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STATE OF NEVADA

BEFORE THE NEVADA GAMING COMMISSION

NEVADA GAMING CONTROL BOARD,)
Complainant,)
vs.)
CAESARS ENTERTAINMENT)
CORPORATION (PTC); CAESARS)
ENTERTAINMENT OPERATING)
COMPANY (PTC);)
DESERT PALACE, INC., dba)
CAESARS PALACE,)
Respondents)

COMPLAINT

Office of the Attorney General
Gaming Division
5420 Kietzke Lane, Suite 202
Reno, Nevada 89511

The State of Nevada, on relation of its Nevada Gaming Control Board (BOARD), Complainant herein, by and through its counsel, ADAM PAUL LAXALT, Attorney General, and JOHN S. MICHELA, Senior Deputy Attorney General, hereby files this Complaint for disciplinary action against Respondent pursuant to Nevada Revised Statute (NRS) 463.310(2) and alleges as follows:

1. Complainant, BOARD, is an administrative agency of the State of Nevada duly organized and existing under and by virtue of chapter 463 of NRS and is charged with the administration and enforcement of the gaming laws of this state as set forth in Title 41 of NRS and the Regulations of the Nevada Gaming Commission.

2. Respondent DESERT PALACE, INC., dba CAESARS PALACE (CAESARS), located at 3570 South Las Vegas Boulevard, Las Vegas, Nevada, holds a nonrestricted gaming license.

3. Respondent CAESARS ENTERTAINMENT OPERATING COMPANY (PTC) (CEOC) is the beneficial owner of 100 percent of CAESARS, controls CAESARS, and is registered with the Nevada Gaming Commission as a publicly traded corporation. As it owns

1 and/or controls CAESARS, CEOC is liable for the violations of CAESARS as set out herein
2 and the Nevada Gaming Commission may fine CEOC for the violations of CAESARS as set
3 out herein.

4 4. Respondent CAESARS ENTERTAINMENT CORPORATION (CEC) is the
5 beneficial owner of 89.3 percent of CAESARS and CEOC (as of March 1, 2015), controls
6 CAESARS and CEOC, and is registered with the Nevada Gaming Commission as a publicly
7 traded corporation. As it owns and/or controls CAESARS, CEC is liable for the violations of
8 CAESARS as set out herein and the Nevada Gaming Commission may fine CEC for the
9 violations of CAESARS as set out herein.

10 **RELEVANT LAW**

11 5. The Nevada Legislature has declared under NRS 463.0129(1) that:

12 (a) The gaming industry is vitally important to the economy
13 of the State and the general welfare of the inhabitants.

14 (b) The continued growth and success of gaming is
15 dependent upon public confidence and trust that licensed gaming
16 and the manufacture, sale and distribution of gaming devices and
17 associated equipment are conducted honestly and competitively,
18 that establishments which hold restricted and nonrestricted licenses
19 where gaming is conducted and where gambling devices are
20 operated do not unduly impact the quality of life enjoyed by
21 residents of the surrounding neighborhoods, that the rights of the
22 creditors of licensees are protected and that gaming is free from
23 criminal and corruptive elements.

24 (c) Public confidence and trust can only be maintained by
25 strict regulation of all persons, locations, practices, associations
26 and activities related to the operation of licensed gaming
27 establishments, the manufacture, sale or distribution of gaming
28 devices and associated equipment and the operation of inter-casino
linked systems.

23 NRS 463.0129(1)(a), (b) and (c).

24 6. The Nevada Gaming Commission has full and absolute power and authority to
25 limit, condition, restrict, revoke or suspend any license, registration, finding of suitability or
26 approval, or fine any person licensed, registered, found suitable or approved, for any cause
27 deemed reasonable by the Nevada Gaming Commission. See NRS 463.1405(4).

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1 7. The BOARD is authorized to observe the conduct of licensees in order to ensure
2 that the gaming operations are not being conducted in an unsuitable manner. See
3 NRS 463.1405(1).

4 8. This continuing obligation is repeated in Nevada Gaming Commission Regulation
5 5.040, which provides as follows:

6 A gaming license is a revocable privilege, and no holder
7 thereof shall be deemed to have acquired any vested rights therein
8 or thereunder. The burden of proving his qualifications to hold any
9 license rests at all times on the licensee. The board is charged by
law with the duty of observing the conduct of all licensees to the
end that licenses shall not be held by unqualified or disqualified
persons or unsuitable persons or persons whose operations are
conducted in an unsuitable manner.

10 Nev. Gaming Comm'n Reg. 5.040.

11 9. Nevada Gaming Commission Regulation 5.010(2) further provides that
12 "[r]esponsibility for the employment and maintenance of suitable methods of operation rests
13 with the licensee, and willful or persistent use or toleration of methods of operation deemed
14 unsuitable will constitute grounds for license revocation or other disciplinary action." Nev.
15 Gaming Comm'n Reg. 5.010(2).

16 10. NRS 463.170(8) provides as follows:

17 Any person granted a license or found suitable by the
18 Commission shall continue to meet the applicable standards and
19 qualifications set forth in this section and any other qualifications
20 established by the Commission by regulation. The failure to
continue to meet such standards and qualifications constitutes
grounds for disciplinary action.

