



ADVISORY NOTICE

APPROVED REGULATIONS REGARDING:
MINIMUM INTERNAL CONTROL STANDARDS (MICS) FOR GAMBLING ESTABLISHMENTS – PHASE
IV; CAGE OPERATION AND FUNCTIONS; SECURITY OF FLOOR BANKS, GAMBLING EQUIPMENT AND
CONFIDENTIAL DOCUMENTS

(CGCC-GCA-2013-04-R)

On June 11, 2014, the Office of Administrative Law (OAL) approved and filed with the Secretary of State, regulations for minimum internal control standards (MICS) governing cage operation and functions, and security of floor banks, gambling equipment, and confidential documents. The approved regulations become effective October 1, 2014.

In general, this regulatory action furthers the implementation of provisions of the Gambling Control Act¹ (Act) by requiring that licensees adopt minimum internal controls governing their internal fiscal affairs and gambling operations. These regulations further the purpose of the Act by restricting, limiting and regulating the operation of cages, the security and use of floor banks, and the security of gambling equipment and confidential documents. This not only assists licensees in protecting their assets and the integrity of their gambling operations, but also helps to ensure that the public health, safety and general welfare is protected and that gambling is conducted honestly and competitively.

Approved Regulations

This regulatory action has made the following changes in Articles 1 and 3 of Chapter 7 of Division 18 of Title 4 of the California Code of Regulations:

Section 12360. Chapter Definitions.

In Article 1 of Chapter 7, Section 12360 provides definitions for numerous terms that govern the construction of the chapter. This section incorporates the definitions in Business and Professions Code section 19805 and Section 12002 of Chapter 1, and includes specific definitions for the words and phrases “gaming activity,” “house rules,” “licensee,” “security department” and “surveillance unit.” This section has been amended to add definitions for the terms “cage bank,” “cashier bank,” “confidential document,” “floor bank,” and “gambling equipment.” As a result of the addition of those definitions in subsections (a) through (e), the pre-existing subsections (a) through (e) were renumbered accordingly as subsections (f) through (j).

Section 12386. Cage Operation and Functions.

In Article 3 of Chapter 7, Section 12386 prescribes the MICS that must be addressed in licensees’ policies and procedures relative to the operation and functions of cages. These

¹ Business and Professions Code, Division 8, Chapter 4, section 19800 et seq.

include standards for cage location, design and construction; security and accountability; staffing and access; reconciliations; and, surveillance. The scope and complexity of many of these standards progressively escalate with the higher tiers. The provisions of this section have been amended to clarify that:

1. The public does not have access to enter a cage and that the purpose of a cage is to provide a convenient location in which to conduct patron transactions while maintaining security and accountability for monetary transactions occurring at a cage and all cage contents.
2. The names of gambling enterprise employees who work in a cage are not required to be included in the organizational charts of the gambling enterprise.
3. This section is applicable to both physical cages and areas designated as cages, and that routine access is to be limited to the assigned cage personnel.
4. A cage access log may be maintained either in writing or electronically.
5. The cage and cashiers' banks are to be reconciled, not all cage "activity."
6. In instances where a licensee operates multiple cages during any shift, all cages, irrespective of their designation (e.g., main cage, satellite cage, auxiliary cage, supplementary cage, secondary cage, back up cage, support cage, temporary cage, etc.), shall be subject to and comply with all applicable provisions of this article.
7. Cardrooms in Tiers III through V must have their reconciliations posted to the general ledger by someone other than an assigned cage employee or cage supervisor.
8. A cage for Tiers IV and V must be a secure enclosed structure with at least one window for processing transactions with patrons, and cage windows must be secure and designed to prevent entry into, or theft from, the cage.
9. The record of employees authorized to access a cage may be recorded either in writing or electronically, and that the record must be updated each time an assignment is added or deleted.

Section 12387. Security and Use of Floor Banks; Security of Gambling Equipment and Confidential Documents.

A new Section 12387 has been added in Article 3 of Chapter 7, which requires cardrooms of all tiers to adopt specified minimum policies and procedures regarding the security and use of floor banks, and the security of gambling equipment and confidential documents, on the gambling floor. Those requirements are summarized as follows:

Subsection (a) requires licensees in all tiers to establish policies and procedures to provide for the security of floor banks that address the following:

1. A floor bank, when kept in any public area of a gambling establishment, shall be secured in a locked receptacle.
2. The lock of a receptacle containing a floor bank must be keyed differently from any other receptacle in the gambling establishment, except as otherwise specified.
3. Any cabinet used to contain a floor bank must be located so that it is clearly visible for security and surveillance purposes, and must be kept under continuous recorded video surveillance.
4. The commingling of a floor bank with any gambling equipment, documents, supplies or other materials not directly related to a floor bank, in the same receptacle is prohibited.
5. Each floor bank shall be individually balanced at least daily and the imprest amount verified.
6. The licensee is required to establish the maximum imprest amount that may be assigned to each floor bank, as specified, and the imprest amount that may be assigned to a floor bank in a mobile cabinet is limited to \$30,000.
7. The licensee must adopt policies and procedures governing the sale or distribution of gambling chips and the disbursement of cash to patrons from a floor bank.
8. The redemption of chips from a floor bank is limited to a maximum amount of \$500, except as otherwise specified, and any redemption of chips from a floor bank in a mobile cabinet is prohibited.

Subsection (b) requires licensees in all tiers to establish policies and procedures to provide for the security of gambling equipment and confidential documents when kept on the gaming floor that address the following:

1. Gambling equipment that is not actively being used must be secured in a locked receptacle when kept in any public area of the gambling establishment. This does not apply to any gambling equipment that is too large to be placed in a receptacle when not in use.
2. Confidential documents must be secured in a locked receptacle when being kept in any public area of the gambling establishment. This applies to all confidential documents and information, except when maintained electronically or when in use, in which cases the document or information must be kept out of public view to the extent reasonably possible.
3. The lock of a receptacle containing gambling equipment or confidential documents must be keyed differently from any other receptacle in the gambling establishment, except as otherwise specified.

4. Any cabinet containing gambling equipment or confidential document must be located so that it is clearly visible for security and surveillance purposes, and must be kept under continuous recorded video surveillance.
5. Gambling equipment or confidential documents are prohibited from being commingled with or kept in the same receptacle as a floor bank, or commingled with or kept in the same receptacle with any personal property or possession of any employee, patron, or any other person.
6. Provisions governing the storage, distribution and tracking of gambling equipment kept in any public area of the gambling establishment must be established.

Subsection (c) prohibits a licensee from sharing with any third-party provider of proposition player services (TPPPS) company any cabinet used for any of the purposes described in subsections (a) and (b).

Subsection (d) requires cardrooms to implement the applicable provisions of this section no later than April 1, 2015.

Regulation Text

A copy of the recently approved regulations is attached. That document is also available on the Commission's Web site under "Regulations/Recently Approved Regulations" at www.cgcc.ca.gov.

Questions, Concerns, Suggestions

For any questions, concerns, or suggestions regarding the adoption of these regulations, please contact James Allen, Regulatory Actions Manager, at (916) 263-4024, or jallen@cgcc.ca.gov.

For information or questions regarding compliance, please contact the Bureau of Gambling Control at (916) 227-3584.