on-line slot metering system;
- (g) Monetary transactions conducted with associated equipment;
- (h) Software verification and authentication functions which are specifically designed and intended for use in a gaming device;
- (i) Monitoring and generation of game tilts or error conditions; and
- (j) Game operating systems which are specifically designed and intended for use in a gaming device.

5. "Conversion" means a change in a gaming device from one pre-approved configuration to another pre-approved configuration or from one approved mode of play to another approved mode of play.

6. "Distribution" or "distribute" means:

- (a) The sale, offering for sale, lease, offering for lease, licensing or other offer of any gaming device, cashless wagering system, mobile gaming system or interactive gaming system for use or play in Nevada; or
- (b) The sale, offering for sale, lease, offering for lease or other offer of any gaming device, cashless wagering system, mobile gaming system or interactive gaming system from a location within Nevada.

7. "Distributor" means a person or entity that distributes any gaming device, cashless wagering system, mobile gaming system or interactive gaming system.

8. "Distributor of associated equipment" is any person that sells, offers to sell, leases, offers to lease, licenses, markets, offers, or otherwise offers associated equipment in Nevada for use by licensees.

9. "Equipment associated with interactive gaming" means associated equipment as defined within NRS 463.0136.

10. "Interactive gaming system" is a gaming device and means the collective hardware, software, communications technology, and proprietary hardware and software specifically designed or modified for, and intended for use in, the conduct of interactive gaming. The core components of an interactive gaming system, including servers and databases running the games on the interactive

gaming system and storing game and interactive gaming account information, must be located in the State of Nevada except as otherwise permitted by the chairman or his designee.

11. "Game outcome" is the final result of the wager.

~~40~~12. "Game variation" means a change or alteration in a game or gambling game that affects the manner or mode of play of an approved game. This includes, but is not limited to, the addition or removal of wagering opportunities or a change in the theoretical hold percentage of the game. The term game or gambling game is defined in NRS 463.0152.

~~41~~13. "Independent contractor" means any person who:

(a) Is not an employee of a licensed manufacturer; and

(b) Pursuant to an agreement with a licensed manufacturer:

(1) Designs, develops, programs, produces or composes a control program on behalf of the licensed manufacturer; or

(2) Designs, develops, produces or composes software, source language or executable code intended to be compiled into a control program by the licensed manufacturer.

→ As used in this regulation "licensed manufacturer" includes any affiliate that is owned or controlled by or under common control with the licensee.

~~42~~14. "Inter-casino linked system" means an inter-casino linked system including the collective hardware, software, communications technology and other associated equipment used to link and monitor games or devices located at two or more licensed gaming establishments. Systems that solely record a patron's wagering activity among affiliated properties are not inter-casino linked systems. This term is further defined in NRS 463.01643.

~~43~~15. "Inter-casino linked system modification" means a change or alteration to an inter-casino linked system made by an operator who has been previously approved by the commission to operate that system. With regard to inter-casino linked systems that link progressive payout schedules, the term includes, but is not limited to:

(a) A change in a system name or theme; or

(b) A change in gaming device denomination.

~~44~~16. "Manufacture" means:

(a) To manufacture, produce, program, design, control the design of, maintain a copyright over or make modifications to a gaming device, cashless wagering system, mobile gaming system or interactive gaming system, including proprietary software or hardware;

(b) To direct, control or assume responsibility for the methods and processes used to design, develop, program, assemble, produce, fabricate, compose and combine the components and other tangible objects of any gaming device, cashless wagering system, mobile gaming system or interactive gaming system, including proprietary software or hardware; or

(c) To assemble, or control the assembly of, a gaming device, cashless wagering system, mobile gaming system or interactive gaming system, including proprietary software or hardware.

~~15~~17. “Manufacturer” means a person who operates, carries on, conducts or maintains any form of manufacture.

~~16~~18. “Manufacturer of associated equipment” is any person that manufactures, assembles, or produces any associated equipment, including inter-casino linked systems, for use in Nevada by licensees.

~~17~~19. “Manufacturer of Equipment Associated with Interactive Gaming” means any person that manufactures, assembles, or produces any equipment associated with interactive gaming.

~~18~~20. “Mobile gaming system” or “system” means a system that allows for the conduct of games through mobile communications devices operated solely within a licensed gaming establishment by the use of communications technology that allows a patron to bet or wager, and corresponding information related to the display of the game, gaming outcomes or other similar information.

~~18~~21. “Mobile gaming system modification” means any change or alteration to a mobile gaming system made by a manufacturer from its approved configuration.

~~19~~22. “Modification” means a change or alteration in a gaming device previously approved by the commission for use or play in Nevada that affects the manner or mode of play of the device. The term includes a change to control or graphics programs and, except as provided in paragraphs (d) and (e), in the theoretical hold percentage. The term does not include:

- (a) A conversion;
- (b) Replacement of one component with another, pre-approved component;
- (c) The rebuilding of a previously approved device with pre-approved components;

(d) A change in the theoretical hold percentage of a mechanical or electro-mechanical device, provided that the device as changed meets the standards of Regulation 14.040(1); or

(e) A change in the theoretical hold percentage of an electronic device which is the result of a top award jackpot or bonus jackpot payment which is paid directly by an attendant and which is not accounted for by the device.

