

FEDERAL WIRE ACT

- 18 USC §1084
 - (a) Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers, shall be fined under this title or imprisoned not more than two years, or both.

ILLEGAL GAMBLING BUSINESS ACT

- 18 U.S.C. §1955 the Statute
- (a) Whoever conducts, finances, manages, supervises, directs, or owns all or part of an illegal gambling business shall be fined under this title or imprisoned not more than five years, or both

ILLEGAL GAMBLING BUSINESS ACT

- 18 U.S.C. §1955 the Statute
- (b) As used in this section—
 - (1) "illegal gambling business" means a gambling business which—
 - (i) is a violation of the law of a State or political subdivision in which it is conducted;
 - (ii) involves five or more persons who conduct, finance, manage, supervise, direct, or own all or part of such business; and
 - (iii) has been or remains in substantially continuous operation for a period in excess of thirty days or has a gross revenue of \$2,000 in any single day.

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PARTICIPANTS

PARTICIPANTS - NEVADA

- Why Nevada?
 - The most experience with regulated sports wagering.
 - Nevada models evolved to their current state due to a mix of federal pressures, market pressures, and lessons learned.
 - Nevada may or may not be the "gold standard" but it is the experienced standard.
 - Jurisdictions can learn from lessons learned in Nevada.
 - Many did by adopting most or many of the concepts in Nevada statutes and regulations.

PARTICIPANTS

NEVADA - HIGH LEVEL

- Two primary classes of gaming
 - Restricted (15 slots or fewer)
 - Non-restricted (everything else)
 - e.g. Casino Operator
 - Full investigation
 - Applicant pays for investigation
 - Expensive and intrusive

PARTICIPANTS

NEVADA - NON-RESTRICTED

- Casino Operators
- Sports Pool Operators
- Race Book Operators
- Mobile Gaming Operators*
- Information Systems Operators
- Gaming Device Manufacturers
- Cashless Wagering System Manufacturers
- ...

PARTICIPANTS

NEVADA - MANUFACTURING

Licensing Required

- Gaming Device Manufacturer
- Cashless Wagering System Manufacturer
- Mobile Gaming Device Manufacturer
- Gaming Systems Manufacturer

Registration Required

- Associated Equipment Manufacturer

Not licensed, but registered and subject to discretionary licensing

PARTICIPANTS

PARTICIPANTS - NEVADA

- Casino Operators/Mobile Gaming Operators
- Sports Pool Operators
- Race Book Operators
- Suitable Casino Location
- Sports Book Window Betting Systems
- Sports Book Account Wagering Systems
- Information Service Providers

PARTICIPANTS

PARTICIPANTS - NEVADA

* NRS 463.0193 "Sports pool" defined. "Sports pool" means the placing of wagers on sporting events or other events by any system or method of wagering.

* NRS 463.0142 "Information service" defined. "Information service" means a person who sells and provides information to a licensed sports pool that is used primarily to aid the placing of wagers on events of any kind. The term includes, without limitation, a person who sells and provides any:

- * 1. Link, point spread or odds;
- * 2. Information, advice or consultation considered by a licensee in establishing or setting any line, point spread or odds; or
- * 3. Advice, estimate or prediction regarding the outcome of an event.

* The term does not include a newspaper or magazine of general circulation or a television or radio service or broadcast if the primary purpose of the newspaper, magazine or television or radio service or broadcast is other than to aid the placing of wagers on events of any kind.

PARTICIPANTS

PARTICIPANTS & OPERATORS

NRS 463.160 Licenses required; unlawful to permit certain gaming activities to be conducted without license; exceptions; separate license required for each location where operation of race book or sports pool conducted.

1. Except as otherwise provided in subsection 4 and NRS 463.170, it is unlawful for any person, other than owner, leasee 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;
- (d) To receive, directly or indirectly, any compensation or reward or any percentage or share of the money or property played, for keeping, renting or carrying on any gambling game, slot machine, gaming device, mobile gaming system, race book or sports pool;
- (e) To operate as a cash source and wagering instrument service provider; or
- (f) 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.

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- (b) To provide or maintain any information service;
- (c) To operate a gaming salon;
- (d) To receive, directly or indirectly, any compensation or reward or any percentage or share of the money or property played, for keeping, renting or carrying on any gambling game, slot machine, gaming device, mobile gaming system, race book or sports pool;
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PARTICIPANTS

PARTICIPANTS OPERATORS

NRS 463.245 Single establishment not to contain more than one licensed operation; exceptions; certain agreements for sharing of revenue prohibited.

- Except as otherwise provided in this section:
 - All licenses issued to the same person, including to wholly owned subsidiary of that person, for the operation of any game, including a sports pool or race book, which authorize gaming at the same establishment must be merged into a single gaming license.
 - A gaming license may not be issued to any person if the issuance would result in more than one licensed operation at a single establishment, whether or not the profits or revenue from gaming are shared between the licensed operations.

