

TITLE 4.
CALIFORNIA GAMBLING CONTROL COMMISSION
NOTICE OF PROPOSED REGULATORY ACTION

**PLAYING BOOKS FOR THIRD-PARTY PROVIDERS OF PROPOSITION PLAYER
SERVICES AND GAMBLING BUSINESSES**

CGCC-GCA-2016-01-R

NOTICE IS HEREBY GIVEN that the California Gambling Control Commission (Commission) is proposing to take the action described in the Informative Digest after consideration of all relevant public comments, objections and recommendations received concerning the proposed action. Comments, objections and recommendations may be submitted as follows:

WRITTEN COMMENT PERIOD

Any interested person, or his or her authorized representative, may submit written comments relevant to the proposed regulatory action to the Commission at any time during the 45-day public comment period, which closes on **July 25, 2016**. Written comments relevant to the proposed regulatory action may be sent by mail, facsimile, or e-mail, directed to one of the individuals designated in this notice as a contact person. To be eligible for the Commission's consideration, all written comments must be **received at its office no later than 5:00 p.m. on July 25, 2016**. **Comments sent to persons and/or addresses other than those specified under Contact Persons, or received after the date and time specified above, will be included in the record of this proposed regulatory action, but will not be summarized or responded to regardless of the manner of transmission.** Written comments will also be accepted at the public hearing described below.

PUBLIC HEARING

Any interested person, or his or her authorized representative, may present statements or arguments orally or in writing relevant to the proposed regulatory action at a public hearing to be held at **10:00 a.m. on September 21, 2016**, in the Commission's Hearing Room located at 2399 Gateway Oaks Drive, Suite 100, Sacramento, CA 95833.

ADOPTION OF PROPOSED ACTION

After the close of the public comment period, the Commission, upon its own motion or at the instance of any interested party, may thereafter formally adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit oral or written

testimony related to this proposal or who have requested notification of any changes to the proposal.

AUTHORITY AND REFERENCE

Pursuant to the authority vested by sections 19840, 19841, 19853, and 19984, of the Business and Professions Code; and to implement, interpret or make specific sections 19805, 19826, 19853, and 19984 of the Business and Professions Code,¹ the Commission is proposing to adopt the following changes to Chapters 2.1, 2.2 and 3 of Division 18 of Title 4 of the California Code of Regulations:

INFORMATIVE DIGEST AND POLICY STATEMENT OVERVIEW

EXISTING LAW:

Business and Professions Code section 19811, subdivision (b), vests the Commission with jurisdiction over all persons or things having to do with the operations of gambling establishments in this state.

Business and Professions Code section 19841, subdivision (c), provides the Commission the authority to adopt regulations that implement the provisions of the Act relating to licensing and other approvals.

Business and Professions Code section 19841, subdivision (k), provides the Commission the authority to adopt regulations that specify standard forms for reporting financial conditions, results of operations, and other relevant financial information.

Business and Professions Code section 19984, subdivision (b), provides the Commission the authority to establish reasonable criteria for any person or entity that provides proposition player services to gambling establishments. Under this section, the Commission may impose disclosures, approvals, conditions, or limitations as it deems necessary to protect the integrity of controlled gambling.

Business and Professions Code section 19984, subdivision (c), provides the Department of Justice² the authority to perform background checks, financial audits, and other investigatory services as needed, pursuant to Commission regulations, to assist the Commission in regulating Third-Party Providers of Proposition Player Services.

SPECIFIC PROPOSAL:

This proposed action will make changes within Division 18 of Title 4 of the California Code of Regulations, as follows:

¹ All statutory references hereinafter are the Business and Professions Code, unless otherwise specified.

² In the Act, “department” refers to the Department of Justice. While the Act assigns certain powers and authority to the department, in actual practice the responsibility for fulfilling the obligations imposed upon the department is delegated to the Bureau of Gambling Control, pursuant to Business and Professions Code section 19810.

CHAPTER 1. GENERAL PROVISIONS.

Amend Section 12003. General Requirements.

- Subsection (c), would be amended to include language that allows the Bureau representatives to inspect, copy, or audit all required documents, papers, book, and other records to include hardware, associated equipment, and systems that support the operation of the licensed activities. This authority already existed for gambling enterprises and is being expanded to include TPPPS and Gambling Businesses. This amendment also incorporates Sections 12200.16 and 12220.16 as these two sections are being repealed; therefore, this change is necessary to provide the Bureau with uniform authority and is consolidated for clarity and simplicity.

