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April 24, 2006

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TO: **ALL RESTRICTED AND NONRESTRICTED LICENSEES, GAMING DEVICE MANUFACTURERS AND DISTRIBUTORS, SLOT ROUTE OPERATORS, OPERATORS OF INTER-CASINO LINKED SYSTEMS, ASSOCIATED EQUIPMENT MANUFACTURERS AND INTERESTED PERSONS**

SUBJECT: **ASSOCIATED EQUIPMENT AND SYSTEMS APPROVAL PROCESS CHANGES**

This industry letter details the Gaming Control Board's associated equipment review and approval process[1] and supersedes the Gaming Control Board's industry letter, dated February 28, 2000.

The Gaming Control Board (the "Board") has reorganized its technology efforts to better serve the State. The Board has established the Technology Division, which combines the Gaming Lab, the Information Technology Audit Group ("ITAG"), and the Board's internal Information Technology group. This will focus the Board's approval, investigation, and regulation of technology utilized in the Nevada casino industry.

I. Executive Summary

There are four changes to the associated equipment and systems approval process, namely:

a. Expanding the communication processes between the Board and licensees by publishing an associated equipment and systems regulatory structure;

b. Reenforcing that it is the operator's and manufacturer's responsibility to implement, train, and operate systems and equipment correctly;

c. Eliminating operator "field trials" for equipment and systems that have been approved; and

[1] This letter will be effective for all new associated equipment submitted after the date of this letter. This document is Revision #1. It is the intent of the Board to continually review and revise these processes when and where necessary and provide public updates as warranted.

d. Streamlining the approval process where possible to reduce approval turnaround times.

II. Associated Equipment Licensing – General

The following licensing requirements are for the development, distribution or use of associated equipment. This industry letter does not change any of the Board's current policies, the Nevada Revised Statutes or the Nevada Gaming Commission Regulations in this area.

a. NGC Regulation 14 governs associated equipment.

b. Licensure is generally not required for a manufacturer or distributor of associated equipment. Except for manufacturers otherwise licensed by the Nevada Gaming Commission, associated equipment manufacturers need only file a Personal History Questionnaire, discussed below, and undergo a brief background check.

c. The only type of associated equipment that requires a manufacturer's license is a cashless wagering system, which is pursuant to NRS 463.650.

III. Associated Equipment Approval Fees

NRS 463.670(4) allows the Board to inspect all associated equipment and systems. Pursuant to the provisions of NRS 463.670(5), the Board charges manufacturers of associated equipment a fee for inspections of newly developed associated equipment and modifications of previously approved associated equipment. Pursuant to NGC Regulation 14.270, a manufacturer may be required to provide specialized equipment or the services of an independent technical expert to evaluate the equipment. Manufacturers will be billed for the cost of the equipment or services. Associated equipment inspection fees are charged at a rate for inspection time and for related travel time as established by the Board Chairman.

IV. Licensee Responsibilities

The following table summarizes the responsibilities of the various parties listed in the first column depending on which function the party is performing in columns 2, 3 or 4.

Associated Equipment Submission Requirement			
Party	**The Party is a Manufacturer of New Associated Equipment.**	**The Party is a Manufacturer of Modifications to Approved Associated Equipment.**	**The Party is a User of Associated Equipment.**
Nonrestricted Licensee	Submit package for approval of the new associated equipment.	**Category 1**: Submit/Inquiries – evaluation of modifications and determination regarding beta field trial, three day test & other conditional submission requirements WITHIN 7 DAYS OF RECEIPT. **Category 2**: Notify via AE Form.	Notify via AE form.
Licensed Manufacturer/ Distributor	Submit package for approval of the new associated equipment.	**Category 1**: Submit/Inquiries – evaluation of modifications and determination regarding beta field trial, three day test & other conditional submission requirements WITHIN 7 DAYS OF RECEIPT. **Category 2**: Notify via AE Form.	N/A
Nonrestricted Licensee with a Manufacturer/ Distributor License	Submit package for approval of the new associated equipment.	**Category 1**: Submit/Inquiries – evaluation of modifications and determination regarding beta field trial, three day test & other conditional submission requirements WITHIN 7 DAYS OF RECEIPT. **Category 2**: Notify via AE Form.	Notify via AE form.
Non-Licensed Manufacturer/ Distributor	Submit package for approval of the new associated equipment.	**Category 1**: Submit/Inquiries – evaluation of modifications and determination regarding beta field trial, three day test & other conditional submission requirements WITHIN 7 DAYS OF RECEIPT **Category 2**: Notify via AE Form.	N/A
Approval Targeted Turnaround Time	90 calendar days upon Board's determination of complete submission package.	30 calendar days per functionality module.	Confirmation within 10 business days of receipt or negative confirmation.

