

**PROPOSED NEW REGULATION SECTION TO REGULATION 22
PROPOSED AMENDMENTS TO REGULATIONS 22.061, 22.140, 22.160 AND 22.121**

PURPOSE: To amend account wagering rules to specifically contemplate business entities; to require notice from a licensee intending to accept wagers from business entities; to require all interest holders in a business entity which will place wagers be fully disclosed; to require a licensee be able to trace all funds used by a business entity to place wagers; to require a licensee perform due diligence on a business entity from which the licensee accepts wagers and to record and maintain records of any due diligence performed by the licensee; to prohibit a licensee from accepting wagers from a business entity if it is unable to verify certain information about a business entity; to require books to request independent annual audits or third party verification from business entities placing wagers with the books; to require immediate reporting of any violation of law or regulation related to a business entity placing wagers with a book; to prohibit the extension of credit to a business entity; to require all business entity wagering activity occur through a wagering account; to require a book to report the closure or suspension of a business entity wagering account or dissolution of a wagering business entity to the Board and the reasons therefore; to require the adoption, display, and adherence to house rules concerning business entities; to set out rules regarding business entity deposits and withdrawals to and from wagering accounts; to exclude business entities from being classified as listed patrons; to expand suspicious wager reporting to specifically include potential violations of money laundering and illegal sports wagering laws; and to take such additional action as may be necessary and proper to effectuate these stated purposes.

**REGULATION 22
RACE BOOKS AND SPORTS POOLS**

(Draft Date November 9, 2015)

ADOPTED November 19, 2015

New

~~[Deleted]~~

22.061 Wagers in excess of \$10,000.

1. No Change.
2. No Change.
3. No Change.

4. As used in this section, a “known patron” means a an individual patron known to the book employee accepting the wager, for whom the licensee has previously obtained the patron’s name and identification credential, and with respect to whom the licensee has on file and updates, at least every three years, all the information required to be recorded pursuant to this section.

5. No Change.
6. No Change.

22.140 Wagering communications; establishing patron wagering accounts for sports, nonpari-mutuel race, and other event wagering.

1. No Change.
2. No Change.
3. No Change.
4. No Change.
5. No Change.
6. No Change.

7. Before a book accepts a wagering communication, or a call center accepts a wagering instruction, on any sporting event wager, on any nonpari-mutuel race wager, or on any other event wager:

(a) The patron must personally appear before employees of the book to open a wagering account. If the patron does not appear personally at the premises of the book or, for central site books, at an outstation, satellite or affiliated book, to open a wagering account, a book must file a request with the chairman for permission to have its employees open wagering accounts outside the premises of the book. The request must include a comprehensive marketing plan setting out, at a minimum, the types of locations and types of potential patrons to which a book intends to send its employees for the purposes of opening wagering accounts. A book may not act under its marketing plan prior to the chairman approving the request. The chairman may impose limitations and conditions on any approved request. The chairman may rescind his approval of a request of a book to have its employees open wagering accounts outside the premises of the book upon written notice to the book. Wagering accounts may not be opened outside the State of Nevada;

(b) For an individual patron, ~~[A]~~an employee of the book must examine, in the patron's presence, the patron's:

- (1) Driver's license;
- (2) Passport;
- (3) Non-resident alien identification card;
- (4) Other reliable government issued identification credential; or
- (5) Other picture identification credential normally acceptable as a means of identification when cashing checks;

(c) For an individual patron, ~~[B]~~the employee must record:

- (1) The patron's name, permanent home address (other than a post office box number), and home telephone number;
- (2) The patron's mailing address and, if the mailing address is not a post office box number and is a residence or place of business of the patron, the telephone number of the resident or place of business;
- (3) The patron's date of birth, gender, a description and number of the identity credential examined, and social security number, for United States residents only;
- (4) The method used to verify the patron's identity and residence, and a description, including the document number, of the identity credential examined;
- (5) The patron's approved credit limit or the amount of the patron's initial wagering account or front money deposit;
- (6) The patron's account number with the book; and
- (7) The date the patron's account with the book is opened;

(d) For a business entity patron, the patron must provide an employee of the book with the information required pursuant to NRS Chapter 463. The employee must record such information;

(e) The patron must sign, in the presence of a supervising employee of the book, statements attesting that the patron:

- (1) Confirms the accuracy of the information recorded;
- (2) Has received a copy of the book's rules and procedures for wagering communications;
- (3) Has been informed and understands that patrons that establish a wagering account pursuant to this subsection 7 are prohibited by law from placing wagering communications from outside Nevada and that the book is prohibited by law from accepting them;
- (4) Has been informed and understands that, with regard to pari-mutuel horse race wagers, a race book may only accept off-track pari-mutuel horse race account wagers pursuant to the provisions of Regulation 26C; and
- (5) Consents to the monitoring and recording by the board of any wagering communications; and

~~(e)~~(f) The employee who verifies the patron's identity and residence and who obtains and records the information on behalf of the book and the supervising employee described in subparagraph ~~(d)~~(e), must each sign statements that they witnessed the patron's signature and confirmed the patron's identity and residence.

