

Regulations Concerning Interstate Agreements for Interactive Gaming Regulations – Comments

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Delivered by email to selloyan@gcb.nv.gov

Sally P. Elloyan
Executive Secretary
Nevada Gaming Commission

Dear Ms Elloyan,

Further to the Commission's Notice # 2013-20 requesting comments and/or language on regulations concerning interstate agreements for interactive gaming, I am pleased to provide you with comments for your consideration.

We would like to note two key benefits, to operators and players, that drive the need for interstate compacts. These are:

- (i) An ability to pool players enables operators to offer more attractive interactive poker tournaments (more players means higher prize pools); and
- (ii) An ability to pool players on a single technology platform located in a single data centre removes the need to unnecessarily duplicate costly technology deployments in multiple states thereby removing margin pressure that could otherwise increase rake and fees levied on players and / or reduce investment in employment and marketing by operators. When reading these comments please consider that when pooling players operators must use the same underlying interactive gaming software – our comments are provided with this assumption.

Yours Sincerely,

Michael Bogie
Head of Business Development
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1. What topics should the Board and Commission consider putting in regulation relating to an interstate agreement on interactive gaming?

The following table provides key topics together with an explanation:

Topic	Consideration
<p>1. Defining the objective: an extension of Nevada regulations to other states and / or consistency of Nevada regulations with regulations of other states</p>	<p>Scenario 1: Given AB 114, is Nevada seeking to permit Nevada-licensed licensees to accept wagers from players who are physically present in other compacted state?</p> <p><i>and / or</i></p> <p>Scenario 2: Is Nevada seeking to permit Nevada-licensed licensees to only enter into player pooling arrangements with licensees licensed by authorities in the compacted state(s)?</p>
<p>2. Licensees must be able to effectively address undesirable player activity, regardless of player location</p>	<p>An example of undesirable behaviour would be player 1 in state A attempting to gain an unfair advantage over other players by attempting to collude with player 2 in state B. The operator in state A upon identifying this suspected collusion must be able to investigate both player 1 and player 2 account and wagering activity and be able to take action, for example suspending further wagering activity of both player 1 and player 2 whilst the investigation is conducted.</p> <p>Under Scenario 1 the regulations of Nevada would be in effect and should be capable of being enforced across compacted states.</p> <p>Under Scenario 2, undesirable activity should also include a consistent approach to player registration such that a player in state A that fails to meet or fails to continue to comply with an operator’s Terms of Use in state A, can be prevented from participating in the network simply by registering with an operator (whose players are pooled with the operator in state A) in state B. In this scenario it is therefore important that the compacted states have a common approach to addressing undesirable activity on a poker network, either by making Nevada the jurisdiction for resolution of player disputes or having all compacted states adopt a mirror image of Nevada’s player dispute rules, such that:</p> <p>(1) no compacted state has a lower level of tolerance for undesirable activity to avoid a loophole in the security of the network, and</p> <p>(2) an operator in state A can take action to prevent a player in state B from perpetrating undesirable activity on the network.</p>

<p>3. Location of core gaming technology should be in one state</p>	<p>Interactive gaming operators will wish to pool players from multiple states. When under Scenario 1 or 2, to do so all players must clearly “play” on the same interactive gaming servers located in only one of the states.</p> <p>Therefore only one state can require a licensee to locate gaming servers in their state. This necessitates signatory states to be flexible on this point however compacted states that do not require interactive gaming servers to be located in their state can still require operators / service providers licensed in that state to make available relevant transactional data within that state of players who have participated when in that state.</p> <p>A similar understanding is required with regards to the location of service-functions and the location of executives, to avoid conflicting requirements.</p> <p>Of course, regardless of the server's location, all required player or financial data reports would still be available.</p>
<p>4. Permitted games</p>	<p>When under Scenario 1 or 2, compacted states should have the same game variant rules where players of that game are to be pooled (i.e. play with and against one another). The underlying technology used by operators / service providers will be identical thus no differentiations can be readily accommodated at the game-level other than branding seen by players. Where a change to a game is required the change should be simultaneous across compacted states.</p> <p>Where players of a game are not to be pooled, regulations can permit different games in respective states.</p>
<p>5. Tax</p>	<p>When under Scenario 1 or 2, tax for cash games should not be materially different or players in one state will be disadvantaged. As the “pot” is raked and the tax taken from that (i.e. rather than individual players) this means a higher gaming duty in one state may require a higher charge to be levied on players from the other state.</p> <p>The rake methodology must always be the same on a poker network, regardless of where a player is located, thus revenue and tax on that revenue is allocated in the same manner regardless of player location. When setting rake methodology it should be the operator / service provider that determines the optimum rake methodology best suited to their network, always in compliance with regulations.</p>
<p>6. Player balance protection</p>	<p>When under Scenario 1 or 2, players can win and lose money to / from players in another state. Player funds are protected under Nevada regulation and consideration should therefore be given to the protection of funds if these are located in compacted states so that a winning player in state A has equal protection when winning funds from a player located in state A or B.</p>

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 and 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.

If a Nevada licensee is permitted to register a player located in a compacted state (Scenario 1) then revenue sharing could reasonably be based on the location of the player. The revenue to be shared is the gaming duty paid by the licensee. It may be appropriate that only a sub-set of this gaming duty should be payable to the state where the player is located as it is Nevada's licensee, Nevada's regulations and Nevada's regulatory infrastructure which is being used to enable the player to wager, under this scenario.

If a Nevada licensee is entering into player pooling arrangements with licensees licensed by another state(s) such that a state's licensees can only register players who are physically present in the state in which the licensee is licensed (Scenario 2), then gaming duty is paid by the Nevada licensee to Nevada and by the other state's licensee(s) to that state's authorities, regardless of player location. In which case a revenue sharing mechanic is not applicable.

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.

Please refer to Topic number two in the table provided above in answer to question one. Compacted states should develop a consistent dispute policy to be uniformly applied. See our comments above regarding the dispute process.

5. Please provide any other information not requested above that is relevant to regulations for interstate agreements on interactive gaming. Regulatory language will be drafted after comments are submitted and will be considered at a regulatory workshop yet to be scheduled.

We have no further comments at this stage. We look forward to providing further comments as the Nevada Gaming Commission may require.