CHAPTER 2.1. THIRD-PARTY PROVIDERS OF PROPOSITION PLAYER SERVICES: REGISTRATION; LICENSING.

Amend Section 12200. Definitions.

- Subsection (b), paragraph (12)(B) “License” – This definition is being amended to delete language that will be added to the “Other employee” definition.
- Subsection (b), paragraph (15) “Other employee” – This definition is being amended to include subcontractor or independent contractor as an “other employee”; and, to add language from the “License” definition.
- Subsection (b), paragraph (17) “Playing Book” – This definition is being moved to Section 12250 as the playing book approval process is being removed from this chapter. The definition will remain unchanged.
- Subsection (b), paragraph (25) “Sessions of play” – This definition is being moved to Section 12250 as the playing book approval process is being removed from this chapter.
- Subsection (b), paragraph (26) – This paragraph will be renumbered to paragraph (24); and, the word “proposition” added before the word “players” for clarity and consistency and is a non-substantive, conforming editorial change.
- Subsection (b), paragraphs (18) through (30) will be renumbered accordingly.

Amend Section 12200.7. Proposition Player Contract Criteria.

- Subsection (b), paragraph (13) would be repealed as this requirement is unnecessary since the playing book form approval process will no longer remain as part of the contract approval process.
- Subsection (b), paragraphs (14) through (22) would be renumbered accordingly.

Amend Section 12200.9. Review and Approval of Proposition Player Contracts.

- Subsection (3), paragraph (D) would be repealed as this requirement is unnecessary since the playing book form approval process will no longer remain as part of the contract approval process.
- Subsection (3), paragraphs (E) and (F) will be changed accordingly.

Amend Section 12200.10A. Expedited Review and Approval of Proposition Player Contracts.

- Subsection (c), paragraph (4) would be repealed as this requirement is unnecessary since the playing book form approval process will no longer remain as part of the contract approval process.
- Subsection (c), paragraphs (5) and (6) would be renumbered accordingly.

Amend Section 12200.11. Extension of Proposition Player Contracts.

- Subsection (a), paragraph (4) would be repealed as this requirement is unnecessary since the playing book form approval process will no longer remain as part of the contract approval process.
- Subsection (a), paragraph (5) would be renumbered accordingly.

Repeal Section 12200.13. Playing Books.

Section 12200.13 would be repealed and replaced by Sections 12250 through 12290 in the new Chapter 3 of the proposed regulations.

Repeal Section 12200.16. Inspections and Investigations.

Section 12200.16 would be repealed as the requirements in this section will be consolidated for clarity and simplicity, and to eliminate redundancy.

Amend Section 12200.18. Revocation.

Subsection (d) would be amended to change the referenced section from 12200.16 (Inspections and Investigations) to read 12003 (General Requirements).

Repeal Section 12200.21. Compliance.

Section 12200.21 would be repealed and replaced by Section 12290 in the new Article 5, Chapter 3 of the proposed regulations.

CHAPTER 2.2. GAMBLING BUSINESSES: REGISTRATION; LICENSING.

Amend Section 12220. Definitions.

- Subsection (b), paragraph (13)(B) “License” – This definition is being amended to delete language that will be added to the “Other employee” definition.
- Subsection (b), paragraph (16) “Other employee” – This definition is being amended to include subcontractor or independent contractor as an “other employee”; and, to add language from the “License” definition.
- Subsection (b), paragraph (19), “Playing Book” – This definition is being repealed as it is unnecessarily duplicative.
- Subsection (b), paragraph (25) “Sessions of play” – This definition is being repealed as it is unnecessarily duplicative.
- Subsection (b), paragraphs (20) through (28) will be renumbered accordingly.

Repeal Section 12220.13. Playing Books.

Section 12220.13 would be repealed and replaced by Sections 12250 through 12290 in the new Chapter 3 of the proposed regulations.

Repeal Section 12220.16. Inspections and Investigations.

Section 12220.16 would be repealed as the requirements in this section will be consolidated for clarity and simplicity, and to eliminate redundancy.

Amend Section 12220.18. Revocation.

Subsection (d) would be amended to change the referenced section from 12220.16 (Inspections and Investigations) to read 12003 (General Requirements).