a. Associated Equipment Approvals

For associated equipment there are two major types of approvals that are required pursuant to NGC Regulation 14. These approvals will be issued by the Technology Division. The following further clarifies the responsibilities of licensees. The approval types are:

i. Manufacturer approvals of new associated equipment or modifications to previously approved associated equipment. A determination by the Technology Division as to the associated equipment performance as represented, meeting the Board's standards for security, accuracy and auditability, and compliance with the Associated Equipment Regulatory Structure, as defined below.
ii. Approval for casino operator to utilize approved associated equipment and systems will be generally required if:

a. An equipment or system is deemed by the Technology Division to be "new technology," as defined below;
b. An operator or manufacturer has had past issues in regards to particular systems and environmental installations; or
c. In rare cases, an operator or manufacturer requests a review to be performed by the Technology Division. Fulfilling these requests will be determined at the Board's discretion and subject to resource availability.

b. Restricted Licensees

i. Restricted locations that only use associated equipment, and do not manufacture or distribute associated equipment, are not required to complete an associated equipment notification form.
ii. A restricted location that installs a cashless wagering system that uses wagering instruments must file a request to utilize wagering instruments pursuant to NGC Regulation 12.100 **prior** to installing a cashless wagering system.

c. Nonrestricted Licensee's Responsibilities

The installation of new, or a modification to, associated equipment by a licensee without prior written approval is a violation of NGC Regulation 14.290. The following process is to be used.

i. Ten business days prior to intended installation of new, or modification to previously approved, associated equipment, the nonrestricted licensee should:

a. File a *User's Request for Installation of Associated Equipment* form with the Technology Division; and

b. For Group I nonrestricted licensees, submit internal control system amendments pursuant to NGC Regulation 6.090 and a written description of the amendments signed by the licensee's Chief Financial Officer and either the licensee's Chief Executive Officer or a licensed owner.

ii. The nonrestricted licensee is responsible to comply with all statutory and regulatory requirements that may be impacted as a result of using new or modified associated equipment.

iii. It is the nonrestricted licensee's responsibility to ensure associated equipment is functioning properly, installed as approved and that staff is properly trained to use the equipment or system. If it comes to the Board's attention that associated equipment is not functioning properly, disciplinary action could be taken against the licensee and/or the associated equipment manufacturer.

d. Nonrestricted and Restricted Licensees That are Utilizing Their Manufacturer/ Distributor License

i. This unique group of licensees will have certain procedures and processes that will be handled on an individualized basis. See the table on page 3 for the initial requirement to be met. Subsequent issues and matters will be determined through discussion between the Board and the licensee.

e. Manufacturer/Distributor Approvals – General Process

Manufacturer submissions of new associated equipment or system types, or modifications to previously approved associated equipment or system types, must comply with the following:

Previously Approved Associated Equipment Systems - Any associated equipment system in operation as of the date of this letter that has been previously approved by the Board or has been functioning pursuant to Nevada's regulatory structure will not require any filings, notifications or communications to the Board as a result of this industry letter. The Board reserves the right to perform an additional review of the associated equipment or system in the future, using such methods and procedures as the Board deems necessary at that time.

