

SUMMARY—Enacts provisions governing the licensing and operation of Internet poker.

(BDR 41-657)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State: Yes.

AN ACT relating to gaming; requiring the Nevada Gaming Commission to adopt regulations relating to the licensing and operation of Internet poker; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law authorizes certain gaming establishments to obtain a license to operate interactive gaming. (NRS 463.750) This bill requires the Nevada Gaming Commission to establish by regulation certain provisions authorizing the licensing and operation of Internet poker under certain circumstances.



THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 463 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 7, inclusive, of this act.

Sec. 2. *The Legislature hereby finds and declares that:*

- 1. Internet poker is widely played throughout the world;*
- 2. Laws governing Internet poker have been unclear;*
- 3. Technology now exists to limit the conduct of Internet poker to the State of Nevada and other jurisdictions where Internet poker is not prohibited;*
- 4. The use of such technology allows Internet poker to be offered by licensees in Nevada in compliance with all applicable laws;*
- 5. As a leader in gaming regulation, the State of Nevada has the capability to ensure that Internet poker is operated honestly and competitively and in compliance with all applicable laws, regulations and standards; and*
- 6. Allowing licensed Internet poker sites to locate in and operate from the State of Nevada will benefit the economy of this State and assist in protecting consumers from criminal and corruptive influences that may be present in unlicensed and unregulated Internet poker sites.*

Sec. 3. *“Equipment associated with interactive gaming” means any associated equipment used by an establishment or interactive gaming service provider as part of an interactive gaming system.*



Sec. 4. *“Interactive gaming service provider” means a person who acts on behalf of an establishment licensed to operate interactive gaming and:*

- 1. Manages, administers or controls wagers that are initiated, received or made on an interactive gaming system;*
- 2. Manages, administers or controls the games with which wagers that are initiated, received or made on an interactive gaming system are associated;*
- 3. Maintains or operates the software or hardware of an interactive gaming system;*
- 4. Provides the trademarks, trade names, service marks or similar intellectual property under which an establishment licensed to operate interactive gaming identifies its interactive gaming system to patrons;*
- 5. Provides information regarding persons to an establishment licensed to operate interactive gaming via a database or customer list; or*
- 6. Provides products, services, information or assets to an establishment licensed to operate interactive gaming, and receives therefor a percentage of gaming revenue from the establishment’s interactive gaming system.*

Sec. 5. *“Interactive gaming system” means the hardware, software, firmware, communications technology and other equipment that allows a patron to bet or wager via interactive gaming, including, without limitation, Internet poker, and corresponding equipment related to the display of a game, game outcomes or other similar information necessary to facilitate play of the game. The term does not include computer equipment or communications technology used by a player to access the interactive gaming system unless*



such equipment is provided by the establishment and is involved in determining game outcomes.

Sec. 6. "Internet poker" means any of the card games commonly referred to as poker which is played by two or more persons who wager against each other and not against the person operating or offering the game and in which success over the long term is determined by the skill of the player. The term includes, without limitation, games which use community cards that any player may use to make his or her hand and which are played on the Internet with an interactive gaming system that simulates a deck of cards.

Sec. 7. 1. The Commission shall adopt regulations and shall, to the extent that the applicants are suitable, grant licenses to operators of Internet poker and to manufacturers of interactive gaming systems, manufacturers of equipment associated with interactive gaming and interactive gaming service providers who provide services, software or equipment to operators of Internet poker.

2. The regulations adopted by the Commission must include:

(a) Appropriate safeguards to ensure, to a reasonable degree of certainty, that the person placing a bet or wager is at least 21 years of age;

(b) Appropriate safeguards to ensure, to a reasonable degree of certainty, that players of Internet poker are located in the State of Nevada or another jurisdiction where Internet poker is not prohibited by law;

(c) Appropriate safeguards to encourage responsible gaming;

(d) Technical standards applicable to Internet poker;



(e) Accounting and internal control standards to ensure accurate calculation of state license fees and taxes imposed by this chapter;

(f) Standards to encourage compliance with applicable laws relating to money laundering and terrorist financing;

(g) Standards to assist in protecting the privacy and security of patrons;

(h) Appropriate safeguards against cheating, fraud or collusion and the use of cheating devices;

(i) Standards governing the location, surveillance and security of hardware, software and other equipment used as part of Internet poker; and

(j) Such other requirements as the Commission may deem appropriate.