Repeal Section 12220.21. Compliance.

Section 12200.21 would be repealed and replaced by Section 12290 in the new Article 5, Chapter 3 of the proposed regulations.

CHAPTER 3. PLAYING BOOKS.

ARTICLE 1. GENERAL PROVISIONS

Add Section 12250. Definitions.

- Subsection (a) would clarify that the terms used in Business and Professions Code section 19805 and Sections 12002, 12200 and 12220 of Division 18 shall govern Chapter 3, unless otherwise provided in subsection (b).
- Subsection (b), paragraph (1) – The term “authentication” would be defined to mean the verification of an individual as being authorized to access a database system.

NOTICE OF PROPOSED REGULATORY ACTION
PLAYING BOOKS
CGCC-GCA-2016-01-R

- Subsection (b), paragraph (1), subparagraph (A) – The term “active authentication” would be defined to mean the identification information of those individuals currently allowed to access an electronic playing book system.
- Subsection (b), paragraph (1), subparagraph (B) – The term “inactive authentication” would be defined to mean the identification information of those individuals no longer allowed to use or access an electronic playing book system.
- Subsection (b), paragraph (2) – The term “backup” would be defined to mean the process of copying files to a second medium in order to allow the information to be retrieved in the event of a system failure.
- Subsection (b), paragraph (3) – The term “electronic playing book” would be defined to mean a collection of digital playing book forms, to differentiate it from a hardcopy version of a playing book.
- Subsection (b), paragraph (4) – The term “electronic playing book device” or “playing book device” would be defined to mean the specific type of terminal used as an electronic playing book by the players.
- Subsection (b), paragraph (5) – The term “hardcopy playing book” would be defined to mean a tangible collection of paper playing book forms, to differentiate it from an electronic playing book.
- Subsection (b), paragraph (6) – The term “independent gaming test laboratory” would be defined to mean a gaming test laboratory that meets one of two requirements. The laboratory may either be: (1) registered or licensed by another United States jurisdiction to test, approve, and certify gambling equipment, systems, and software, and be accredited by a signatory to the International Laboratory Accreditation Cooperation (ILAC) Mutual Recognition Arrangement (MRA), or other equivalent laboratory accreditation agreement; or, (2) operated by a state governmental gaming regulatory agency.
- Subsection (b), paragraph (7) – The term “information technology technician” or “IT technician” would be defined to mean any person responsible for and with the permissions necessary to access a system database, as specified.
- Subsection (b), paragraph (8) – The term “ink” would be defined to mean pigmented liquid or paste used for writing or printing; and, includes printer toner powder or other means of placing an indelible mark onto paper.
- Subsection (b), paragraph (9) – The term “permissions” would be defined to mean the assigned level of system access rights to view or make changes to the content of the system.

- Subsection (b), paragraph (10) – The term “playing book” is being moved from Chapters 2.1 and 2.2, Sections 12200 and 12220 respectively as it is no longer required in the licensing section since the process for playing book approval has changed. The definition will remain unchanged.
- Subsection (b), paragraph (11) – The term “primary database” or “database” would be defined to mean a collection and storage of all electronic playing book system information.
- Subsection (b), paragraph (12) – The term “Session of play” is being moved from Chapters 2.1 and 2.2, Sections 12200 and 12220 respectively as it is no longer required in the licensing section since the process for playing book approval has changed. Further, the definition will be amended to delete the reference to Section 12200.13, which would be repealed, and to specify that a session of play is limited to a specific gaming table. It is necessary to limit a session of play to a specific gaming table to conform to current practice. The definition would also delete the phrase “of a third-party proposition player services provided” and add the word “performed” as a non-substantive change for simplicity and clarity.
- Subsection (b), paragraph (13) – The term “synchronization” or “synch” would be defined to mean the process of uploading information from a terminal, such as a playing book device, to a primary database.
- Subsection (b), paragraph (14) – The term “system” would be defined to mean a group of interdependent components that interact regularly to perform a task.
- Subsection (b), paragraph (15) – The term “terminal” would be defined to mean computer hardware that is used to enter data into or display information from a system.

ARTICLE 2. PLAYING BOOKS

Adopt Section 12260. General Provisions.