The following steps apply to all new associated equipment submissions and may apply to modifications.

i. For any submissions by unlicensed manufacturers, the following shall be submitted to the Technology Division:

a. A brief *Personal History Questionnaire* (PHQ).
b. A *Request to Release Information* form.

c. In some cases the Board may also require an associated equipment manufacturer's suppliers or distributors to submit PHQs and information release forms. History records and information release forms must be completed for all owners or, if a non-public corporation, for all officers and directors.
d. Publicly traded corporations should submit the most recently issued Forms 10-Q and 10-K in lieu of PHQs.

ii. For each associated equipment and/or modification, a complete submission package consists of the following items (note that items may vary depending on the submission [new or modification] or due to the extent of the modification):

a. **A *Manufacturer's Request for Review of Associated Equipment*** form. This form must be signed by an officer with sufficient authority to bind the manufacturer and who has sufficient knowledge and understanding of the system being submitted.
b. **Complete system documentation** in both technical and lay language (i.e., schematics, listing of hardware, intended usage of equipment, user manuals, etc.) for new submissions. Documentation should be submitted for modifications if the documentation has changed.
c. **Compliance reports** for equipment or systems give specific details as to how the system meets, OR CHANGES, the equipment/system to comply with the Associated Equipment Regulatory Structure.
d. **A copy of all executable software.** These files must be placed in a folder on the root of the media name "image" or "images" (i.e., D:\image\app.exe). This software will be kept on file with the Board and will be used to verify approved versions that have been installed in the field.
e. **Any necessary hardware and software** to reproduce programming, upon request from the Technology Division.
f. **A list of the specific peripheral equipment** (e.g., kiosks, voucher counters) that will be/should be tested as part of the submission.
g. **An operator/user manual** in both a hard copy and on a CD-ROM.
h. **As applicable, completed checklist(s).** The Board has issued *Associated Equipment Review Checklists.* For modifications to previously approved associated equipment, if applicable, an identification of the specific checklist items that the modification impacts and their compliance stance.
i. **The results of a simulated three day test** for new associated equipment submissions of <u>all</u> transactions that affect compliance with the associated equipment or system. The "results" must be audited (e.g., report totals footed and cross-referenced to related reports). The results of the three day test must confirm the

equipment is functioning as represented. For modifications, the three day test requirement will be evaluated on a case-by-case basis.

j. **A working model of the equipment or system** for review pursuant to Regulation 14.270 for new associated equipment or systems. The Board may require a system to be set up at the manufacturer's place of business or at the Board's offices. For modifications this requirement will be evaluated on a case-by-case basis.

k. **A deposit sufficient to cover the anticipated review charge** is required for both new and modifications to associated equipment to be evaluated. The amount of deposit will be based on the Technology Division's estimate of the time to complete the review.

l. **Identification of the location which will be used for the beta test site.** This is to be submitted via the Users Request for Installation of Associated Equipment form.

iii. Once a submission has been received, within ten business days, a meeting will be scheduled between the manufacturer and the Technology Division. Meeting objectives are to determine the completeness of the submission, explore system nuances to help determine the scope of the approval, discuss the trial location, and to confirm contact information for all parties. A determination will be made at the conclusion of the meeting whether the submission is complete and the Technology Division will be able to proceed with testing and verification. If needed, a date for a system demonstration will be set. In addition, a targeted turnaround timeframe will be discussed.

iv. The Technology Division will perform a review of the system including testing against the Associated Equipment Regulatory Structure. This includes a Technology Division initiated three day test. If during verification and testing, deficiencies or noncompliance issues are found, they will be classified into two categories. The first type of deficiencies are those that are so severe and must be corrected before the three day test can be completed and/or the field trial can commence. Those deficiencies must be corrected and submitted for approval within ten business days of notification. If issues cannot be resolved, the Technology Division's testing will be suspended. The second type of deficiency will not prevent the field trial from commencing, but must be corrected before installations subsequent to the initial field trial will be allowed.

v. Once the initial review has been completed and all compliance to the Associated Equipment Regulatory Structure has been met, written approval to commence the field trial will be given to the manufacturer and the selected "beta" licensee.

V. Field Trials – As Applied to All Licensees

In the past, the Board has conducted two types of trials for new, and modifications to, associated equipment:

1. A “beta site trial” where the manufacturer works with a chosen operator to test their system or equipment for its initial installation, and

2. A “field trial” where the Board verifies all subsequent installation of any previously approved system or equipment.

Going forward, the Board will **only** perform the initial **beta site trial**. The Board will **no longer require** manufacturers or operators to conduct field trials for subsequent installations for previously approved equipment or systems. The Board reserves the right to examine “new technology” systems or equipment upon installation at locations beyond the initial beta site.