8. No Change.

9. The book shall accept wagers on the patron's wagering account only during the year after the account is opened, unless:

- (a) The patron places an account wager at least once every year; or
- (b) The patron renews the account. Patrons may renew accounts for one and only one additional year by appearing personally before employees of the book as set out in subsection 7(a) of this section prior to the expiration of the initial year and signing a renewal form. Two employees of the book, at least one of whom must be a supervising employee, shall witness the patron's signature on the renewal form and each shall attest thereto by signing the renewal form. When the renewal period expires, the book shall accept no further wagering communications from the patron until the patron again complies with the provisions of subparagraphs (a), (b), (d), and (e) of subsection 7. Additionally, a book shall not accept a wager on such an account if the patron is not physically located within Nevada's borders.

10. No Change.

11. No Change.

12. No Change.

22.155 Business entity wagering.

1. A book shall notify the board in writing of its intent to accept wagers from business entities which have met all of the applicable requirements found in NRS Chapter 463.

2. A book is prohibited from accepting wagers from a business entity unless all of the business entity's owners, directors, officers, managers, partners, holders of indebtedness, and anyone entitled to payments based on profits or revenues of the entity are fully disclosed. If the business entity is owned or controlled by one or more

holding companies, each of the holding companies' owners, directors, officers, managers, partners, holders of indebtedness and everyone entitled to payments based on profits or revenues of the entity must be fully disclosed.

3. A book which elects to accept wagers from business entities must conduct due diligence on each business entity from which the book will accept wagers which, at a minimum, includes, but is not limited to:

(a) Requiring the business entity to affirm that it has met all of the applicable requirements found in NRS Chapter 463 and this section and that it is not established for the purpose of circumventing any applicable federal or state laws including, but not limited to, laws concerning illegal sports wagering, electronic communications, and money laundering;

(b) Ascertaining all equity owners, holders of indebtedness, directors, officers, managers, partners, anyone entitled to payments based on the profits or revenues, and any designated individuals; and

(c) Ascertaining the natural person who is the source of funds for each contribution to the business entity.

→ A book shall maintain records of the due diligence it performs on a business entity for no less than one year following the closure of the wagering account of the business entity or for no less than one year after rejection of a business entity wagering account application by the book.

4. A book shall not accept wagers from a business entity if:

(a) The business entity does not make the affirmation or disclosures required by subsections 2 or 3(a);

(b) The book is unable to verify the identity of all the equity owners, holders of indebtedness, directors, officers, managers, partners, anyone entitled to payments based on the profits or revenues, and any designated individuals of the business entity;
or

(c) The book is unable to verify the natural person who is the source of funds for each contribution to the business entity.

5. Upon receipt of updated information from a business entity, a book shall verify the updated information. If a book is unable to verify the updated information within 30 days of the book's receipt of the updated information from the business entity, the book shall suspend the wagering account and not allow further wagering activity on the wagering account.

6. A book shall require a business entity from which the book accepts wagers to provide:

(a) For business entities from which the book accepts wagers aggregating more than \$5,000,000 in a calendar year, an independent third-party verification concerning to whom the business entity made payments based on profits or revenues to ensure no payments were made to persons other than those permitted by NRS Chapter 463 to receive such payments. If the book does not receive a copy of the independent third-party verification prior to April 1st of the year following the year in which the business entity placed wagers in excess of \$5,000,000, the book shall suspend the wagering account and not allow further wagering activity on the wagering account or

(b) For business entities from which the book accepts wagers aggregating \$5,000,000 or less within a calendar year, an affirmation stating the business entity did not make

payments based on profits or revenues to persons other than those permitted by NRS Chapter 463 to receive such payments. If the book does not receive such affirmation prior to April 1st of the year following any year in which the business entity placed wagers with the book, the book shall suspend the wagering account and not allow further wagering activity on the wagering account.

7. A book shall report any violation or suspected violation of law or regulation related to business entity wagering to the board immediately. Such reporting shall include, but is not limited to, any violation or suspected violation of relevant federal laws such as The Federal Wire Act 18 U.S.C. §1084, the Illegal Gambling Business Act 18 U.S.C. §1955, and Title 31 anti-money laundering laws.

8. A book may only accept wagering activity from a business entity through a wagering account established by the business entity and may only deposit winnings into such wagering account. The book must use an account wagering system for such wagering activity. The requirement to use an account wagering system is effective on January 1, 2017.

9. A book shall not extend credit to a business entity.

10. A book shall report the suspension or closure of a business entity wagering account to the board within 5 days of suspension or closure and shall include the reason for such suspension or closure in the report. A book shall report the reinstatement of a suspended business entity wagering account to the board within 5 days of reinstatement and shall include the reasons the book reinstated the wagering account.

11. A book that accepts wagers from business entities shall adopt, conspicuously display at its premises, and adhere to house rules governing business entity wagering transactions.

12. As used in this section, "holding company" means any corporation, firm, partnership, limited partnership, limited-liability company, trust or other form of business organization which, directly or indirectly:

(a) Owns, as defined in Regulation 15.482-6;

(b) Controls, as defined in Regulation 15.482-4; or

(c) Holds with power to vote

→any part of a business entity subject to this section. In addition to any other reasonable meaning of the words used, a holding company "indirectly" has, holds or owns any power, right or security if it does so through any interest in a subsidiary or successive subsidiaries, however many such subsidiaries may intervene between the holding company and the business entity subject to this section.

22.160 Wagering account transactions.

1. No Change.

2. No Change.

3. No Change.

4. No Change.

5. Business entity wagering account deposits and withdrawals may only be made by transfers to and from the bank or financial institution account maintained by the business entity. Business entity wagering account deposits and withdrawals may not be made in cash.

Except as otherwise specified herein, these amendments are effective upon adoption by the Nevada Gaming Commission.