- Subsection (a) – This subsection allows a playing book terminal to have access to applications other than the playing book system, but requires that any application affecting the playing book database must be approved by the Bureau.
- Subsection (b) – The current requirement that the primary owner is responsible for assuring that its players maintain accurate, complete, and up-to-date playing books in conformity with the regulations of the Commission for all sessions of play would be moved from Sections 12200.13(a) and 12220.13(a) to this subsection, and the requirement that the playing books be legible for audit purposes would be added.
- Subsection (c) – The current requirement that the playing book record be transferred to the primary owner, or a supervisor designated by the primary owner, at the end of each

session of play would be moved from Sections 12200.13(a) and 12220.13(a) to this subsection.

- Subsection (d) – The current requirement that a hardcopy playing book be recorded in ink would be moved from Sections 12200.13(b)(2) and 12220.13(b)(2) to this subsection. The five-year retention period for playing books would be maintained by reference to Section 12003,³ which requires a five-year retention period at a California location disclosed to the Bureau.
- Subsection (e) - This subsection would require that the electronic playing book records be maintained in accordance with Section 12263, which has different requirements for the database and the storage of the backup information.
- Subsection (f) – This subsection would require that the primary owner develop written procedures acceptable to the Bureau for limiting access to the electronic playing book system, database, and equipment. This would include procedures for controlling passwords and segregating access to the system; and, ensuring that logs of user access and security incidents are unalterable.
- Subsection (g) – This subsection would provide that the data-entry method for the playing book forms may be in any format that the Bureau approves. The current requirements for the information to be included on each playing book form would be moved from Sections 12200.13(b)(2) and 12220.13(b)(2) to this subsection.
- Subsection (g), paragraph (1) – The current requirement of Sections 12200.13(b)(2)(A) and 12220.13(b)(2)(A) for the playing book form to include sequential numbers would be moved to this paragraph and a requirement to include a unique identifier for each specific gambling establishment would be added. The current requirements of Sections 12200.13(b)(2)(A) and 12220.13(b)(2)(A) that any unused forms be voided and maintained would remain for hardcopy playing books and would be moved to this paragraph.
- Subsection (g), paragraph (2) – The current requirements of Sections 12200.13(b)(2)(B) and 12220.13(b)(2)(B) to include the name of the gambling establishment where play occurred would be moved to this paragraph (2).
- Subsection (g), paragraph (3) – The current requirements of Sections 12200.13(b)(2)(C) and 12220.13(b)(2)(C) to record the date and time in the playing book would be moved to this paragraph.

³ This general records retention requirement is included in Section 12003 of the recently approved rulemaking file for the Accounting and Financial Reporting Requirements regulations which became effective July 1, 2015.

NOTICE OF PROPOSED REGULATORY ACTION
PLAYING BOOKS
CGCC-GCA-2016-01-R

- Subsection (g), paragraph (4) – The current requirements of Sections 12200.13(b)(2)(D) and 12220.13(b)(2)(D) to include the beginning and ending balances would be moved to this paragraph.
- Subsection (g), paragraph (5) – This would require that the amount of wins and losses be entered after each session of play.
- Subsection (g), paragraph (6) – The current requirements of Sections 12200.13(b)(2)(E) and 12220.13(b)(2)(E) to record fills and credits in the playing book would be moved to this paragraph. The requirement would be amended to clarify that the itemizations are to be maintained for each session of play.
- Subsection (g), paragraph (7) – The current requirement of Sections 12200.13(b)(2)(F) and 12220.13(b)(2)(F) to identify players by printed name and badge number in the playing book would be moved to this paragraph.
- Subsection (g), paragraph (8) – The current requirements of Sections 12200.13(b)(2)(G) and 12220.13(b)(2)(G) to include the table number assigned by the gambling enterprise would be moved to this paragraph.
- Subsection (g), paragraph (9) – The current requirements of Sections 12200.13(b)(2)(H) and 12220.13(b)(2)(H) to identify the Bureau-approved game in the playing book would be moved to this paragraph and would be amended to refer to the “Bureau identification number.”
- Subsection (g), paragraph (10) – The current requirements of Sections 12200.13(b)(2)(I) and 12220.13(b)(2)(I) to include the name of the primary owner would be moved to this paragraph and changed to include the name of the TPPPS.
- Subsection (g), paragraph (11) – The current requirements of Sections 12200.13(b)(3) and 12220.13(b)(3) to record the date and time again in the playing book would be moved to this paragraph, and would be amended to clarify that this date and time is for the completion of the session of play.
- Subsection (g), paragraph (12) – The current requirements of Sections 12200.13(b)(3) and 12220.13(b)(3) for the person who prepared the form to sign it under penalty of perjury would be moved to this paragraph. In addition, a provision would be added to allow a cage receipt to be substituted for a supervisor’s signature in situations where a supervisor is not present to sign the playing book form. The player would have to take his or her TPPPS player’s bank to the cage for deposit into a TPPPS company bank account within the gambling establishment. The TPPPS player’s bank shall be counted down with a cage supervisor or other cage employee and a cage receipt issued to the TPPPS player to confirm the count. The receipt shall be kept in accordance with Section 12003. This is necessary to maintain dual verification of the TPPPS player’s bank and is an essential part of minimum internal controls.