~~20~~23. “On-line slot metering system” means the collective hardware, software and other associated equipment used to monitor, accumulate, and record meter information from gaming devices within a licensed establishment.

~~21~~24. “Operator” means any person or entity holding a license to operate an inter-casino linked system or mobile gaming system in Nevada, a person or entity holding a license to operate a slot machine route that operates an inter-casino linked system for slot machines only, or a person or entity holding a license to operate a nonrestricted gaming operation that operates an inter-casino linked system of affiliates.

~~22~~25. “Private residence” means a noncommercial structure used by a natural person as a place of abode and which is not used for a commercial purpose.

~~23~~26. “Proprietary hardware and software” means hardware or software specifically designed for use in a gaming device including a mobile gaming system and interactive gaming system.

~~23~~27. “Randomness” is the observed unpredictability and absence of pattern in a set of elements or events that have definite probabilities of occurrence.

~~24~~28. “Theme” means a concept, subject matter and methodology of design.

14.020 License required; applications; investigative fees; registration of a manufacturer of associated equipment.

1. A person may act as a manufacturer, distributor, or manufacturer or distributor of an interactive gaming system, or as an operator, only if that person holds a license specifically permitting the person to act as a manufacturer, distributor, or manufacturer or distributor of an interactive gaming system, or as an operator except as provided for in NRS 463.160(2).

2. Applications for manufacturer's, distributor's, manufacturer or distributor of interactive gaming system's, or operator's licenses shall be made, processed, and determined in the same manner as applications for nonrestricted gaming licenses, using such forms as the chairman may require or approve.

3. Applications for a manufacturer's, distributor's, manufacturer or distributor of interactive gaming system's, operator's licenses, or for a finding of suitability to be a manufacturer of equipment associated with interactive gaming shall be subject to the application and investigative fees established pursuant to Regulation 4.070.

4. All manufacturers of associated equipment shall register with the board using such forms as the chairman may require or approve.

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14.040 Minimum standards for gaming devices. All gaming devices submitted for approval:

1. Must theoretically pay out a mathematically demonstrable percentage of all amounts wagered, which must not be less than 75 percent for each wager available for play on the device.

(a) Gaming devices that may be affected by player skill must meet this standard when using a method of play that will provide the greatest return to the player over a period of continuous play.

(b) The chairman may waive the 75 percent standard if the manufacturer can show to the chairman's satisfaction that this requirement inhibits design of the device or is inappropriate under the circumstances, the device theoretically pays out at least 75 percent of all wagers made when all wagers are played equally, and the device otherwise meets the standards of subsections 2 through 6. A waiver will be effective when the manufacturer receives written notification from the chairman that this standard will be waived pursuant to this paragraph. A waiver of this standard pursuant to this paragraph is not an approval of the device.

2. Must use a random selection process to determine the game outcome of each play of a game. The random selection process must meet 95 percent confidence limits using a standard chi-squared test for goodness of fit.

(a) Each possible permutation or combination of game elements which produce winning or losing game outcomes must be available for random selection at the initiation of each play.

(b) For gaming devices that are representative of live gambling games, the mathematical probability of a symbol or other element appearing in a game outcome must be equal to the mathematical probability of that symbol or element occurring in the live gambling game. For other gaming devices, the mathematical probability of a symbol appearing in a position in any game outcome must be constant.

(c) The selection process must not produce detectable patterns of game elements or detectable dependency upon any previous game outcome, the amount wagered, or upon the style or method of play.

3. Must display an accurate representation of the game outcome. After selection of the game outcome, the gaming device must not make a variable secondary decision which affects the result shown to the player.

4. Gaming devices connected to a common payoff schedule shall:

(a) All be of the same denomination and have equivalent odds of winning the common payoff schedule/common award; or

(b) If of different denominations, equalize the expected value of winning the payoff schedule/common award on the various denominations by setting the odds of winning the payoff schedule in proportion to the amount wagered or by requiring the same wager to win the payoff schedule/award regardless of the device's denomination. The method of equalizing the expected value of winning the payoff schedule/award shall be conspicuously displayed on each device connected to the common payoff schedule/common award. For the purposes of this requirement, equivalent is defined as within a 5% tolerance for expected value and no more than a 1% tolerance on return to player or payback.

5. Must display:

(a) The rules of play and payoff schedule;

(b) The amounts to be paid on winning wagers;

(c) Any rake-off percentage or any fee charged to play a game; and

(d) Any monetary wagering limits for games representative of live gambling games.

6. Must not automatically alter pay tables or any function of the device based on internal computation of the hold percentage.

7. Must meet the technical standards adopted pursuant to section 14.050.

8. Except for devices granted a waiver pursuant to subsections 1(b), or 8, each gaming device exposed for play in the State of Nevada by any gaming licensee, including an operator of a slot machine route, must meet the standards and requirements set forth within subsection 1, as though the gaming device had been submitted for approval subsequent to September 28, 1989.

9. The chairman of the board or his designee may waive the requirements of subsection 7 for a licensee exposing a gaming device to the public for play, if the licensee can demonstrate to the chairman's satisfaction that:

(a) After the waiver the aggregate theoretical payout for all amounts wagered on all gaming devices exposed for play by the licensee at a single establishment meets the 75 percent standard of subsection 1, and

(b) The licensee is unable to bring the device into compliance with the requirements of subsection 1, because of excessive cost or the unavailability of parts.