3. Applications for licenses to operate Internet poker must be filed, investigated and processed in the same manner and are subject to the same application and investigative fees as other applications. The Board shall not recommend denial of, and the Commission shall not deny, a license to an operator of Internet poker or to a manufacturer of interactive gaming systems, a manufacturer of equipment associated with interactive gaming systems or an interactive gaming service provider solely because the operator, manufacturer or interactive gaming service provider, before the effective date of this act, operates, operated or was associated with, in interstate or foreign commerce and while licensed by another jurisdiction, one or more Internet poker operations which were unlicensed in the United States or the State of Nevada and in which bets or wagers were initiated, received or otherwise made by persons located in the United States.



Sec. 8. NRS 463.013 is hereby amended to read as follows:

463.013 As used in this chapter, unless the context otherwise requires, the words and terms defined in NRS 463.0133 to 463.01967, inclusive, *and sections 3 to 6, inclusive, of this act* have the meanings ascribed to them in those sections.

Sec. 9. NRS 463.0148 is hereby amended to read as follows:

463.0148 “Establishment” means ~~any~~ :

1. *Any* premises wherein or whereon any gaming is done ~~+~~, *or*
2. *The location or locations from which interactive gaming is conducted pursuant to the regulations adopted pursuant to section 7 of this act.*

Sec. 10. NRS 463.016425 is hereby amended to read as follows:

463.016425 1. “Interactive gaming” means the conduct of gambling games through the use of communications technology that allows a person, utilizing money, checks, electronic checks, electronic transfers of money, credit cards, debit cards or any other instrumentality, to transmit to a computer information to assist in the placing of a bet or wager and corresponding information related to the display of the game, game outcomes or other similar information. The term ~~does~~ :

(a) Includes, without limitation, Internet poker.

(b) Does not include the operation of a race book or sports pool that uses communications technology approved by the Board pursuant to regulations adopted by the Commission to accept wagers originating within this state for races, or sporting events or other events.



2. As used in this section, “communications technology” means any method used and the components employed by an establishment to facilitate the transmission of information, including, without limitation, transmission and reception by systems based on wire, cable, radio, microwave, light, optics or computer data networks, including, without limitation, the Internet and intranets.

Sec. 11. NRS 463.160 is hereby amended to read as follows:

463.160 1. Except as otherwise provided in subsection 4 and NRS 463.172, it is unlawful for any person, either as owner, lessee or employee, whether for hire or not, either solely or in conjunction with others:

(a) To deal, operate, carry on, conduct, maintain or expose for play in the State of Nevada any gambling game, gaming device, inter-casino linked system, mobile gaming system, slot machine, race book or sports pool;

(b) To provide or maintain any information service;

(c) To operate a gaming salon; ~~for~~

(d) To receive, directly or indirectly, any compensation or reward or any percentage or share of the money or property played, for keeping, running or carrying on any gambling game, slot machine, gaming device, mobile gaming system, race book or sports pool ~~for~~ ; or

(e) *To operate, carry on, conduct, maintain or expose for play in or from the State of Nevada any interactive gaming system,*



➡ without having first procured, and thereafter maintaining in effect, all federal, state, county and municipal gaming licenses as required by statute, regulation or ordinance or by the governing board of any unincorporated town.

2. The licensure of an operator of an inter-casino linked system is not required if:

(a) A gaming licensee is operating an inter-casino linked system on the premises of an affiliated licensee; or

(b) An operator of a slot machine route is operating an inter-casino linked system consisting of slot machines only.

