

**CALIFORNIA GAMBLING CONTROL COMMISSION**

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## Initial Statement of Reasons CGCC-GCA-2007-R-6

California Code of Regulations, Title 4. Business Regulations  
Division 18. California Gambling Control Commission  
Chapter 7. Conditions of Operation for Gambling Establishments

### “Checks/Credit”

**Section 12381** is part of the Article entitled Minimum Internal Control Standards and contains rules for check cashing, granting of credit, and placement of ATM machines.

Business and Professions Code, section 19801, is a statement of legislative intent. In subdivision (m), the legislature declares that keeping records of cash and credit transactions may be helpful in criminal and regulatory investigations:

- (m) Records and reports of cash and credit transactions involving gambling establishments may have a high degree of usefulness in criminal and regulatory investigations and, therefore, licensed gambling operators may be required to keep records and make reports concerning significant cash and credit transactions.

Therefore, the Commission was tasked to adopt regulations, which, among other things, would:

- (g) Govern all of the following:
  - (1) The extension of credit.
  - (2) The cashing, deposit, and redemption of checks or other negotiable instruments.
  - (3) The verification of identification in monetary transactions.<sup>1</sup>

Industry representatives have indicated to the Commission that allowing patrons to use checks or lines of credit minimizes the amount of cash a patron carries and therefore should be allowed for reasons of personal security (preventing such ills as “follow-home robberies”). The Legislature clearly contemplated allowing checks to be cashed and extensions of credit by mandating the Commission to adopt regulations regarding such

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<sup>1</sup> Business and Professions Code, section 19841.

and by mandating gambling establishments to forward copies of all dishonored or uncollectible checks to the Division of Gambling Control on a quarterly basis.

These Minimum Internal Control Standards require that cardrooms comply with all laws regarding issuance of credit or check-cashing. For example, no one may charge for cashing checks without first obtaining a permit from the Department of Justice,<sup>2</sup> although a retail seller may cash checks as a service to customers which is incidental to the main purpose of business of the retail seller (for a fee not exceeding \$2).<sup>3</sup> Further, some local jurisdictions have ordinances prohibiting the issuance of credit by gambling establishments, and local law may be more stringent than the Gambling Control Act or the regulations adopted thereunder. Identification and credit verification are required to help prevent money laundering.

The proposed regulation will protect the greater public at large by providing evidence of possible criminal activity for use in criminal or regulatory investigations, and may help prevent instances of identity theft by requiring verification procedures before money is handed over to an identity thief.

Subsection (h) requires that ATMs not be accessible directly from a gambling table of the gambling establishment. Patrons who wish to use debit or credit cards to access more cash should be able to cross the gaming floor, giving themselves a short break from the gambling table. This is in keeping with Responsible Gaming practices.

Electronic Benefit Transfer cards are the “next generation” of assistance checks. Based upon requests from county social services and the Office of Problem Gambling (see Attachment A, Letter from OPG dated April 18, 2006, page two), the Commission has included in subsection (i) that ATM machines in gambling establishments be configured to not accept Electronic Benefit Transfer cards (EBTs), since the amounts on these cards are to be used for basic needs, such as food and shelter, rather than for entertainment purposes, such as gambling.

A draft of this regulation was discussed at the Gambling Policy Advisory Committee (GPAC) in January 2006, and at a noticed public meeting in February 2006. Further input was received from the Golden State Gaming Association, which has as members the majority of gambling establishments in California.

**Section 12410** is part of Article 4, Accounting and Financial Reporting, and requires gambling establishments to establish policies and procedures with comply with California’s Unclaimed Property Law. Occasionally, chips or cash may be discovered under a table, gambling establishment checks may remain uncashed, or a player’s bank may be dormant for a long period of time, and questions have arisen regarding accounting of such. This regulation allows a cardroom to reconcile those amounts. If the Unclaimed Property Law does not apply to a particular situation, this regulation provides for deposit into the Gambling Addiction Program Fund.

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<sup>2</sup> Civil Code, section 1789.37.

<sup>3</sup> Civil Code, section 1789.31.

## Required Determinations

### LOCAL MANDATE

These regulations do not impose a mandate on local agencies or school districts.

### REASONABLE ALTERNATIVES TO THE PROPOSED REGULATIONS AND REASONS FOR REJECTING THOSE ALTERNATIVES.

The Commission is not aware of any reasonable alternatives that would as effectively achieve the regulatory purpose of governing the extension of credit or negotiation of checks under the Gambling Control Act.

### REASONABLE ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESSES

The Commission is not aware of any reasonable alternatives that would lessen any adverse impact on small businesses.

### IMPACT ON PRIVATE PERSONS

The Commission is not aware of any reasonable alternatives that would be more effective or as effective and less burdensome to private persons.

### IMPACT ON BUSINESS

The Commission has made a determination that the proposed regulatory changes will not have a significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.