- Subsection (g), paragraph (12), subparagraph (A) – Signatures would also be required for the electronic playing book, but in a method approved by the Bureau, and supported by the system, to indicate a signature.
- Subsection (g), paragraph (12), subparagraph (B) – This provision would require that the version of the playing book form to be signed must be the same as the approved printed version and visible as a single document on the playing book device.
- Subsection (h) – This provision would require that all IT technicians employed by a registrant or licensee be registered or licensed as other employees pursuant to either Chapter 2.1 or 2.2, as applicable. This requirement would also be made applicable to any subcontractor, independent contractor or any employee of either, who are authorized to perform IT technician duties.
- Subsection (i) – This provision provides the notification requirements when a licensee is reporting an incident to the Bureau.

Adopt Section 12261. Review of Playing Book Forms.

- Subsection (a) – The current requirement of Sections 12200.13(b)(1) and 12220.13(b)(1) that the Bureau review and approve or disapprove playing book forms would be moved to this subsection. This subsection would require that only an approved playing book form on record with the Bureau may be used during play.
- Subsection (b) – The current Bureau form, Request for Approval of Playing Book, BGC-APP. 036 (Rev. 12/11), would be renamed “Application for Approval of Playing Book Form or Electronic Playing Book System, BGC-APP 036 (Rev. 02/16)” and, it would be amended to accommodate applications for approval of both new and revised hardcopy playing book forms, as well as electronic playing book forms and systems. This subsection would require approval only if an initial playing book form is submitted or a currently approved playing book form is revised. This would simplify the approval process and eliminate duplicate and unnecessary approvals.
- Subsection (b), paragraph (1) – The current requirement of Sections 12200.13(c)(1)(A) and 12220.13(c)(1)(A) for an application processing fee of \$75 would be moved to this paragraph.
- Subsection (b), paragraph (2) – The current requirement of Sections 12200.13(c)(1)(B) and 12220.13(c)(1)(B) to include a sample playing book form would be moved to paragraph (2). To apply for an approval of an electronic playing book form, this paragraph would also require information that complies with Section 12260 and 12262. This information is necessary for the Bureau to confirm that both the hard copy and electronic playing book form is in compliance with this chapter.

- Subsection (b), paragraph (3) – This paragraph would require submission of a description of the changes to an approved form for an amendment approval.
- Subsection (c) – The current requirement of Sections 12200.13(c)(2) and 12220.13(c)(2) that the Bureau shall review and approve or disapprove a playing book form within 30 days of receipt of a completed application would be moved to this subsection. This subsection would provide that the Bureau shall notify the applicant within 10 working days if the application is accepted or deficient. The current requirement that a written notice to be sent to the primary owner or the designated agent would also be retained in this subsection.
- Subsection (d) – This provision would allow non-substantive changes to a previously approved playing book form to be deemed accepted upon notice to the Bureau, unless otherwise advised by the Bureau within 30 days. The Bureau would retain the ability to determine, on an individual case-by-case basis, that a particular change is substantive and to require approval pursuant to subsection (b).
- Subsection (e) – This provision would allow an approved playing book form to be used at any gambling establishment where the TPPPS or Gambling Business operates.

Adopt Section 12262. Electronic Playing Book Device Requirements.

