



Association of Gaming Equipment Manufacturers

February 26, 2014

## **Association of Gaming Equipment Manufacturers (AGEM) Submission for Consideration by the Nevada Committee to Conduct an Interim Study Concerning the Impact of Technology Upon Gaming**

### **New Technologies / New Ideas**

- Skill-based gaming
  - a. Changes to current regulations to loosen the requirements for skill-based games for bricks and mortar casino as well as online gaming.
  - b. Rules could allow for skill-based games if payback is presented and risks listed to player.
  - c. This would potentially open up a number of new opportunities for new products for younger players more familiar with social and play-for-fun games.
  - d. Game designers can build in more skill and adapt more “PC gaming” and “Xbox” type games into slot products
- Variable payback percentage
  - a. Changes to current maximum and minimum payback allowing for different payback to groups of players due to loyalty, skill, or other identifier.
- Payback increases
  - a. Allow greater flexibility to operators and designers for over 100 percent payback with risk assumed by operator, but ensuring state taxes are paid appropriately.
- Player identification
  - a. Allow for player identification to be provided automatically via EGM via license to allow for gaming play and player-reward access.
  - b. Allows for auto-jackpot reporting without stopping game play to fill out tax forms.
  - c. Allows for greater accountability for player gambling and player-reward programs.
- Access to credit / debit accounts at EGMs
  - a. Changes to current regulations allowing access to personal funds at EGMs.
  - b. This could also allow bill validator to become an ATM dispenser of funds without going to separate kiosk / ATMs.
  - c. This would allow easier access to personal accounts while additional software limitations could be provided that limits total dollar withdrawn in 24-hour period or even a gaming period.
- Handheld money transfer, eWallet and “bump” type technology
  - a. Allowing customers to put money on and off the machine via PDA devices.

Exhibit G-ImpactTechGaming Document consists of 4 pages. Entire document provided. Meeting Date: 02-27-14
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- Wireless connection to slot management system.
  - a. Each slot machine becomes independent and can be located on the floor with GEO mapping.
- Nevada agrees to pool wide-area slot progressives with New Jersey if New Jersey agrees to pool its poker with Nevada

## **Regulatory Updates / Modifications**

- Regulations, Standards, and Policies relating to automated, player selected, or adaptive technologies (i.e. changing of software, software settings/configurations, use of persistent state data, etc.)
  - a. Persistent state data; alternative or adaptive functionality: Gaming associated equipment (AE) is more cross functional than ever before, yet still capable of being compliantly secured. The existing requirements restrict the use of highly functional and beneficial tools to enhance play. Generally, this is attributed to player fairness concerns; more recently it has been associated with player protection. In either case, both can be compliantly maintained using new technology while still taking advantage of the intelligent data and functions in new technology to enhance the player's experience.
  - b. Reference: Technical Standard (TS) 2.010 and related policy
- Regulations, Standards, and Policies relating to verification and/or authentication (i.e. software integrity)
  - a. Active matrix compilers/installers: Software development for gaming equipment is continuously migrating from code base to code base in search of the most efficient, compact, and compliant options. However, there has been a consistent barrier in existing regulations related to binary reproducibility and the ability to verify the approved product's source.
  - b. Reference: TS 1.080, TS 1.084, TS 1.086, TS 1.088
- Application functionality (RNG cycling)
  - a. Application logic has evolved, in part to meet compliance requirements and in part to utilize advanced functionality. There are requirements that exist in the regulations today which address compliance concerns, but restrict the potential advanced functionality even though there is no valid basis or need for such restriction.
  - b. Reference: Regulation 14.040(2) and related policy
- Regulations, Standards, and Policies relating to social and/or marketing integration
  - a. Media integration (QR codes, Heat mapping, Facebook, Twitter): Currently, marketing and media management tools are limited to casino licensees and their marketing departments. As an "unstated" requirement, this has not been allowed via (or in addition to) EGM functionality. Given today's integrated, secure, communication options, it is possible to make EGM's media compatible while still maintaining the required integrity.
  - b. Reference: TS 1.060, TS 1.062, TS 1.066 and related advertising and demo policies

## **Regulatory Clarity**

Looking at the rules that guide EGM software development, in terms of game play, game mechanics, and game design, we find there are three primary sources for these rules: Regulation 14.040, Technical Standards 1.090 and 1.100, and the Technical Division Technical Policies notice dated May 24, 2012.

Nevada's approach with these regulations seems to have been to keep them fairly non-specific, so that they're flexible for future interpretation as the regulatory landscape changes. However, this approach results in a mishmash of vague regulations, whose interpretations change over time with no real visibility to the current interpretation or rationale for the changes. This leads to confusion in the industry, the prevalence of differing standards for different manufacturers, and uncertainty when designing new games.

For an example, consider regulation 14.040(2)(b):

*For gaming devices that are representative of live gambling games, the mathematical probability of a symbol or other element appearing in a game outcome must be equal to the mathematical probability of that symbol or element occurring in the live gambling game. For other gaming devices, the mathematical probability of a symbol appearing in a position in any game outcome must be constant.*

Over the years, the evolution of the interpretation of the second part—"the mathematical probability of a symbol appearing in a position in any game outcome must be constant"—went like this:

1. Reels and reel weights cannot change between base game and free games, or in the base game based on wager.
2. Reels and reel weights can change between base game and free games, but only in video slots. Reels and reel weights cannot change between base game in free games in physical steppers, or in any base game based on wager.
3. Reels and reel weights can change between base game and free games, in both video and physical stepper slots. Reels and reel weights cannot in any base game based on wager.
4. Reels and reel weights can change in the base game, based on wager, but the limitation is that there can only be "max bet" and "non max bet" reels.

In terms of formal documentation of the evolution of this interpretation, the only item officially in writing, outside of 14.040 itself, is a paragraph in the Technical Policies notice, detailing what else needs to be done, in terms of presentation and disclosure, for interpretation #3. And this clarification is only from 2012, even though interpretation #3 was understood to be current as early as 2009.

At each step of the way, there was not a clear indication of when the interpretations changed, or what the current interpretation was. Instead, new interpretations were learned through informal conversation with Technical Division staff, submission of new games and the discussion surrounding their approval/rejection, and competitive analysis of games approved and in the field.

In some cases, the Technical Division is reluctant to clearly convey current interpretations, taking a "we'll know it when we see it" approach that often requires the submission of a game that may or may not be compliant in order to move the discussion forward. This vagueness appears under the guise of protecting competitor's proprietary information.

But not conveying current interpretations of the regulations is not the same as protecting proprietary information; one could easily give the current interpretation without describing how a competitor designs their games or otherwise achieves compliance. Saying "manufacturers are allowed to do this" is not the same as saying "manufacturer X does this thing in this manner in this game."

But in the current approach, we're still left with uncertainty. In the past, the prohibition on changing weights for physical steppers was applied to physical wheels as well. Does that prohibition still apply? Or, for changing base game reels and/or weights based on the bet level, we think that competitors may already be doing this. Can we also do this? What restrictions must we follow to remain compliant?

The short answer is that we don't know. And we won't know until we submit a game that is approved (adjusting the interpretation based on what that game does) or rejected (adjusting the interpretation based on why the game was rejected).

This ultimately leads to a regime where each competitor is subject to different criteria, based on their imperfect understanding of the regulations, caused by inadequate communication of how those regulations are to be interpreted.

To be clear—we're not proposing that more regulations be written to cover all the cases. Rather, we propose that current interpretations be published to set a base line, and then future changes in interpretations be published in a timely manner. There are many possibilities as to the form that this could take—Technical Division memos, annotated versions of the regulations, etc.