PARTICIPANTS

PARTICIPANTS OPERATORS

NRS 463.245 Single establishment not to contain more than one licensed operation; exceptions; certain agreements for sharing of revenue prohibited.

- A person who has been issued a nonrestricted gaming license for an operation described in subsection 1 or 2 of NRS 463.0177 may establish a sports pool or race book on the premises of the establishment only after obtaining approval.
- A person who has been issued a license to operate a sports pool or race book at an establishment may not also be issued a license to operate a sports pool or race book at a second establishment described in subsection 1 or 2 of NRS 463.0177. If a person issued a license to operate a race book or sports pool at an establishment is prohibited from operating a race book or sports pool at:
 - An establishment for which a restricted license has been granted; or
 - An establishment at which only a nonrestricted license has been granted for an operation described in subsection 1 of NRS 463.0177.
- A person who has been issued a license to operate a race book or sports pool shall not enter into an agreement for the sharing of revenue from the operation of the race book or sports pool with another person to conduct the following: placing or maintaining of a book or other similar device not physically located on the licensed premises of the race book or sports pool, except:
 - A license for, or the operation of, a slot machine route.

Note: mobile gaming provisions are being removed

NRS 463.0177 "Nonrestricted license" and "nonrestricted operation" defined. "Nonrestricted license" or "nonrestricted operation" means:

- A state gaming license for, or an operation consisting of, 16 or more slot machines.
- A license for, or operation of, any number of slot machines together with any other game, gaming device, race book or sports pool at one establishment.
- A license for, or the operation of, a slot machine route.

PARTICIPANTS

PARTICIPANTS OPERATORS

- Effect of One License Provision in Nevada
 - Limits sports book operations to those with a casino gaming license
 - Eliminates the stand-alone sports book
 - Nevada has a history of licensing stand-alone books
 - Nevada determined casino operated books were more reliable after a major stand-alone book failure in the 1990s

PARTICIPANTS

PARTICIPANTS - MANUFACTURERS

NRS 463.0136 "Associated equipment" defined. "Associated equipment" means:

1. "Associated equipment" means any equipment or mechanical or electronic contrivance, component or machine used remotely or directly in connection with gaming, any game, race book or sports pool that would not otherwise be classified as a gaming device, including dice, playing cards, links which connect to progressive slot machines, inter-casino linked systems, equipment which affects the proper reporting of gross revenue, **computerized systems of betting at a race book or sports pool**, computerized systems for monitoring slot machines and devices for weighing or counting money.

PARTICIPANTS

PARTICIPANTS - MANUFACTURERS

NRS 463.014 "Cashless wagering system" defined. "Cashless wagering system" means a method of wagering and accounting:

1. In which the validity and value of a wagering instrument or wagering credits are determined, monitored and retained by a computer that maintains a record of each transaction involving the wagering instrument or wagering credits, exclusive of the game or gaming device on which wagers are being made. The term includes computerized systems which facilitate electronic transfers of money directly to or from a game or gaming device; or
2. **Used in a race book or sports pool in which the validity and value of a wagering instrument or wagering credits are determined, monitored and retained on a computer that maintains a record of each transaction involving the wagering instrument or wagering credits.**

(Added to NRS by 1993, 829; A 1995, 1496; 1997, 3497; 2013, 2105, 3308; 2019, 214)

PARTICIPANTS

PARTICIPANTS - MANUFACTURERS

NRS 463.0215 "Manufacturer" defined.

1. "Manufacturer" means:
 - (a) To manufacture, produce, program, design, control the design of or make modifications to a gaming device, associated equipment, **cashless wagering system**, mobile gaming system or interactive gaming system for use or play in Nevada;
 - (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, associated equipment, cashless wagering system, mobile gaming system or interactive gaming system for use or play in Nevada; or
 - (c) To assemble, or control the assembly of, a gaming device, associated equipment, cashless wagering system, mobile gaming system or interactive gaming system for use or play in Nevada.
2. As used in this section:
 - (a) Assume complete control over, or ownership of, the applicable gaming device, associated equipment, cashless wagering system, mobile gaming system or interactive gaming system; and
 - (b) Accept continuing legal responsibility for the gaming device, associated equipment, cashless wagering system, mobile gaming system or interactive gaming system, including, without limitation, any form of manufacture performed by an affiliate or independent contractor.
- (b) "Independent contractor" means, with respect to a manufacturer, any person who:
 - (1) Is not an employee of the manufacturer; and
 - (2) Pursuant to an agreement with the manufacturer, designs, develops, programs, produces or composes a control program used in the manufacture of a gaming device. As used in this subparagraph, "control program" has the meaning ascribed to it in NRS 463.0255.

