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Sally P. Elloyan, Executive Secretary
Nevada Gaming Commission
1919 College Parkway, POB 8003
Carson City, Nevada 89702

Re: Notice # 2013-20 Request for Comments Concerning Interstate Agreements for Interactive Gaming

Dear Members of the Nevada Gaming Commission and Gaming Control Board:

I welcome the opportunity to provide comments, as noticed pursuant to Notice 2013-20, with respect to topics or language the Gaming Control Board and Commission should consider putting into regulations relating to an interstate agreement on interactive gaming.

I have had an opportunity to review the submission of some comments presented earlier this week with respect to the historic handling of “mixed liquidity across jurisdictional lines” and issues of possible models for poker network structures. Generally, those comments, which describe alternative scenarios of player access either across jurisdictions into single pools, or between jurisdiction pools, present a good framework for beginning discussion. Historically, poker networks outside the United States have developed mechanisms to resolve allocation of revenue, issues of player disputes, and division of “hosting” among game servers, player transaction servers, and regulatory access to information across jurisdictional lines. There is no need to reinvent the wheel.

The challenge for the Board and Commission is to select regulatory policies which best serve the interests of Nevada’s citizens. Each alternative poker network structure presents both benefits and weaknesses, given the liquidity available from Nevada-only pooling. However, access to a larger prize/liquidity pooling will be crucial, whether (a) Nevada licensees recruit and pool players directly from other compact States or (b) residents of other States pooled under those States’ licensees join with pools of Nevada resident players. To Nevada players, the experience will be affected in a similar manner, regardless of which structure emerges among compacting State market combinations.

As there is no 2013 annual Sisyphean “Federal Solution” push up Capitol Hill, interstate agreements will be negotiated between States, each with their own constituencies having eventually backed their respective State’s legislation authorizing online gaming. Little can be gained by tying Nevada’s hands by regulating specific terms today which might not reflect the various State markets’ development tomorrow.

As a Nevadan resident, I would prefer that Nevada seek compacts which allow Nevada player pools to access other States' markets to directly bring players to Nevada-licensees. However, such a structure may not be politically feasible in negotiation of compacts between Nevada and other States. Perhaps the most favorable feasible goal would be compacts which secured liquidity benefits for Nevada licensees and residents, while recognizing each compacting State's likely insistence on licensing/taxation of its own markets.

As a general policy matter, Nevada's regulatory goals should include some macro-economic development goals serving all the State, beyond direct employment benefits ascribed to industry licensees. Nevada may compete successfully with other States for resident online poker players' rake revenue, so long as it can offer a comparable liquidity. Consider whether a poker player, residing in high-tax, poker-legal State X, might relocate to Nevada residency offering a comparable or same network, saving 100% of his State income tax cost. The numbers are not trivial and likely surpass direct employment by online poker providers, especially among those players whose profiles traditionally generate the highest revenue for their respective poker site operators. To the extent that Nevada resident players can lawfully access liquid player pools, there is a tremendous incentive for high volume players to move to Nevada. Online operations do not employ numbers anywhere near the numbers of players they can attract. So long as residency remains a requirement State by State, Nevada can compete for resident players if it can offer a similar game experience.

Thank you for your consideration. These general comments present my personal views and are not representative of those which may be held by any client(s) of my firm.

Regards,

David Gzesh