21 NRS 463.170(8).

22 11. Nevada Gaming Commission Regulation 5.011 states, in relevant part, as follows:

23 The board and the commission deem any activity on the part
24 of any licensee, his agents or employees, that is inimical to the
25 public health, safety, morals, good order and general welfare of the
26 people of the State of Nevada, or that would reflect or tend to
27 reflect discredit upon the State of Nevada or the gaming industry, to
28 be an unsuitable method of operation and shall be grounds for
disciplinary action by the board and the commission in accordance
with the Nevada Gaming Control Act and the regulations of the
board and the commission. Without limiting the generality of the
foregoing, the following acts or omissions may be determined to be
unsuitable methods of operation:

1 1. Failure to exercise discretion and sound judgment to
2 prevent incidents which might reflect on the repute of the State of
Nevada and act as a detriment to the development of the industry.

3

4 8. Failure to comply with or make provision for compliance
5 with all federal, state and local laws and regulations pertaining to
6 the operations of a licensed establishment including, without
7 limiting the generality of the foregoing, payment of all license fees,
withholding any payroll taxes, liquor and entertainment taxes and
antitrust and monopoly statutes.

7

8 10. Failure to conduct gaming operations in accordance with
9 proper standards of custom, decorum and decency, or permit any
10 type of conduct in the gaming establishment which reflects or tends
to reflect on the repute of the State of Nevada and act as a
detriment to the gaming industry.

11 Nev. Gaming Comm'n Reg. 5.011(1), (8), and (10).

12 12. Nevada Gaming Commission Regulation 5.200 states, in relevant part:

13 3. A licensee who operates a gaming salon on the property
14 of a resort hotel shall comply with the following restrictions and
15 requirements, in addition to any other requirements set forth in the
NRS or the regulations of the commission. In this regard, the
licensee shall:

16

17 (b) Establish a log that contains the name of each salon
18 patron of the gaming salon, as well as the times each salon patron
19 enters and leaves the gaming salon. The log shall be maintained
for a period of not less than two years.

20 Nev. Gaming Comm'n Reg. 5.200(3)(b).

21 13. Title 31 of the Code of Federal Regulations section 1010.312 provides:

22 Before concluding any transaction with respect to which a
23 report is required under § 1010.311, § 1010.313, § 1020.315, §
24 1021.311 or § 1021.313 of this chapter, a financial institution shall
25 verify and record the name and address of the individual presenting
26 a transaction, as well as record the identity, account number, and
27 the social security or taxpayer identification number, if any, of any
28 person or entity on whose behalf such transaction is to be effected.
Verification of the identity of an individual who indicates that he or
she is an alien or is not a resident of the United States must be
made by passport, alien identification card, or other official
document evidencing nationality or residence (e.g., a Provincial
driver's license with indication of home address). Verification of

1 identity in any other case shall be made by examination of a
2 document, other than a bank signature card, that is normally
3 acceptable within the banking community as a means of
4 identification when cashing checks for nondepositors (e.g., a
5 driver's license or credit card). A bank signature card may be relied
6 upon only if it was issued after documents establishing the identity
7 of the individual were examined and notation of the specific
8 information was made on the signature card. In each instance, the
9 specific identifying information (i.e., the account number of the
10 credit card, the driver's license number, etc.) used in verifying the
11 identity of the customer shall be recorded on the report, and the
12 mere notation of "known customer" or "bank signature card on file"
13 on the report is prohibited.

14 31 C.F.R. §1010.312.

15 14. Title 31 of the Code of Federal Regulations section 1010.370 provides:

16 (a) If the Secretary of the Treasury finds, upon the
17 Secretary's own initiative or at the request of an appropriate
18 Federal or State law enforcement official, that reasonable grounds
19 exist for concluding that additional recordkeeping and/or reporting
20 requirements are necessary to carry out the purposes of this
21 chapter and to prevent persons from evading the
22 reporting/recordkeeping requirements of this chapter, the Secretary
23 may issue an order requiring any domestic financial institution or
24 group of domestic financial institutions in a geographic area and
25 any other person participating in the type of transaction to file a
26 report in the manner and to the extent specified in such order. The
27 order shall contain such information as the Secretary may describe
28 concerning any transaction in which such financial institution is
involved for the payment, receipt, or transfer of United States coins
or currency (or such other monetary instruments as the Secretary
may describe in such order) the total amounts or denominations of
which are equal to or greater than an amount which the Secretary
may prescribe.

(b) An order issued under paragraph (a) of this section shall
be directed to the Chief Executive Officer of the financial institution
and shall designate one or more of the following categories of
information to be reported: Each deposit, withdrawal, exchange of
currency or other payment or transfer, by, through or to such
financial institution specified in the order, which involves all or any
class of transactions in currency and/or monetary instruments equal
to or exceeding an amount to be specified in the order.

(c) In issuing an order under paragraph (a) of this section,
the Secretary will prescribe:

(1) The dollar amount of transactions subject to the
reporting requirement in the order;

(2) The type of transaction or transactions subject to or
exempt from a reporting requirement in the order;

(3) The appropriate form for reporting the transactions
required in the order;

1 (4) The address to which reports required in the order are to
be sent or from which they will be picked up;

2 (5) The starting and ending dates by which such
transactions specified in the order are to be reported;

3 (6) The name of a Treasury official to be contacted for any
additional information or questions;

4 (7) The amount of time the reports and records of reports
generated in response to the order will have to be retained by the
5 financial institution; and

6 (8) Any other information deemed necessary to carry out the
purposes of the order.

7 (d)(1) No order issued pursuant to paragraph (a) of this
section shall prescribe a reporting period of more than 60 days
unless renewed pursuant to the requirements of paragraph (a).

8 (2) Any revisions to an order issued under this section will
not be effective until made in writing by the Secretary.

9 (3) Unless otherwise specified in the order, a bank receiving
an order under this section may continue to use the exemptions
10 granted under § 1020.315 of this chapter prior to the receipt of the
order, but may not grant additional exemptions.