- Subsection (a) – This subsection would establish data storage and retrieval requirements for the playing book device.
- Subsection (a), paragraph (1) – This paragraph would require that the playing book device be able to retrieve or display the information necessary to confirm that it is the type of device that was certified and is functioning as approved.
- Subsection (a), paragraph (2) – This paragraph would require that the playing book form and recorded data be exportable to a printable version of the playing book form and to a spreadsheet (delimiter-separated value or comma-separated value) file format.
- Subsection (a), paragraph (3) – This paragraph would require that documentation be printable to an on-site printer.
- Subsection (b) – This subsection would establish security requirements for the playing book device.
- Subsection (b), paragraph (1) – This paragraph would require that upon login, the date and time of the last session must appear and be accepted for security purposes.
- Subsection (b), paragraph (2) – This paragraph would require that the device have anti-virus, firewall, and unauthorized software installation protection.

- Subsection (c) – This subsection would establish the capability and limitation requirements for the playing book device.
- Subsection (c), paragraph (1) – This paragraph would provide that all access, activities, and entries into the playing book device be time, date, and user identification stamped.
- Subsection (c), paragraph (2) – This paragraph would require that all information entered into the playing book device be automatically synched to the database in time increments of 60 seconds or less.
- Subsection (c), paragraph (3) – This paragraph would require that the device have manual synch capabilities so that information could be synched upon command or in case of an automatic synch error.
- Subsection (c), paragraph (4) – This paragraph would provide that the device must have the ability to remain functional and save information in the event of a database connectivity failure, and requires that the information be synchronized upon reconnection as a failsafe to protect the data entered into the playing book device.
- Subsection (d) – This subsection would require that, in the event of a device or multiple device failure, physical copies of the approved playing book form is available for use until a device is repaired or replaced.
- Subsection (e) – This subsection would require that in the event the device fails to function as approved or there is impermissible use or access that the Bureau is notified within five (5) days of the incident.

Adopt Section 12263. Electronic Playing Book Database Requirements.

- Subsection (a) – This subsection would establish the security requirements for the database.
- Subsection (a), paragraph (1) – This paragraph would require that all access, activities, and data entries be date, time, user and terminal identification stamped and logged.
- Subsection (a), paragraph (2) – This paragraph would require that all communications between the database and any terminal be encrypted.
- Subsection (a), paragraph (3) – This paragraph would require that the database have anti-virus, firewall, and unauthorized software installation protection.
- Subsection (a), paragraph (4) – This paragraph would require that the database have surge protection and uninterrupted power supply protection to protect the physical security of the database.

NOTICE OF PROPOSED REGULATORY ACTION
PLAYING BOOKS
CGCC-GCA-2016-01-R

- Subsection (a), paragraph (5) – This paragraph would require that the database be able to identify and log the date, time, and terminal of any unauthorized access, system error or connectivity failure as well as notify an IT technician.
- Subsection (b) – This subsection would establish the means by which the database will control access to the playing book system.
- Subsection (b), paragraph (1) – This paragraph would require a minimum of two methods of active authentication for all users. After three failed access attempts, the database would deny access to the user until the login account has been reset.
- Subsection (b), paragraph (2) – This paragraph would require a minimum of three active authentications for an IT technician to access the database, and notice to the primary owner upon three failed attempts.
- Subsection (b), paragraph (3) – This paragraph would require that the authentications for any person losing permission to use the system be made inactive within 24 hours after the loss of permission.
- Subsection (b), paragraph (4) – This paragraph would require that the database shall not allow a user to be active on more than one terminal at a time without specific permissions as indicated on the chart of system access.
- Subsection (c) – This subsection would establish the storage and retrieval requirements for the database.
- Subsection (c), paragraph (1) – This paragraph would require that all data stored in the system cannot be edited, deleted, or replaced, but instead notations of edits, deletions or replacements must be made in order to protect the integrity of the data and allow for accurate documentation and tracking of the entered data.
- Subsection (c), paragraph (2) – This paragraph would require that the database have the ability to generate a system report and a report of all notations to edit, delete, or replace original data.
- Subsection (c), paragraph (3) – This paragraph would require that the database be able to retrieve or display the information necessary to confirm that it is the type of device that was certified and is functioning as approved.
- Subsection (d) – This subsection would require that a system backup be performed daily, and that the documentation be maintained at a location compliant with subsection (f).
- Subsection (e) – This subsection would require that date and time synchronization for all terminals and the database be controlled or updated by a network time protocol server.

