

**PROPOSED AMENDMENTS TO
REGULATIONS 14.010, 14.170, 14.180 and 14.190**

PURPOSE: To amend applicable provisions of Regulation 14 to conform to the Nevada Gaming Control Act as amended by Assembly Bill 294 of the Seventy-Sixth Regular Session of the Nevada Legislature; providing for applications, recordkeeping and procedures for extraterritorial distribution of gaming devices based on operational differences in licensees; clarifying requirements for distribution by licensees other than manufacturers and distributors licensed by the commission; and providing other matters properly related thereto.

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**

(Draft Date June 12, 2013)

New
~~[Deleted]~~

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 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) T]he 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]~~who operates, carries on, conducts or maintains any form of distribution.

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.

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.

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.

14. "Independent testing laboratory" means a private laboratory that is registered by the commission to inspect and certify games, gaming devices, associated equipment, cashless wagering systems, inter-casino linked systems, mobile gaming systems or interactive gaming systems, and any components thereof and modifications thereto, and to perform such other services as the board and commission may request.

15. "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.

16. "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.

17. "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,

↳ for use or play in Nevada.

18. "Manufacturer" means a person who operates, carries on, conducts or maintains any form of manufacture.

19. "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.

20. "Manufacturer of Equipment Associated with Interactive Gaming" means any person that manufactures, assembles, or produces any equipment associated with interactive gaming.

21. "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.

22. "Mobile gaming system modification" means any change or alteration to a mobile gaming system made by a manufacturer from its approved configuration.

23. "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.

24. "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.

25. "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.

26. "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.

27. "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.

28. "Randomness" is the observed unpredictability and absence of pattern in a set of elements or events that have definite probabilities of occurrence.

29. "Theme" means a concept, subject matter and methodology of design.

14.170 Marking, registration, and distribution of gaming devices.

1. Except as otherwise provided in subsection 2, a manufacturer or distributor shall not distribute a gaming device ~~[in this state or from a location within this state]~~ unless the gaming device has:

(a) A permanent serial number which must be ~~[the same number as given the device pursuant to]~~ affixed as required by the provisions of the Gaming Device Act of 1962, 15 U.S.C. 1173[, ~~permanently stamped or engraved in lettering no smaller than 5 millimeters on the metal frame or~~

~~other permanent component of the device and on a removable metal plate attached to the cabinet of the device];~~ and

(b) For devices distributed in this state ~~[, t];~~

(1) A permanent serial number which must be the same number as given the device pursuant to the provisions of the Gaming Device Act of 1962, 15 U.S.C. 1173, permanently stamped or engraved in lettering no smaller than 5 millimeters on the metal frame or other permanent component of the device and on a removable metal plate attached to the cabinet of the device; and

(2) The board approval number or, if the device has been modified since initial approval of the device, the modification approval number affixed on all program storage media placed in the device.

2. The chairman may, in his sole and absolute discretion, waive the requirements of subsection 1 if:

(a) The device was manufactured prior to January 1, 1962, and the manufacturer or distributor permanently stamps or engraves in lettering no smaller than 5 millimeters a distributor's identification code assigned by the chairman and a serial number on the metal frame or other permanent component of each device covered by this subsection.

(b) The program storage media in 1(b) can be altered through a means that does not require removal from the device or if the size of such media does not permit it.

3. Each manufacturer or distributor shall keep ~~[a written list]~~ records of the date of each distribution, the serial numbers of the devices, the board approval number, or if the device has been modified since initial approval of the device, the modification approval number, and the name, ~~[state of residence,]~~ addresses and telephone numbers of the person to whom the gaming devices have been distributed for use or play in Nevada and shall provide such ~~[list]~~ records to the chairman immediately upon his request.

4. For all gaming devices distributed from a location within Nevada that are not for use or play in Nevada, a manufacturer or distributor shall provide any and all records documenting such distributions to the chairman upon request. Such records shall include the information required under the Gambling Device Act of 1962, 15 U.S.C. 1173, and shall be retained for a period of five years.

14.180 Approval for category I licensees to distribute gaming devices out of Nevada; applications and procedure; recordkeeping requirements for category II licensees; extraterritorial distribution compliance; inspection of facilities and devices.

1. Subject to the exemption set forth in subsection ~~[3]4,~~ category I manufacturers and distributors shall not distribute gaming devices out of this state without applying for and receiving the prior written approval of the chairman. Applications for such approval to distribute gaming devices out of this state must be made, processed, and determined in such manner and using such forms as the chairman may prescribe. Each application must include, in addition to such other items or information as the chairman may require:

(a) The full name, state of residence, address, telephone number, social security number, and driver's license number of both the purchaser and the person to whom the shipment is being made, if neither is currently licensed by the commission. If the purchaser or person to whom the shipment is being made does not have a social security number or driver's license number, the birth date of the purchaser or person to whom the shipment is being made may be substituted;

(b) The name and permanent address of the purchaser or person to whom the shipment is being made if either is currently licensed by the commission;

(c) The destination, including the port of exit if the destination is outside the continental United States;

(d) The number of devices to be shipped;

(e) The serial number of each device;

(f) The model number of each device and year each device was manufactured, if known;

(g) The denomination of each device;

(h) The expected date and time of shipment; and

(i) The method of shipment and name and address of carrier.

2. Except as provided in paragraph (c) of this subsection, category II manufacturers and distributors are exempt from subsection 1, and shall:

(a) Prepare and maintain records of the information required by the Gaming Devices Act of 1962, 15 U.S.C. 1173. The records and documentation required by this paragraph (a) will be retained for a period of five years and must be produced for inspection upon request by the board. The failure to prepare and maintain such records and documentation will be an unsuitable method of operation.