3. Except as otherwise provided in subsection 4, it is unlawful for any person knowingly to permit any gambling game, slot machine, gaming device, inter-casino linked system, mobile gaming system, race book or sports pool to be conducted, operated, dealt or carried on in any house or building or other premises owned by the person, in whole or in part, by a person who is not licensed pursuant to this chapter, or that person's employee.

4. The Commission may, by regulation, authorize a person to own or lease gaming devices for the limited purpose of display or use in the person's private residence without procuring a state gaming license.

5. As used in this section, "affiliated licensee" has the meaning ascribed to it in NRS 463.430.

Sec. 12. NRS 463.750 is hereby amended to read as follows:



463.750 1. Except as otherwise provided in ~~{subsections}~~ *subsection 2* and ~~{3,}~~ *section 7 of this act*, the Commission may, with the advice and assistance of the Board, adopt regulations governing the licensing and operation of interactive gaming.

2. ~~{The}~~ *Except as otherwise provided in section 7 of this act, the* Commission may not adopt regulations governing the licensing and operation of interactive gaming until the Commission first determines that:

(a) Interactive gaming can be operated in compliance with all applicable laws;

(b) Interactive gaming systems are secure and reliable, and provide reasonable assurance that players will be of lawful age and communicating only from jurisdictions where it is lawful to make such communications; and

(c) Such regulations are consistent with the public policy of the State to foster the stability and success of gaming.

3. The regulations adopted by the Commission pursuant to this section must ~~be~~:

~~—(a) Establish the investigation fees for:~~

~~——(1) A license to operate interactive gaming;~~

~~——(2) A license for a manufacturer of interactive gaming systems; and~~

~~——(3) A license for a manufacturer of equipment associated with interactive gaming.~~

~~—(b) Provide that:~~

~~——(1) A]~~ *provide that a* person must hold a license for a manufacturer of interactive gaming systems to supply or provide any interactive gaming system, including, without limitation, any piece of proprietary software or hardware . ~~{,} and~~



~~—(2) A person may be required by the Commission to hold a license for a manufacturer of equipment associated with interactive gaming.~~

~~—(c) Set forth standards for the suitability of a person to be licensed as a manufacturer of interactive gaming systems or manufacturer of equipment associated with interactive gaming that are as stringent as the standards for a nonrestricted license.~~

~~—(d) Provide that gross revenue received by an establishment from the operation of interactive gaming is subject to the same license fee provisions of NRS 463.370 as the games and gaming devices of the establishment.~~

~~—(e) Set forth standards for the location and security of the computer system and for approval of hardware and software used in connection with interactive gaming.~~

~~—(f) Define “equipment associated with interactive gaming,” “interactive gaming system,” “manufacturer of equipment associated with interactive gaming,” “manufacturer of interactive gaming systems,” “operate interactive gaming” and “proprietary hardware and software” as the terms are used in this chapter.}~~

4. Except as otherwise provided in ~~{subsection 5,}~~ *subsections 5 and 6*, the Commission shall not approve a license for an establishment to operate interactive gaming unless:

(a) In a county whose population is 400,000 or more, the establishment is a resort hotel that holds a nonrestricted license to operate games and gaming devices.

(b) In a county whose population is more than 40,000 but less than 400,000, the establishment is a resort hotel that holds a nonrestricted license to operate games and gaming devices or the establishment:



- (1) Holds a nonrestricted license for the operation of games and gaming devices;
- (2) Has more than 120 rooms available for sleeping accommodations in the same county;
- (3) Has at least one bar with permanent seating capacity for more than 30 patrons that serves alcoholic beverages sold by the drink for consumption on the premises;
- (4) Has at least one restaurant with permanent seating capacity for more than 60 patrons that is open to the public 24 hours each day and 7 days each week; and
- (5) Has a gaming area that is at least 18,000 square feet in area with at least 1,600 slot machines, 40 table games, and a sports book and race pool.