- Subsection (f) – This subsection would require that the primary database location comply with Section 12003 and that the backup storage must be at a site other than where the primary database is located, and that the backup storage location be disclosed to the Bureau.
- Subsection (g) – This subsection would require that an IT technician registered or licensed as an “other employee” monitor and be responsible for any necessary access to the database by a non-licensed party.

Adopt Section 12264. Review of Electronic Playing Book Systems.

- Subsection (a) – This subsection would provide that each electronic playing book system requires prior approval by the Bureau.
- Subsection (a), paragraph (1) – This paragraph would adopt an application processing fee of \$1200 for the initial review and processing of the electronic playing book approval application.
- Subsection (a), paragraph (2) – This paragraph would require a printed playing book form, screen-shots or pictures of the form as it appears on the device, a copy of the current certification of the electronic playing book system, and a description of how a signature will be indicated. This information is necessary for the Bureau to confirm that the electronic playing book form is in compliance with this chapter.
- Subsection (a), paragraph (3) – This paragraph would require a certification, from an independent gaming test laboratory, confirming that the electronic playing book system, including the software, the database, and a playing book device prototype, meets the requirements of this chapter. This provision would also require that the certification identify which technical test standard was used to certify the system.
- Subsection (a), paragraph (4) – This paragraph would require that a chart of system access be included with the application for approval, which would provide the position titles, methods of authentication, and the permissions granted for use of or access to the system.
- Subsection (a), paragraph (5) – This paragraph would require that a written summary of the design and operation of the system be submitted with the application for approval. In addition, the written description must be supplemented by one or any combination of the following: (1) a video of the system in operation; or, (2) a prototype device with written instructions and access; or, (3) a live demonstration of the system.
- Subsection (a), paragraph (6) – This paragraph would require that the contact information for an IT technician responsible for administering the electronic playing book system be included in the application for approval. This paragraph would also require that an IT technician be available during the approval process during the Bureau’s normal business hours so that the Bureau may ask any questions it may have regarding the system.

- Subsection (b) – This paragraph would provide that the Bureau shall notify the applicant within 30 working days if the filing is accepted or deficient and that the Bureau must approve or deny an electronic playing book system within 120 days of receiving a completed application.
- Subsection (c) – This subsection would provide that each system replacement or upgrade requires certification of continued compliance with this chapter by an independent gaming test laboratory. This certification would be submitted with the application for Bureau approval of a playing book system.
- Subsection (c), paragraph (1) – This paragraph would provide that new security updates for a previously approved version would not require notification, approval, or certification.
- Subsection (c), paragraph (2) – This paragraph would require that any update to any software, system, or components internally developed by the licensee requires notification to the Bureau within five days of the change.

ARTICLE 3. (RESERVED).

- This article is being added for future use.

ARTICLE 4. SECURITY AND USE OF PLAYER BANKS.

Adopt Section 12285. General Provisions.

- Subsection (a) – This will require the TPPPS and Gambling Business primary owner to develop written procedures acceptable to the Bureau which establishes a dollar threshold for notification to the primary owner of any significant loss incurred in a single controlled game immediately upon the determination of the loss.

ARTICLE 5. COMPLIANCE.

Adopt Section 12290. General Provisions.

- Subsection (a) – The current requirement that all game rules shall be complied with would be moved from Sections 12200.21 and 12220.21 to this subsection.
- Subsection (b) – The current requirement that only an authorized TPPPS and Gambling Business player may possess, direct, or otherwise control currency, chips, or other wagering instruments would be moved from Sections 12200.21 and 12220.21.
- Subsection (c) – This would require that the licensee shall notify the Bureau within five calendar days of specific incidents.
- Subsection (c), paragraph (1) – This would require that the licensee notify the Bureau when an electronic playing book device, system, or database failure prevents it from functioning as initially approved.

- Subsection (c), paragraph (2) – This would require that the licensee notify the Bureau when there has been impermissible use or access to the electronic playing book device system.
- Subsection (c), paragraph (3) – This would require that the licensee notify the Bureau when the electronic playing book database cannot synchronize information for a period longer than 24 hours.

CHAPTER 10. DISCIPLINE, HEARINGS, AND DECISIONS.

Amend Section 12560. Disciplinary Guidelines for Third-Party Providers of Proposition Player Services Licensees or Registrants.

- Subsection (b), paragraph (20) would be amended to change the referenced section from 12200.13 to 12250.
- Subsection (b), paragraph (10) would be amended to change the referenced section from 12200.21 to 12290.