11 (4) For purposes of this section, the term *geographic area*
means any area in one or more States of the United States, the
12 District of Columbia, the Commonwealth of Puerto Rico, the United
States Virgin Islands, Guam, the Commonwealth of the Northern
13 Mariana Islands, American Samoa, the Trust Territory of the Pacific
Islands, the territories and possessions of the United States, and/or
14 political subdivision or subdivisions thereof, as specified in an order
issued pursuant to paragraph (a) of this section.

15
16 31 C.F.R. §1010.370.

17 15. Title 31 of the Code of Federal Regulations section 1021.100 provides, in relevant
18 part: "*Customer* includes every person which is involved in a transaction to which this chapter
19 applies with a casino, whether or not that person participates, or intends to participate, in the
20 gaming activities offered by that casino." 31 C.F.R. §1021.100(c).

21 16. Title 31 of the Code of Federal Regulations section 1021.210 provides:

22 (a) *Requirements for casinos.* A casino shall be deemed to
23 satisfy the requirements of 31 U.S.C. 5318(h)(1) if it implements
and maintains a compliance program described in paragraph (b) of
24 this section.

25 (b) *Compliance programs.*

26 (1) Each casino shall develop and implement a written
program reasonably designed to assure and monitor compliance
with the requirements set forth in 31 U.S.C. chapter 53, subchapter
27 II and the regulations contained in this chapter.

28 (2) At a minimum, each compliance program shall provide
for:

- 1 (i) A system of internal controls to assure ongoing
2 compliance;
3 (ii) Internal and/or external independent testing for
4 compliance. The scope and frequency of the testing shall be
5 commensurate with the money laundering and terrorist
6 financing risks posed by the products and services provided
7 by the casino;
8 (iii) Training of casino personnel, including training in the
9 identification of unusual or suspicious transactions, to the
10 extent that the reporting of such transactions is required by
11 this chapter, by other applicable law or regulation, or by the
12 casino's own administrative and compliance policies;
13 (iv) An individual or individuals to assure day-to-day
14 compliance;
15 (v) Procedures for using all available information to
16 determine:
17 (A) When required by this chapter, the name, address,
18 social security number, and other information, and
19 verification of the same, of a person;
20 (B) The occurrence of any transactions or patterns of
21 transactions required to be reported pursuant to § 1021.320;
22 (C) Whether any record as described in subpart D of part
23 1010 of this chapter or subpart D of this part 1021 must be
24 made and retained; and
25 (vi) For casinos that have automated data processing
26 systems, the use of automated programs to aid in assuring
27 compliance.

28 31 C.F.R. §1021.210.

17 17. Title 31 of the Code of Federal Regulations section 1021.312 provides:

18 Refer to § 1010.312 of this chapter for identification
19 requirements for reports of transaction in currency filed by casinos
20 and card clubs.

21 31 C.F.R. §1021.312.

22 18. Title 31 of the Code of Federal Regulations section 1021.320 provides:

23 (a) *General.*

24 (1) Every casino shall file with FinCEN, to the extent and in
25 the manner required by this section, a report of any suspicious
26 transaction relevant to a possible violation of law or regulation. A
27 casino may also file with FinCEN, by using the form specified in
28 paragraph (b)(1) of this section, or otherwise, a report of any
suspicious transaction that it believes is relevant to the possible
violation of any law or regulation but whose reporting is not required
by this section.

1 (2) A transaction requires reporting under the terms of this
2 section if it is conducted or attempted by, at, or through a casino,
3 and involves or aggregates at least \$5,000 in funds or other assets,
4 and the casino knows, suspects, or has reason to suspect that the
5 transaction (or a pattern of transactions of which the transaction is
6 a part):

7 (i) Involves funds derived from illegal activity or is intended
8 or conducted in order to hide or disguise funds or assets derived
9 from illegal activity (including, without limitation, the ownership,
10 nature, source, location, or control of such funds or assets) as part
11 of a plan to violate or evade any Federal law or regulation or to
12 avoid any transaction reporting requirement under Federal law or
13 regulation;

14 (ii) Is designed, whether through structuring or other means,
15 to evade any requirements of this chapter or of any other
16 regulations promulgated under the Bank Secrecy Act;

17 (iii) Has no business or apparent lawful purpose or is not the
18 sort in which the particular customer would normally be expected to
19 engage, and the casino knows of no reasonable explanation for the
20 transaction after examining the available facts, including the
21 background and possible purpose of the transaction; or

22 (iv) Involves use of the casino to facilitate criminal activity.

23 (b) *Filing procedures—*

24 (1) *What to file.* A suspicious transaction shall be reported
25 by completing a Suspicious Activity Report by Casinos ("SARC"),
26 and collecting and maintaining supporting documentation as
27 required by paragraph (d) of this section.

28 (2) *Where to file.* The SARC shall be filed with FinCEN in a
central location, to be determined by FinCEN, as indicated in the
instructions to the SARC.

(3) *When to file.* A SARC shall be filed no later than 30
calendar days after the date of the initial detection by the casino of
facts that may constitute a basis for filing a SARC under this
section. If no suspect is identified on the date of such initial
detection, a casino may delay filing a SARC for an additional 30
calendar days to identify a suspect, but in no case shall reporting
be delayed more than 60 calendar days after the date of such initial
detection. In situations involving violations that require immediate
attention, such as ongoing money laundering schemes, the casino
shall immediately notify by telephone an appropriate law
enforcement authority in addition to filing timely a SARC. Casinos
wishing voluntarily to report suspicious transactions that may relate
to terrorist activity may call FinCEN's Financial Institutions Hotline
at 1-866-556-3974 in addition to filing timely a SARC if required
by this section.