(c) In all other counties, the establishment is a resort hotel that holds a nonrestricted license to operate games and gaming devices or the establishment:

- (1) Has held a nonrestricted license for the operation of games and gaming devices for at least 5 years before the date of its application for a license to operate interactive gaming;
- (2) Meets the definition of group 1 licensee as set forth in the regulations of the Commission on the date of its application for a license to operate interactive gaming; and
- (3) Operates either:
 - (I) More than 50 rooms for sleeping accommodations in connection therewith; or
 - (II) More than 50 gaming devices in connection therewith.

5. The Commission may:

(a) Issue a license to operate interactive gaming to an affiliate of an establishment if:

- (1) The establishment satisfies the applicable requirements set forth in subsection 4; and
- (2) The affiliate is located in the same county as the establishment; and



(b) Require an affiliate that receives a license pursuant to this subsection to comply with any applicable provision of this chapter.

6. ~~It is unlawful for any person, either as owner, lessee or employee, whether for hire or not, either solely or in conjunction with others, to operate interactive gaming:~~

~~—(a) Until the Commission adopts regulations pursuant to this section; and~~

~~—(b) Unless the person first procures, and thereafter maintains in effect, all appropriate licenses as required by the regulations adopted by the Commission pursuant to this section.~~

~~7. A person who violates subsection 6 is guilty of a category B felony and shall be punished by imprisonment in the state prison for a minimum term of not less than 1 year and a maximum term of not more than 10 years or by a fine of not more than \$50,000, or both.]~~ *The Commission may issue a license as an operator of Internet poker to a person or an affiliate of a person who has been licensed to operate Internet poker by a recognized regulatory body of another jurisdiction with licensing requirements that are similar to the licensing requirements of this State and who has successfully operated Internet poker pursuant to such a license for at least 2 years before the date on which the application for the license is submitted.*

7. The Commission is authorized to enter into compacts with other jurisdictions where interactive gaming is not prohibited, setting forth the manner in which the State of Nevada and such other jurisdictions will regulate and share tax revenues from interactive gaming operations between such jurisdictions and enforce criminal laws related to cheating, tax evasion or unlicensed interactive gaming, and authorizing the commingling of games and pots between such jurisdictions. Such compacts may be limited to Internet poker.



Sec. 13. NRS 463.770 is hereby amended to read as follows:

463.770 1. ~~{A}~~ *Except as otherwise provided in subsections 4 and 5, all* gross revenue from operating interactive gaming received by an establishment licensed to operate interactive gaming, regardless of whether any portion of the revenue is shared with another person, must be attributed to the licensee and counted as part of the gross revenue of the licensee for the purpose of computing the license fee required by NRS 463.370.

2. A manufacturer of interactive gaming systems who is authorized by an agreement to receive a share of the revenue from an interactive gaming system from an establishment licensed to operate interactive gaming is liable to the establishment for a portion of the license fee paid pursuant to subsection 1. The portion for which the manufacturer of interactive gaming systems is liable is 6.75 percent of the amount of revenue to which the manufacturer of interactive gaming systems is entitled pursuant to the agreement.

3. For the purposes of subsection 2, the amount of revenue to which the manufacturer of interactive gaming systems is entitled pursuant to an agreement to share the revenue from an interactive gaming system:

(a) Includes all revenue of the manufacturer of interactive gaming systems that is the manufacturer of interactive gaming systems' share of the revenue from the interactive gaming system pursuant to the agreement; and

(b) Does not include revenue that is the fixed purchase price for the sale of a component of the interactive gaming system.



4. *Notwithstanding anything to the contrary in this chapter, to the extent that players of Internet poker are located in jurisdictions other than this State, the licensee shall pay the license fee based on gross revenue at the rate of 4 percent on the gross revenue resulting from the play of players located in such other jurisdictions.*

5. *As used in this section, "gross revenue" does not include: (1) Advertising revenue; or (2) Any other revenue that an operator of Internet poker receives which is not the result of the participation of players in, or the play of, Internet poker.*

Sec. 14. The Nevada Gaming Commission shall, on or before December 31, 2011, adopt regulations to carry out the amendatory provisions of this act.

Sec. 15. This act becomes effective upon passage and approval.