VI. Noncompliance with Manufacturer or Operator Requirements

If the manufacturer or operator is not in compliance with the various requirements detailed herein, the equipment or systems will be removed from the testing queue. Further failures to satisfy the Associated Equipment Regulatory Structure, if severe, may result in disciplinary action by the Board.

VII. Definitions and Supplemental Information

a. NRS 463.0136 defines associated equipment as:
   1. Any equipment or mechanical, electromechanical or electronic contrivance, component or machine used remotely or directly in connection with gaming, any game, race book or sports pool that would not otherwise be classified as a gaming device; including dice, playing cards, links which connect to progressive slot machines, equipment which affects the proper reporting of gross revenue, computerized systems of betting at a race book or sports pool, computerized systems for monitoring slot machines and devices for weighing or counting money; or
   2. A computerized system for recordation of sales for use in an area subject to the tax imposed pursuant to NRS 368A.200.

b. “Associated Equipment Regulatory Structure” is a compilation of the requirements detailed by:
   i. Nevada Revised Statutes Chapters 368A, 463, 464 and 465
   ii. Applicable Minimum Internal Control Standards (MICS)
   iii. Nevada Gaming Regulation 14
   iv. NGC Regulation 14, Technical Standards

c. New Associated Equipment or Systems:
   i. New associated equipment is defined as a collection of hardware and/or software that has not been previously approved by the Board and that will be used by a Nevada gaming licensee to achieve compliance with the reporting requirements or control procedure requirements set forth in the Associated Equipment Regulatory Structure.

d. Modifications to Associated Equipment:
   i. Associated equipment modifications are any changes to previously-approved associated equipment that fall into two categories:
      (a) Category 1: changes directly related to how a system achieves compliance with the Associated Equipment Regulatory Structure.
      (b) Category 2: modifications that do not relate to how a system achieves compliance with the Associated Equipment Regulatory Structure.

   Please note internal records must be maintained by the manufacturers, available for the Technology Division's review, for all Category 1 and 2 modifications.

e. Single point of contact will be established and communicated at the outset of each approval submission if submission scope warrants such an assignment.

f. "New technology" systems or equipment are defined as associated equipment or systems that utilize new technology and, while approved, may warrant additional monitoring of the system in actual use. "New technology" systems or equipment are determined by the Technology Division on a case-by-case basis and after consultation with the manufacturer and based on results of the testing and field trial results.

g. Compliance Report
   i. A compliance report is a report produced by the submitter of the system or equipment which details the compliance with the Associated Equipment Regulatory Structure. Compliance reports should be submitted whenever a new or modified submission affects the Associated Equipment Regulatory Structure.

h. Further documentation is available online at www.gaming.nv.gov. These documents are key in meeting all procedural and compliance requirements when submitting associated equipment:

   i. Nevada Revised Statutes Chapters 368A, 463, 464 and 465
   ii. Applicable Minimum Internal Control Standards
   iii. Nevada Gaming Regulation 14
   iv. NGC Regulation 14, Technical Standards
   v. Gaming Control Board System Testing Checklists
   vi. Gaming Control Board Associated Equipment Compliance Summary Matrix
   vii. Trial Period Procedures Letters for Past Systems and Equipment Sorted by Manufacturer

viii. Gaming Control Board FAQ Regarding the New Process
ix. Example of a Compliance Report
x. Users Request for Installation of Associated Equipment
xi. Manufacturer's Request for Review of Associated Equipment
xii. Personal History Questionnaire
xiii. Request to Release Information

i. All system reports must include the following attributes:
   i. On all pages, the document title, row/column titles (if applicable), and page numbers;
   ii. Version number of current system software;
   iii. Date or time period of activity; and
   iv. Date and time the document was generated.

j. All submissions of associated equipment are to be submitted to the Technology Division, 555 East Washington Avenue, Suite 2600, Las Vegas, NV 89101

VIII. Conclusion

The process changes and clarifications herein are intended to streamline the current associated equipment approval process. In the coming months the Board and the Technology Division will continue to evaluate and update our processes as necessary.

Sincerely,

Mark A. Clayton
Board Member

MAC/JB:wb

cc: Dennis K. Neilander, Chairman
Bobby L. Siller, Board Member
Joe Bertolone, Chief, Technology Division
Records & Research Services