(c) *Exceptions.* A casino is not required to file a SARC for a
robbery or burglary committed or attempted that is reported to
appropriate law enforcement authorities.

1 (d) *Retention of records.* A casino shall maintain a copy of
2 any SARC filed and the original or business record equivalent of
3 any supporting documentation for a period of five years from the
4 date of filing the SARC. Supporting documentation shall be
5 identified as such and maintained by the casino, and shall be
6 deemed to have been filed with the SARC. A casino shall make all
7 supporting documentation available to FinCEN or any Federal,
8 State, or local law enforcement agency, or any Federal regulatory
9 authority that examines the casino for compliance with the Bank
10 Secrecy Act, or any State regulatory authority administering a State
11 law that requires the casino to comply with the Bank Secrecy Act or
12 otherwise authorizes the State authority to ensure that the casino
13 complies with the Bank Secrecy Act, or any tribal regulatory
14 authority administering a tribal law that requires the casino to
15 comply with the Bank Secrecy Act or otherwise authorizes the tribal
16 regulatory authority to ensure that the casino complies with the
17 Bank Secrecy Act, upon request.

18 (e) *Confidentiality of SARs.* A SAR, and any information
19 that would reveal the existence of a SAR, are confidential and shall
20 not be disclosed except as authorized in this paragraph (e). For
21 purposes of this paragraph (e) only, a SAR shall include any
22 suspicious activity report filed with FinCEN pursuant to any
23 regulation in this chapter.

24 (1) *Prohibition on disclosures by casinos—*

25 (i) *General rule.* No casino, and no director, officer,
26 employee, or agent of any casino, shall disclose a SAR or any
27 information that would reveal the existence of a SAR. Any casino,
28 and any director, officer, employee, or agent of any casino that is
subpoenaed or otherwise requested to disclose a SAR or any
information that would reveal the existence of a SAR, shall decline
to produce the SAR or such information, citing this section and 31
U.S.C. 5318(g)(2)(A)(i), and shall notify FinCEN of any such
request and the response thereto.

(ii) *Rules of Construction.* Provided that no person involved
in any reported suspicious transaction is notified that the
transaction has been reported, this paragraph (e)(1) shall not be
construed as prohibiting:

(A) The disclosure by a casino, or any director, officer,
employee, or agent of a casino, of:

(1) A SAR, or any information that would reveal the
existence of a SAR, to FinCEN or any Federal, State, or local law
enforcement agency, or any Federal regulatory authority that
examines the casino for compliance with the Bank Secrecy Act, or
any State regulatory authority administering a State law that
requires the casino to comply with the Bank Secrecy Act or
otherwise authorizes the State authority to ensure that the casino
complies with the Bank Secrecy Act, or any tribal regulatory
authority administering a tribal law that requires the casino to

1 comply with the Bank Secrecy Act or otherwise authorizes the tribal
2 regulatory authority to ensure that casino complies with the Bank
3 Secrecy Act; or

4 (2) The underlying facts, transactions, and documents upon
5 which a SAR is based, including but not limited to, disclosures to
6 another financial institution, or any director, officer, employee, or
7 agent of a financial institution, for the preparation of a joint SAR.

8 (B) The sharing by a casino, or any director, officer,
9 employee, or agent of the casino, of a SAR, or any information that
10 would reveal the existence of a SAR, within the casino's corporate
11 organizational structure for purposes consistent with Title II of the
12 Bank Secrecy Act as determined by regulation or in guidance.

13 (2) *Prohibition on disclosures by government authorities.* A
14 Federal, State, local, territorial, or Tribal government authority, or
15 any director, officer, employee, or agent of any of the foregoing,
16 shall not disclose a SAR, or any information that would reveal the
17 existence of a SAR, except as necessary to fulfill official duties
18 consistent with Title II of the Bank Secrecy Act (BSA). For
19 purposes of this section, "official duties" shall not include the
20 disclosure of a SAR, or any information that would reveal the
21 existence of a SAR, in response to a request for disclosure of non-
22 public information or a request for use in a private legal proceeding,
23 including a request pursuant to 31 CFR 1.11.

24 (f) *Limitation on liability.* A casino, and any director, officer,
25 employee, or agent of any casino, that makes a voluntary
26 disclosure of any possible violation of law or regulation to a
27 government agency or makes a disclosure pursuant to this section
28 or any other authority, including a disclosure made jointly with
another institution, shall be protected from liability to any person for
any such disclosure, or for failure to provide notice of such
disclosure to any person identified in the disclosure, or both, to the
full extent provided by 31 U.S.C. 5318(g)(3).

(g) *Compliance.* Casinos shall be examined by FinCEN or
its delegates for compliance with this section. Failure to satisfy the
requirements of this section may be a violation of the Bank Secrecy
Act and of this chapter.

(h) *Applicability date.* This section applies to transactions
occurring after March 25, 2003.

31 C.F.R. §1021.320.

19. Nevada Gaming Commission Regulation 5.030 provides as follows:

*Violation of any provision of the Nevada Gaming Control Act
or of these regulations by a licensee, his agent or employee shall
be deemed contrary to the public health, safety, morals, good order
and general welfare of the inhabitants of the State of Nevada and
grounds for suspension or revocation of a license. Acceptance of a*

1 state gaming license or renewal thereof by a licensee constitutes
2 an agreement on the part of the licensee to be bound by all of the
3 regulations of the commission as the same now are or may
4 hereafter be amended or promulgated. *It is the responsibility of the
licensee to keep himself informed of the content of all such
regulations, and ignorance thereof will not excuse violations.*

5 Nev. Gaming Comm'n Reg. 5.030 (emphasis added).

6 20. Nevada Gaming Commission Regulation 3.080 provides as follows:

7 The commission may deny, revoke, suspend, limit, condition,
8 or restrict any registration or finding of suitability or application
9 therefor upon the same grounds as it may take such action with
10 respect to licenses, licensees and licensing; without exclusion of
11 any other grounds. The commission may take such action on the
grounds that the registrant or person found suitable is associated
with, or controls, or is controlled by, or is under common control
with, an unsuitable person.

