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Chairman Bernhard and Gaming Commissioners
Nevada Gaming Commission
1919 College Parkway
P.O. Box 8003
Carson City, NV 89702

Via email: care of Sally P. Alloyan, Executive Secretary - selloyan@gcb.nv.gov

Re: Nevada Gaming Commission – Notice of Request for comments and/or language on regulations concerning interstate agreements for interactive gaming

Dear Chairman Bernhard,

In response to notice # 2013-20 Request for Comments, please find comments relating to the questions posed by the Nevada Gaming Commission for review and discussion.

1. What topics should the Board and Commission consider putting in regulation relating to an interstate agreement on interactive gaming?

The current assumption of an interstate agreement is a shared gaming environment between states where an operator is required to be licensed in all signatory states.

There should be detailed bilateral agreements in place where the regulatory bodies of each signatory state agree on regulations and key aspects for how the shared interstate environment should be managed.

Data Centers

Allowing for one datacenter would simplify and reduce the administrative work and associated costs for infrastructure, monitoring, inspections and testing for all parties involved. Avoiding cost duplication across regulated jurisdictions is of particular significance to us when setting up new partnerships since we need to ensure our offering is both commercially interesting and sustainable long term.

A bilateral agreement combined with the option of providing remote access for monitoring instead of the need for local data centers in each signatory state, would be necessary. This model has proven to work well in the Danish regulated market for operators on a shared .com network.



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Tax Models

Tax models (tax levels, taxable bases etc.) should be aligned in order for the rake structure for poker for example, to be reasonable across the shared interstate environment. If not we see a potential risk that business conditions for operators in different states could vary greatly and will likely disadvantage players in different states.

To have different rake structures within a shared environment is not recommended. It would also be a complicated solution to implement technically as well as from a financial reporting perspective.

Same environment same player conditions

A key aspect is to ensure that all players on the same liquidity, in the same shared interstate environment, play under similar conditions. For example similar responsible gaming measures, stake and deposit limits, similar risk and fraud conditions etc. in order to provide a fair play framework.

One of the benefits of a shared liquidity environment is the possibility of offering more attractive, larger prize pools for tournaments and promotions and of course, to provide a good player experience, the same rules should apply to all players across the interstate compact.

Operator Settlements

Settlements of operators within the interstate compact, but licensed in different signatory states, should be processed as if the operators are all simply different operators in one environment and network. As a service provider, the network balancing and settlement process should make no considerations about operators based in different states.

From a service provider perspective, operators are assigned individual operator ids per signatory state and all reporting and reconciliation requirements are done towards these. For example if Operator A is licensed in and operates in 3 signatory states the operator will be issued 3 different operator ids. Essentially the one operator is treated as 3 different entities within the shared environment.

Financial reporting periods and formats should ideally be aligned within the interstate compact in order to simplify the complexity and reduce any risk of confusion or inefficient reporting.

Certification

As part of the bilateral agreement between the signatory states it should be agreed that certification and test results can be reused between states. It is preferred that only the gap, meaning the difference between the states regulations, alone should



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require testing. No re-testing should be required unless there is a specific need for it. As mentioned above avoiding cost duplication across regulated jurisdictions is an important consideration for interstate compacts.

One common “time zone”

All signatory states should agree and adopt the use of a common time zone reference. Ideally UTC as that will help all operators and authorities to communicate without the risk of any misunderstanding when timings are referred to. It will also streamline reporting functionality etc.

Player Disputes

Recommend player complaints from players based in different signatory states should be handled by the issuing state’s licensing authority.

2. Should revenue sharing between signatory states to a compact be based on the location of where the wager originated? Why or why not? Please be specific and cite any relevant legal support.

SHFL would not recommend revenue sharing between signatory states. From our perspective the player generated rake will belong to the operator with whom the player has registered with, based on residency, regardless of the player’s temporary physical location within the shared interstate environment. To split the player generated rake between the signatory states due to the player’s physical movements between these states would be extremely complicated both for technical implementation and financial reporting etc.

3. Should revenue sharing between signatory states to a compact be based on the location of the licensed interactive host? Why or why not? Please be specific and cite any relevant legal support.

Please see question 2.

4. Should the regulatory body of the signatory state where the wager originated have control over player disputes related to said players? Why or why not? Please be specific and cite any relevant legal support.

SHFL recommends player complaints from players based in different signatory states should be handled by the issuing state’s licensing authority.



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5. Please provide any other information not requested above that is relevant to regulations for interstate agreements on interactive gaming.

SHFL recommends that the bilateral agreements include a requirement that Service providers across all signatory states must be able to deliver real time data of player transactions to the B2C operators to ensure that the operators have an up to date view on their player database and are able to process this information for various compliance aspects.

A complete real time overview will support a transparent operation and management across the shared interstate environment, from a detailed level of player actions, on a transactions level, on a supplier level, product level and operator level.

With not only Inter-operator but also Interstate transactions a real-time data feed will provide all operators on, and all regulators of, the shared interstate environment with the same view at all times. With a situation where different operators could be on different time zones it is important that all use the same time zone (ideally UTC) to avoid confusion when Inter-operator and Interstate cooperation is required.

A real time data feed and a common time zone definition will support operators and regulators in working together on suspected Fraud activities (including AML and CTF work) and to identify and act on irresponsible and negative player gaming patterns.

Real time data feeds enable a real time statistical analysis on behavior, anomaly reporting, fraud and responsible gaming.

A real time data feed clarifies the division of responsibilities between Operators and Service providers as the operators will have full access to all data needed to fulfill compliance aspects related to players and their associated transactions.

A real time data feed will provide the operators with the necessary information in order for them to set alarms for and act on real time alerts related to AML and Responsible Gaming. The real time data feed provides the operator with immediate support for identification of occurrences of for example collusion, dumping etc. It provides a possibility to evaluate a behavior as it happens to see if it evolves negatively. This enables the operators to apply probability models and noise reduction filtering to optimize the reporting.

A real time data feed will also support secure audits and ensure that transactions inter-operator and interstate are accurate and transparent.



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Real time data feeds will enable timely analysis of product failures and product behavior anomalies. This will support faster resolution of incidents.

A real time data feed will reduce dependencies to other data-slaves. The operator has one source of information for a product where they receive full information about their players and their actions.

Thank you for your time and consideration. SHFL entertainment looks forward to participating further in these discussions.

Sincerely,

Allen Fincher
Director, Technical Compliance and Product Assurance
SHFL entertainment