



## **COMMENTS OF ASSOCIATION OF GAMING EQUIPMENT MANUFACTURES ON PROPOSED REVISIONS TO NGC REGULATION 5.045**

May 7, 2025

Good afternoon, Chair Hendrick, Members Assad and Sendall and Executive Secretary Rupert. I am Dan Reaser of Fennemore, appearing on behalf of AGEM, the Association of Gaming Equipment Manufacturers.

AGEM embraces the opportunity to participate in a reexamination of Regulation 5.045 which underwent a major revision just a little over five years ago. In pursuing this effort, AGEM recommends that the Board and Commission cast a wide net in soliciting input on the experience of all segments of the gaming industry in performing the Compliance Internal Reporting Systems ("**CIRS**"), and the effective oversight of the CIRS through the corporate governance structure selected by regulated companies.

As we embark on this effort, AGEM would make a handful of observation about topics for dialog:

- We should resist the inclination to create a single one size fits all approach to this regulatory compliance effort and be respectful of the business judgment by corporate boards of directors in selecting as fiduciaries the governance structure that best serves all the stakeholders of registrants and licensees.
- Likewise, we need to be open to the proposition that given the dynamic nature of the regulatory compliance environment, the rules should not inhibit innovation in how to organize this corporate function. The gaming industry enjoys neither exclusivity of thought leadership in this space nor a monopoly on creative implementation solutions.
- As it exists today, Subsection 5 of the Regulation has been carefully crafted to provide flexibility fostering different approaches to the CIRS oversight function. It allows for the compliance apparatus to be a committee of the board of directors, to be a department of an enterprise, to function as a wholly independent body and a variety of structures mixing and matching these approaches. The proposal appears to envision only a dedicated committee method and insists that only an independent member of the committee may

qualify as the repository of Nevada regulatory knowledge. Today, those requirements can be satisfied in a variety of ways that will be eliminated in the proposal.

- We need to explore how the Board and Commission envision the proposed “extensive knowledge” test to be satisfied. As drafted, this standard is too subjective.
- There is good cause to also evaluate the “independence” test articulated in the proposed rule. As the proposal is drafted, it appears far more restrictive and in potential conflict with the standards applied by the stock exchange listing requirements, Securities and Exchange Commission (SEC) regulations, proxy advisories and the incorporation laws of many jurisdictions. In this regard, care must be exercised to draft a rule that recognizes that many gaming companies are global firms. Regulation 5.045 should reflect the public policy balance envisioned by the Corporate Gaming Act of 1969, which is to promote the benefits of broadening the opportunity for investment in Nevada gaming through the pooling of capital and promoting a competitive industry.

AGEM reiterates the commitment to support a robust dialog on revisiting proposed revisions to Regulation 5.045. We welcome the opportunity to respond to any questions.