12 Nev. Gaming Comm'n Reg. 3.080.

13 21. NRS 463.641 states:

14 If any corporation, partnership, limited partnership, limited-
15 liability company or other business organization holding a license is
16 owned or controlled by a publicly traded corporation subject to the
17 provisions of this chapter, or that publicly traded corporation, does
not comply with the laws of this state and the regulations of the
Commission, the Commission may in its discretion do any one, all
or a combination of the following:

- 18 1. Revoke, limit, condition or suspend the license of the
licensee; or
- 19 2. Fine the persons involved, the licensee or the publicly
20 traded corporation,
21 ↪ in accordance with the laws of this state and the regulations of
the Commission.

22 NRS 463.641.

23 22. NRS 463.310(4)(d)(2) states in relevant part that the Commission may:

24 (d) Fine each person or entity or both, who was licensed,
25 registered, found suitable or found preliminarily suitable pursuant to
26 this chapter or chapter 464 of NRS or which previously obtained
27 approval for any act or transaction for which Commission approval
was required or permitted under the provisions of this chapter or
chapter 464 of NRS:

28

1 (2) Except as otherwise provided in subparagraph (1),
2 not more than \$100,000 for each separate violation of the
3 provisions of this chapter or chapter 464 or 465 of NRS or of the
4 regulations of the Commission which is the subject of an initial
5 complaint and not more than \$250,000 for each separate violation
6 of the provisions of this chapter or chapter 464 or 465 of NRS or of
7 the regulations of the Commission which is the subject of any
8 subsequent complaint.

6 NRS 463.310(4)(d)(2).

7 **BACKGROUND**

8 23. The Internal Revenue Service (IRS) conducted a Bank Secrecy Act (BSA)
9 examination of CAESARS for the period of February 1, 2012 through April 30, 2012.

10 24. On or about June 26, 2013, the IRS issued Form 13726, Summary of
11 Examination Findings and Recommendations (Summary of Findings) to CAESARS. The
12 Summary of Findings found approximately thirty-seven (37) areas of CAESARS'
13 noncompliance with the BSA.

14 25. On or about August 12, 2013, CAESARS agreed to follow the recommendations
15 of the Summary of Findings "and to correct the Anti-Money Laundering program, reporting,
16 and recordkeeping violations."

17 26. On or about August 12, 2013, CAESARS sent the IRS responses (IRS Response)
18 to the areas of noncompliance noted in the Summary of Findings. After analyzing
19 CAESARS' responses to the Summary of Findings, the IRS prepared a report (Report). The
20 Report took a position on approximately twenty-four (24) of the areas of noncompliance
21 noted in the Summary of Findings. In the Report, the IRS did not deem CAESARS'
22 responses to approximately fifteen (15) of the twenty-four (24) areas of noncompliance as
23 adequate.

24 27. On or about October 10, 2013, United States Department of the Treasury,
25 Financial Crimes Enforcement Network (FinCEN) issued a Notice of Investigation and
26 provided CAESARS with the opportunity to submit a response. On or about January 13,
27 2014, CAESARS submitted a response to FinCEN (FinCEN Response).

28

1 34. In repealing Regulation 6A, Nevada Gaming Commission Chairman Peter
2 Bernhard stated, "[T]he problems that Reg 6A addresses are problems that are important to
3 us not just as a state but also as a country."

4 35. It remains very important that there is not even the appearance that criminal or
5 corruptive elements have any influence over gaming in Nevada. This includes that it must not
6 even appear that such elements are able to use a licensee to circumvent important federal
7 laws in place regarding money laundering and suspicious activity reporting.

8 36. While Nevada ceded control of the regulations concerning cash transactions,
9 suspicious activity reporting, and anti-money laundering programs; when federal entities find
10 violations of these regulations by a licensee, it reflects or tends to reflect poorly on the
11 reputation of gaming in the State of Nevada and/or act as a detriment to the development of
12 the gaming industry and/or reflect or tend to reflect discredit upon the State of Nevada or the
13 gaming industry.

14 37. Some of the below violations indicate CAESARS did not file any Suspicious
15 Activity Reports by Casinos (SARCs) for transactions taking place during the audit period in its
16 branch offices located in Asia.

17 38. The below violations also reflect general compliance issues on the part of
18 CAESARS with federal requirements for anti-money laundering programs.

19 39. By itself and/or in conjunction with the actions contained in the other counts of this
20 complaint, this failure to prevent the above reflects or tends to reflect poorly on the reputation
21 of gaming in the State of Nevada and/or acts as a detriment to the development of the gaming
22 industry and/or reflects or tends to reflect discredit upon the State of Nevada or the gaming
23 industry.

24 40. CAESARS' acts and failures to act as set out above are a violation of Nevada
25 Gaming Commission Regulations 5.010 and 5.011(1) and (10). This constitutes an
26 unsuitable method of operation, and, as such, is grounds for disciplinary action. See Nev.
27 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

28

1 **COUNT TWO**
2 **VIOLATION OF NEVADA GAMING COMMISSION**
3 **REGULATION 5.011(1), (8), and/or (10)**

4 41. Complainant BOARD realleges and incorporates by reference as though set forth
5 in full herein paragraphs 1 through 40 above.