NRS 463.0217 "Manufacturer" defined. "Manufacturer" means a person who operates, carries on, conducts or maintains any form of manufacture.

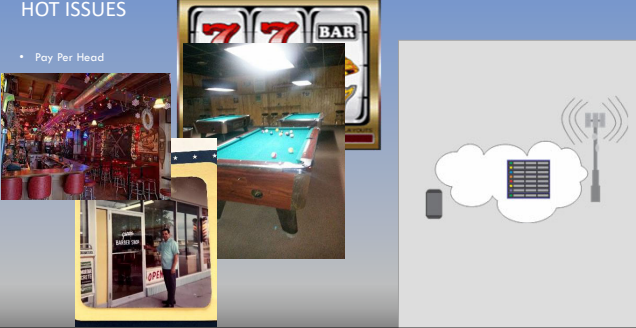
NRS 463.0273 "Manufacturer's, seller's or distributor's license" defined. "Manufacturer's, seller's or distributor's license" means a license issued pursuant to NRS 463.650 and 463.660.

1. Except as otherwise provided in subsections 2 to 5, inclusive, it is unlawful for any person, either as owner, lessee or employee, whether for hire or not, to operate, carry on, conduct or maintain any form of manufacture, selling or distribution of any gaming device, **cashless wagering system**, mobile gaming system or interactive gaming system for use or play in Nevada without first procuring and maintaining all required federal, state, county and municipal licenses.

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HOT ISSUES

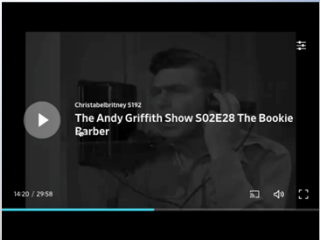
- Pay Per Head



PARTICIPANTS

PARTICIPANTS - UNLICENSED BOOKS

- Unlicensed bookmakers a fixture in American culture
- Often showing in popular media in boardrooms, taverns and pool halls




14:20 / 29:58

<https://www.youtube.com/watch?v=zfsapvDAV7E>

PARTICIPANTS

PARTICIPANTS - UNLICENSED BOOKS

- Unlike the movies of old, a modern bookmakers operation is often located



<https://www.youtube.com/watch?v=zfsapvDAV7E>

PARTICIPANTS

PARTICIPANTS - UNLICENSED BOOKS

- * Even the local illegal bookie is going online through "pay per head" systems



<https://www.shutterstock.com/file-detail/1111111111>

PARTICIPANTS

PARTICIPANTS - ILLEGAL OPERATORS



PARTICIPANTS

PARTICIPANTS - ILLEGAL OPERATORS

- * Illegal operators will continue to compete for sports wagers
- * Policy makers should be aware of the illegal market when making policy
- * This means balancing policy goals with reality of the illegal market
 - * e.g. charging a 5% sales tax on all wagers placed will result in legal operators being uncompetitive with illegal operators
 - * Note the current U.S. market is estimated at between \$50 billion and \$450 billion (Nevada is between 1% and 1.0% which means historically 90%-99% of all wagers are placed with illegal operators)
 - * Bettors are generally comfortable with illegal bookies, the legal market will need to be competitive if limiting the illegal market is a policy goal

CURRENT HOT ISSUE

• Securities Laws

- Some companies are arguing that sports betting, so long as bettors can buy and sell bets (like a wagering exchange) are governed solely by federal securities laws.
- The companies have been successful in getting initial TEC's issued, but no case on the merits has been decided yet

QUESTIONS/DISCUSSION

• Questions/Discussion

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THE JOHNSON ACT

THE JOHNSON ACT

- After WWII, the use of slot machines and other gaming devices becomes prevalent across the U.S.
- Often the devices were like the following:

THE JOHNSON ACT

- Most of these devices were prohibited by local or state laws, but federal law was silent on the matter
- At the same time, the cruise to nowhere was becoming a popular way to circumvent state gambling prohibitions.

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- <https://youtube.com/watch?v=5Y847sj=ez2zpcwN-EP89LICI>



THE JOHNSON ACT

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- <https://youtube.be/D5qYvqTziWq?si=JA2sok0Cs5ltopRp>



THE JOHNSON ACT

- In 1951, Congress passed the Johnson Act. In 1962, the Johnson Act is modified by the Gambling Devices Act of 1962.
- The Johnson Act defined and limited the interstate transportation of gambling devices and contained prohibitions to restrict gaming aboard U.S. registered cruise ships.