(b) Submit to the board on or before the 15th day of January and July of each calendar year an electronic record of the name and address of all current customers which shall be in a searchable format. The record required by this paragraph (b) will be received and retained by the board as confidential pursuant to NRS 463.120.

(c) A category II manufacturer and distributor may by written notice to the chairman elect to be treated as and comply with the requirements of this regulation applicable to a category I manufacturer and distributor.

~~[2]3.~~ Manufacturers and distributors shall not ship gaming devices to a destination where possession of a gaming device is unlawful.

~~[3]4. Category I [M]m~~anufacturers and distributors ~~[may ship gaming devices to]~~are exempt from the requirements of subsection 1 of this regulation for shipments of gaming devices provided:

(a) The gaming devices are only distributed to:

(1) Persons licensed to expose such devices for play or for further distribution, in the jurisdiction of destination or by a tribal gaming authority in the jurisdiction of destination;

~~[(b)](2)~~ A federal, state or tribal gaming regulatory authority or law enforcement agency; or

~~[(c)](3)~~ A testing laboratory ~~[engaged]~~authorized by an entity identified within subparagraph ~~[(b)]2~~ of this ~~[subsection]paragraph~~.

~~(b) [In such case, the manufacturer or distributor must]~~The category I manufacturer and distributor files the information required by subsection 1 on or before the 15th of the month following the month of distribution.

↔ The chairman may publish a list of jurisdictions or licensees to which this exemption does not apply and where ~~[the]a category I~~ manufacturers and distributors may not ship gaming devices without prior approval as required by subsection 1 of this regulation.

~~[4]5. [M]Category I m~~anufacturers and distributors shall obtain and thereafter maintain, a statement by the purchaser under penalty of perjury that each device will be used only for lawful purposes, unless the purchaser is currently licensed by the commission or comparable agency of another state or tribal gaming agency or the destination is outside the United States.

~~[5]6.~~ Manufacturers and distributors shall, on or before the 15th day of January of each calendar year, give the board a copy of ~~[their registration]~~the documentation evidencing registration with the United States Attorney General pursuant to the provisions of the Gaming Devices Act of 1962, 15 U.S.C. 1173, for the ensuing year.

~~[6]7.~~ An agent of the board may inspect:

~~(a) [t]The~~ premises of manufacturers and distributors and all gaming devices located therein. ~~[An agent of the board may inspect]~~

~~(b) [a]All~~ gaming devices for which an application has been filed by a category I manufacturer or distributor pursuant to ~~[this]subsection 1 of this~~ regulation prior to distribution out of this state.

~~[M]Category I m~~anufacturers and distributors shall make the gaming devices subject to such applications available for such inspection.

~~[7]8.~~ If the chairman does not deny ~~[the]an~~ application filed by a category I manufacturer or distributor for approval to distribute gaming devices out of this state pursuant to subsection 1 within 5 working days of receipt of a complete application, the application will be deemed to be approved.

~~[8]9.~~ A category I manufacturer or distributor shall keep a record of all shipments made out of state of parts specifically designed for use in a gaming device. The record must include the information set forth in subsection 1, if applicable. A manufacturer or distributor shall not ship parts specifically designed for use in a gaming device to a destination where possession of a gaming device is unlawful.

[9]10. The chairman ~~[of the board]~~ may, in his discretion, waive one or more of the requirements of this section upon good cause shown.

11. As used in this section:

(a) "Category I manufacturer or distributor" means any manufacturer or distributor licensed by the Commission that does not qualify as a category II manufacturer or distributor.

(b) "Category II manufacturer or distributor" means any manufacturer or distributor that:

(1) Is and has been licensed in good standing by the Commission for the preceding five years;

(2) Is and has been licensed, registered, approved or qualified in at least ten other domestic United States or tribal jurisdictions for the preceding three years

(3) Maintains pursuant to or consistent with the requirements of Regulation 5.045 a compliance review and reporting system;

(4) Has annual gross sales exceeding \$5 Million Dollars for such licensee's preceding fiscal year;

(5) Maintains an office or other facility in the state of Nevada at which the records required by this Regulation are stored and may be inspected and copied by the board.

(6) Did not during the preceding year exclusively distribute used gaming devices. As used in this subparagraph, "used gaming devices" means gaming devices previously used or played in a gaming operation in Nevada, including such devices that have been in any way modified or refurbished since original manufacture.

(c) "Current customer" means a person to whom the applicable manufacturer or distributor has shipped or delivered a gaming device within the preceding six months pursuant to a contract, agreement or other arrangement with such manufacturer or distributor, or its affiliate, for the purchase, lease, license or other right to use such gaming device.

14.190 Approval for certain licensees to sell or dispose of gaming devices.

1. A licensee, other than a manufacturer and distributor, shall not dispose of gaming devices without the prior written approval of the chairman, unless the devices are sold or delivered to its affiliated companies or a licensed manufacturer or distributor, in which case approval is deemed granted.

2. A licensee, **other than a manufacturer and distributor**, shall not request approval to sell or deliver gaming devices to a person other than its affiliated companies or a licensed manufacturer or distributor unless the devices have been marked pursuant to **[section]subsection 1 of regulation** 14.170.

3. Applications for approval to sell gaming devices **under this regulation** must be made, processed, and determined in such manner and using such forms as the chairman may prescribe. Each application must include the information required by **[section]subsection 1 of regulation** 14.180, in addition to such other items or information as the chairman may require.

4. Applications for approval to dispose of gaming devices **under this regulation** must be made, processed, and determined in such manner and using such forms as the chairman may prescribe.