6 42. Pursuant to 31 C.F.R. §1021.210, a casino is required to have an effective anti-
7 money laundering program. The IRS and FinCEN found CAESARS had not developed and
8 implemented an effective anti-money laundering program during the IRS' BSA examination of
9 CAESARS for the period of February 1, 2012 through April 30, 2012.

10 43. FinCEN found CAESARS maintained highly deficient internal controls on its private
11 gaming salons, which cater to CAESARS' wealthiest – and riskiest – patrons. Due to the
12 deficient internal controls, CAESARS failed to detect and report a wide range of suspicious
13 transactions.

14 44. The controls CAESARS had in place for private gaming salons were not sufficient
15 for the heightened risk presented by the transactions which occur in private gaming salons.

16 45. CAESARS also enabled secondary patrons to potentially conceal their identities
17 by engaging in play in the private gaming salons using a primary patron's credit or front
18 money. CAESARS did not identify these secondary patrons and would not have been able
19 to identify these secondary patrons if the filing of a SARC was necessary.

20 46. The above acts or failures to act by CAESARS, its employees, and/or its agents, as
21 set forth herein constitute a violation of Nevada Gaming Commission Regulation 5.011(1), (8),
22 and/or (10). This constitutes an unsuitable method of operation, and, as such, is grounds for
23 disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

24 **COUNT THREE**
25 **VIOLATION OF NEVADA GAMING COMMISSION**
26 **REGULATION 5.011(1), (8), and/or (10)**

27 47. Complainant BOARD realleges and incorporates by reference as though set forth
28 in full herein paragraphs 1 through 46 above.

48. FinCEN found CAESARS maintained highly deficient internal controls on its branch
office locations, which cater to CAESARS' wealthiest – and riskiest – patrons. Due to the

1 deficient internal controls, CAESARS failed to detect and report a wide range of suspicious
2 transactions.

3 49. CAESARS maintains branch offices domestically and abroad to promote and
4 market the casino to wealthy prospective patrons. Despite the elevated risks associated with
5 promoting high-end gambling to wealthy persons visiting from outside the United States,
6 Caesars did not consistently monitor these branch offices for suspicious activity. As a result,
7 CAESARS failed to detect and report a number of suspicious transactions associated with
8 CAESARS' wealthiest foreign patrons.

9 50. These branch offices routinely accepted payment from patrons on markers issued
10 by CAESARS. The branch offices rarely referred suspicious activity to CAESARS BSA
11 compliance department. This resulted in zero (0) SARCs being filed from CAESARS' Asian
12 branch offices during the IRS' BSA examination period. The branch offices also demonstrated
13 a lack of understanding concerning the types of activities which should have been considered
14 suspicious.

15 51. The above acts or failures to act by CAESARS, its employees, and/or its agents, as
16 set forth herein constitute a violation of Nevada Gaming Commission Regulation 5.011(1), (8),
17 and/or (10). This constitutes an unsuitable method of operation, and, as such, is grounds for
18 disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

19 **COUNT FOUR**
20 **VIOLATION OF NEVADA GAMING COMMISSION**
21 **REGULATION 5.011(1), (8), and/or (10)**

22 52. Complainant BOARD realleges and incorporates by reference as though set forth
23 in full herein paragraphs 1 through 51 above.

24 53. CAESARS was required to conduct independent testing concerning its anti-money
25 laundering program. CAESARS' testing tested whether CAESARS' implemented its anti-
26 money laundering program. The testing did not check if CAESARS' anti-money laundering
27 program was actually effective.

28 54. CAESARS conducted an internal audit during the IRS' BSA exam period. This
audit did not test the effectiveness of CAESARS' anti-money laundering program.

1 Additionally, this audit overlooked CAESARS failing to implement its anti-money laundering
2 procedures for detecting suspicious activity.

3 55. The above acts or failures to act by CAESARS, its employees, and/or its agents, as
4 set forth herein constitute a violation of Nevada Gaming Commission Regulation 5.011(1), (8),
5 and/or (10). This constitutes an unsuitable method of operation, and, as such, is grounds for
6 disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

7 **COUNT FIVE**
8 **VIOLATION OF NEVADA GAMING COMMISSION**
9 **REGULATION 5.011(1), (8), and/or (10)**

10 56. Complainant BOARD realleges and incorporates by reference as though set forth
11 in full herein paragraphs 1 through 55 above.

12 57. CAESARS failed to provide adequate BSA training for its employees. This
13 resulted in fundamental misunderstandings of the types of transactions the employees should
14 have considered suspicious.

15 58. The above acts or failures to act by CAESARS, its employees, and/or its agents, as
16 set forth herein constitute a violation of Nevada Gaming Commission Regulation 5.011(1), (8),
17 and/or (10). This constitutes an unsuitable method of operation, and, as such, is grounds for
18 disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

19 **COUNT SIX**
20 **VIOLATION OF NEVADA GAMING COMMISSION**
21 **REGULATION 5.011(1), (8), and/or (10)**

22 59. Complainant BOARD realleges and incorporates by reference as though set forth
23 in full herein paragraphs 1 through 58 above.

24 60. CAESARS was required to have anti-money laundering procedures to ensure it
25 used all available information to verify information required pursuant to the BSA.

26 61. CAESARS' marketing department would obtain information concerning CAESARS'
27 wealthiest patrons. CAESARS did not incorporate this information within its anti-money
28 laundering controls.