THE JOHNSON ACT

- A Gambling Device...
- 15 USC 1171 – Definitions - (a) The term "gambling device" means -
 - (1) any so-called "slot machine" or any other machine or mechanical device an essential part of which is a drum or reel with insignia thereon, and
 - (A) which when operated may deliver, as the result of the application of an element of chance, any money or property, or
 - (B) by the operation of which a person may become entitled to receive, as the result of the application of an element of chance, any money or property, or
 - (2) any other machine or mechanical device (including, but not limited to, roulette wheels and similar devices) designed and manufactured primarily for use in connection with gambling, and
 - (A) which when operated may deliver, as the result of the application of an element of chance, any money or property, or
 - (B) by the operation of which a person may become entitled to receive, as the result of the application of an element of chance, any money or property, or
 - (3) any subassembly or essential part intended to be used in connection with any such machine or mechanical device, but which is not attached to any such machine or mechanical device as a constituent part.

THE JOHNSON ACT

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 - (2) any other machine or mechanical device (including, but not limited to, roulette wheels and similar devices) designed and manufactured primarily for use in connection with gambling, and
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THE JOHNSON ACT

- Digger Machines
- Flipperless Pinball
- Crane Games
- "Quarter Drop" machines
- Roulette Wheels
- Prize Wheels

THE JOHNSON ACT

- A Gambling Device...
 - <http://www.youtube.com/watch?v=QVWOTQAPHEM&feature=related>



THE JOHNSON ACT

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• Marking Gaming Devices

- Every manufacturer of a gambling device defined in paragraph (a)(3) of section 1171 of this title shall, if the size of such device permits it, number serially each such gambling device manufactured by him and permanently affix on each such device, so as to be clearly visible, such number, his name, and, if different, any trade name under which he does business, and the date of manufacture of such device.

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THE JOHNSON ACT

• Records Requirements

- (a) Records; required information
- (1) Every person required to register under subsection (a) of this section for any calendar year shall, on and after the date of such registration or the first day of such year (whichever last occurs), maintain a record by calendar month for all periods thereafter in such year of –
 - (A) each gambling device manufactured, purchased, or otherwise acquired by him,
 - (B) each gambling device owned or possessed by him or in his custody, and
 - (C) each gambling device sold, delivered, or shipped by him in interstate, intrastate, or foreign commerce.

THE JOHNSON ACT

- Records Requirements

- (c) Records; required information

- (2) Such record shall show –

- (A) in the case of each such gambling device defined in paragraph (a)(1) or (a)(2) of section 1171 of this title, the information which is required to be affixed on such gambling device by subsection (b)(1) of this section; and

- (B) in the case of each such gambling device defined in paragraph (a)(3) of section 1171 of this title, the information required to be affixed on such gambling device by subsection (b)(2) of this section, or, if such gambling device does not have affixed on it any such information, its catalog listing, description, and, in the case of each such device owned or possessed by him or in his custody, its location.

Such record shall also show (i) in the case of any such gambling device described in paragraph (1)(A) of this subsection, the name and address of the person from whom such device was purchased or acquired and the name and address of the carrier; and (ii) in the case of any such gambling device described in paragraph (1)(C) of this subsection, the name and address of the buyer and consignee thereof and the name and address of the carrier.

THE JOHNSON ACT

- Records Requirements

- Records must be retained for at least 5 years.

THE JOHNSON ACT

- Shipping and Labeling Requirements

- 1174 - All gambling devices, and all packages containing any such, when shipped or transported shall be plainly and clearly labeled or marked so that the name and address of the shipper and of the consignee, and the nature of the article or the contents of the package may be readily ascertained on an inspection of the outside of the article or package.

SHIP BASED GAMBLING

- Unlike gaming in Nevada, New Jersey, Michigan, and other land based gaming jurisdictions, gambling on the high seas is generally unregulated
- Cruises-to-nowhere and boat trips to gambling ships in international waters were common after WWII
- In 1949, the Gambling Ship act prohibited the practice of providing transportation to gambling ships stationed in international waters
- In 1951, the Johnson Act put an end to these activities by prohibiting gambling devices from being present on any U.S. flagged ship

SHIP BASED GAMBLING

- The result was that U.S.-flagged cruise ships shrank in number until there were just a few left
- In 1992 the Cruise Ship Competitiveness Act modified the Johnson Act to try and put U.S.-flagged and foreign-flagged vessels on an even competitive basis.
- Under the amended version of the Act, it is legal to transport, possess, and use gaming devices on any vessel voyaging outside the territorial jurisdiction of the United States if, while in the United States, the devices remain on board and are not available for use.

SHIP BASED GAMBLING

- The 1992 amendments also addressed cruises-to-nowhere and voyages that embark and disembark at ports in the same state.
 - If the state prohibits the practice, then they are illegal
 - If the state permits or is silent regarding the practice, then it is legal under the Cruise Ship Competitiveness Act
- The federal statute now defers to state statutes to permit cruises-to-nowhere

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QUESTIONS