62. CAESARS did not track the computer generated slot tickets it issued for high-end
slot machine patrons. When the tickets were redeemed without any evidence of slot play,

1 CAESARS was unable to determine whether a patron purchased the slot ticket and redeemed
2 it without any gaming activity or whether the ticket was not sold to a patron and was simply
3 redeemed by CAESARS. If the ticket was sold to a patron and redeemed with no slot play,
4 the activity potentially indicates suspicious minimal gaming. However, CAESARS could not
5 make this determination as it did not record whether such ticket was actually sold to a patron.

6 63. The above acts or failures to act by CAESARS, its employees, and/or its agents, as
7 set forth herein constitute a violation of Nevada Gaming Commission Regulation 5.011(1), (8),
8 and/or (10). This constitutes an unsuitable method of operation, and, as such, is grounds for
9 disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

10 **COUNT SEVEN**
11 **VIOLATION OF NEVADA GAMING COMMISSION**
12 **REGULATION 5.011(1), (8), and/or (10)**

13 64. Complainant BOARD realleges and incorporates by reference as though set forth
14 in full herein paragraphs 1 through 63 above.

15 65. A transaction is suspicious if the transaction involves funds derived from illegal
16 activity, or is conducted to disguise funds or assets derived from illegal activities; is designed
17 to evade any requirements of the BSA or its implementing regulations; has no business or
18 apparent lawful purpose, or is not the sort in which the particular customer would normally be
19 expected to engage; or involves use of a casino to facilitate criminal activity.

20 66. For the period of the IRS' BSA examination of CAESARS (February 1, 2012
21 through April 30, 2012), FinCEN found CAESARS failed to file over 100 SARCs to report a
22 variety of suspicious activities, including "team play" among unidentified guests in CAESARS'
23 private gaming salons; suspicious transactions at CAESARS' branch offices; third-party
24 payments from unrelated individuals and businesses; structuring; minimal gaming and bill
25 stuffing; chip walking; and observed suspicious behavior of individual patrons.

26 67. CAESARS should have detected these transactions as potentially suspicious at
27 the time they occurred and conducted diligence on them to evaluate their legitimacy.

28 68. The above acts or failures to act by CAESARS, its employees, and/or its agents, as
set forth herein constitute a violation of Nevada Gaming Commission Regulation 5.011(1), (8),

1 and/or (10). This constitutes an unsuitable method of operation, and, as such, is grounds for
2 disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

3 **COUNT EIGHT**
4 **VIOLATION OF NEVADA GAMING COMMISSION**
5 **REGULATION 5.011(1), (8), and/or (10)**

6 69. Complainant BOARD realleges and incorporates by reference as though set forth
7 in full herein paragraphs 1 through 68 above.

8 70. In the Report, the IRS found the following violation of 31 C.F.R. §1021.320: "The
9 casino failed to file 16 SARCs [Suspicious Activity Report – Casinos] for patrons who were
10 issued credit for table game play and either passed the chips to unknown/known patrons or
11 allowed unknown/known to play on their credit accounts."

12 71. In its FinCEN Response, CAESARS agreed it should have filed one (1) of these
13 SARCs. By failing to file this SARC, CAESARS violated federal law.

14 72. The above acts or failures to act by CAESARS, its employees, and/or its agents, as
15 set forth herein constitute a violation of Nevada Gaming Commission Regulation 5.011(1), (8),
16 and/or (10). This constitutes an unsuitable method of operation, and, as such, is grounds for
17 disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

18 **COUNT NINE**
19 **VIOLATION OF NEVADA GAMING COMMISSION**
20 **REGULATION 5.011(1), (8), and/or (10)**

21 73. Complainant BOARD realleges and incorporates by reference as though set forth
22 in full herein paragraphs 1 through 72 above.

23 74. In the Report, the IRS found the following violation of 31 C.F.R. §1021.320: "The
24 casino failed to file 16 SARCs for patrons utilizing branch offices for unusual use of negotiable
25 instruments. The casino accepted third party checks for marker payments and was unable to
26 establish a relationship between the third party and the patrons receiving payment."

27 75. In its FinCEN Response, CAESARS agreed it should have filed fourteen (14) of
28 these SARCs. By failing to file these SARCs, CAESARS violated federal law.

76. The above acts or failures to act by CAESARS, its employees, and/or its agents,
as set forth herein constitute a violation of Nevada Gaming Commission Regulation 5.011(1),

1 (8), and/or (10). This constitutes an unsuitable method of operation, and, as such, is grounds
2 for disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

3 **COUNT TEN**
4 **VIOLATION OF NEVADA GAMING COMMISSION**
5 **REGULATION 5.011(1), (8), and/or (10)**

6 77. Complainant BOARD realleges and incorporates by reference as though set forth
7 in full herein paragraphs 1 through 76 above.

8 78. In the Report, the IRS found the following violation of 31 C.F.R. §1021.320: "The
9 casino failed to file 6 SARCs for patrons who appear to have structured their gaming
10 transactions between \$9,000 and \$10,000 to circumvent the reporting requirements."

11 79. In its FinCEN Response, CAESARS agreed it should have filed these SARCs. By
12 failing to file these SARCs, CAESARS violated federal law.

13 80. The above acts or failures to act by CAESARS, its employees, and/or its agents,
14 as set forth herein constitute a violation of Nevada Gaming Commission Regulation 5.011(1),
15 (8), and/or (10). This constitutes an unsuitable method of operation, and, as such, is grounds
16 for disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

17 **COUNT ELEVEN**
18 **VIOLATION OF NEVADA GAMING COMMISSION**
19 **REGULATION 5.011(1), (8), and/or (10)**

20 81. Complainant BOARD realleges and incorporates by reference as though set forth
21 in full herein paragraphs 1 through 80 above.

22 82. In the Report, the IRS found the following violation of 31 C.F.R. §1021.320: "The
23 casino failed to file 4 SARCs for patrons for making marker payments in US currency in the
24 foreign branch and foreign branch office's JCBC Hong Kong bank account. The casino has
25 no knowledge of the source of funds."

26 83. In its FinCEN Response, CAESARS agreed it should have filed one (1) of these
27 SARCs. By failing to file this SARC, CAESARS violated federal law.

28 84. The above acts or failures to act by CAESARS, its employees, and/or its agents, as
set forth herein constitute a violation of Nevada Gaming Commission Regulation 5.011(1), (8),

.....

1 and/or (10). This constitutes an unsuitable method of operation, and, as such, is grounds for
2 disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

3 **COUNT TWELVE**
4 **VIOLATION OF NEVADA GAMING COMMISSION**
5 **REGULATION 5.011(1), (8), and/or (10)**

6 85. Complainant BOARD realleges and incorporates by reference as though set forth
7 in full herein paragraphs 1 through 84 above.

8 86. In the Report, the IRS found the following violation of 31 C.F.R. §1021.320: "The
9 casino failed to file 22 SARCs for patrons who appear to have structured their gaming
10 transactions between \$9,000 and \$10,000 to circumvent the reporting requirements."

11 87. In its FinCEN Response, CAESARS agreed it should have filed thirteen (13) of
12 these SARCs. By failing to file these SARCs, CAESARS violated federal law.

13 88. The above acts or failures to act by CAESARS, its employees, and/or its agents,
14 as set forth herein constitute a violation of Nevada Gaming Commission Regulation 5.011(1),
15 (8), and/or (10). This constitutes an unsuitable method of operation, and, as such, is grounds
16 for disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

17 **COUNT THIRTEEN**
18 **VIOLATION OF NEVADA GAMING COMMISSION**
19 **REGULATION 5.011(1), (8), and/or (10)**

20 89. Complainant BOARD realleges and incorporates by reference as though set forth
21 in full herein paragraphs 1 through 88 above.

22 90. In the Report, the IRS found the following violation of 31 C.F.R. §1021.320: "The
23 casino failed to file 9 SARCs for patrons who performed a variety of potentially suspicious
24 transactions noted on the surveillance logs."

25 91. In its FinCEN Response, CAESARS agreed it should have filed six (6) of these
26 SARCs. By failing to file these SARCs, CAESARS violated federal law.

27 92. The above acts or failures to act by CAESARS, its employees, and/or its agents,
28 as set forth herein constitute a violation of Nevada Gaming Commission Regulation 5.011(1),
(8), and/or (10). This constitutes an unsuitable method of operation, and, as such, is grounds
for disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

1 (8), and/or (10). This constitutes an unsuitable method of operation, and, as such, is grounds
2 for disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

3 WHEREFORE, based upon the allegations contained herein which constitute
4 reasonable cause for disciplinary action against Respondent, pursuant to NRS 463.310, and
5 Nevada Gaming Commission Regulations 5.010, 5.011 and 5.030, the NEVADA GAMING
6 CONTROL BOARD prays for the relief as follows:

7 1. That the Nevada Gaming Commission serve a copy of this Complaint on
8 Respondent pursuant to NRS 463.312(2);

9 2. That the Nevada Gaming Commission fine Respondent a monetary sum pursuant
10 to the parameters defined at NRS 463.310(4) for each separate violation of the provisions of
11 the Nevada Gaming Control Act or the Regulations of the Nevada Gaming Commission;

12 3. That the Nevada Gaming Commission take action against Respondent's license or
13 licenses pursuant to the parameters defined in NRS 463.310(4); and

14 4. For such other and further relief as the Nevada Gaming Commission may deem
15 just and proper.

16 DATED this 17th day of September, 2015.

17 NEVADA GAMING CONTROL BOARD

18 
19 _____
A.G. BURNETT, Chairman

20 
21 _____
SHAWN R. REID, Member

22 
23 _____
TERRY JOHNSON, Member

24 Submitted by:

25 ADAM PAUL LAXALT
Attorney General

26 By:

27 _____
JOHN S. MICHELA
Senior Deputy Attorney General
Gaming Division
28 (775) 850-4153

1 (8), and/or (10). This constitutes an unsuitable method of operation, and, as such, is grounds
2 for disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

3 WHEREFORE, based upon the allegations contained herein which constitute
4 reasonable cause for disciplinary action against Respondent, pursuant to NRS 463.310, and
5 Nevada Gaming Commission Regulations 5.010, 5.011 and 5.030, the NEVADA GAMING
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11 the Nevada Gaming Control Act or the Regulations of the Nevada Gaming Commission;

12 3. That the Nevada Gaming Commission take action against Respondent's license or
13 licenses pursuant to the parameters defined in NRS 463.310(4); and

14 4. For such other and further relief as the Nevada Gaming Commission may deem
15 just and proper.

16 DATED this _____ day of _____, 2015.

17 NEVADA GAMING CONTROL BOARD

18
19 _____
A.G. BURNETT, Chairman

20
21 _____
SHAWN R. REID, Member

22
23 _____
TERRY JOHNSON, Member

24 Submitted by:

25 ADAM PAUL LAXALT
Attorney General

26 By: 
27 _____
JOHN S. MICHELA
Senior Deputy Attorney General
28 Gaming Division
(775) 850-4153