Amend Section 12562. Disciplinary Guidelines for Gambling Business Licensees or Registrants.

- Subsection (c), paragraph (10) would be amended to change the referenced section from 12220.21 to 12290.

POLICY STATEMENT OVERVIEW/ANTICIPATED BENEFITS:

This proposed action has been drafted to supplement the current requirement that TPPPS and Gambling Businesses maintain playing books for all sessions of play with an option to do so electronically. This proposed action will create uniform requirements and approval processes for both TPPPS and Gambling Businesses. Finally, the proposed regulations will consolidate the playing book requirements into a new chapter that will apply to both TPPPS and Gambling Businesses for clarity and simplicity, and to eliminate redundancy.

Subsection (b), paragraph (1) of Section 12200.13 in Chapter 2.1 and Section 12220.13 in Chapter 2.2 provide that a playing book must be “recorded in ink.” This has been interpreted to require hardcopy playing books. With advancements in electronic and virtual recordkeeping, providing for an electronic method of maintaining the playing books has been requested by the industry. These proposed regulations will offer an electronic method to comply with the playing book requirements, as well as the approvals necessary to ensure that the electronic playing book system and information are properly secure.

Moreover, the current regulations create a different playing book form approval process for TPPPS and Gambling Businesses. A TPPPS is required to submit a playing book form for approval with each gambling enterprise contract. Because a Gambling Business does not enter into a contractual relationship with a gambling enterprise, the Gambling Business is required to have a playing book form approved as part of the registration or license renewal process every

two years. Both entities must submit the playing book form for review and approval even if the previously approved playing book form is still in use and has not changed. This results in unnecessary and repetitive approvals being requested by licensees and processed by the Bureau. These proposed regulations will separate playing book approvals from contract approvals and registration/license renewal processes and create an approval process uniformly applied to both TPPPS and Gambling Businesses that will require only initial and amended playing book form approvals.

Finally, these proposed regulations will apply uniformly to both TPPPS and Gambling Businesses, to reduce the redundancy of maintaining mirroring requirements in two different chapters. This will provide simplicity, uniformity and clarity. The proposed regulation will also enhance transparency in the regulation of TPPPS and Gambling Businesses; and, will protect the health, safety, and general welfare of the public by aiding and preserving the integrity of controlled gambling.

CONSISTENCY OR COMPATIBILITY WITH EXISTING STATE REGULATIONS:

During the development of this regulatory action, the Commission has conducted a review of similar regulations on this topic and has concluded that these proposed regulations are neither inconsistent nor incompatible with existing state regulations or statutes. In arriving at this conclusion, the Commission reviewed the Act, relevant sections of the Penal Code, its own regulations in Title 4, and the Bureau's regulations in Title 11 of the California Code of Regulations.

As provided in subdivision (b) of section 19811, the Commission is vested with jurisdiction and supervision over gambling establishments, and over all persons or things having to do with the operations of gambling establishments in California. The scope and content of the Commission's regulations is generally set forth in section 19841. The scope and content of these proposed regulations is specifically addressed in subdivision (b) of section 19984 of the Business and Professions Code.

COMPARABLE FEDERAL LAW:

There are no existing federal regulations or statutes comparable to the proposed regulations.

FISCAL IMPACT ESTIMATES

FISCAL IMPACT ON PUBLIC AGENCIES INCLUDING COSTS OR SAVINGS TO STATE AGENCIES OR COSTS/SAVINGS IN FEDERAL FUNDING TO THE STATE:

There would be no fiscal impact on the Commission or to any state agencies, including costs or savings or costs/savings in Federal funding.

The Bureau of Gambling Control within the Department of Justice provided the Commission with estimated timeframes to inspect electronic playing books based on the proposed amendments. As a result of the increased workload, they request a new application fee of \$1200

NOTICE OF PROPOSED REGULATORY ACTION
PLAYING BOOKS
CGCC-GCA-2016-01-R

for review of electronic play books. If there are questions pertaining to the Bureau's information, the contact person is:

Susanne George
Susanne.george@doj.ca.gov
(916) 227-2461

NON-DISCRETIONARY COST OR SAVINGS IMPOSED UPON LOCAL AGENCIES: None.

MANDATE IMPOSED ON ANY LOCAL AGENCY OR SCHOOL DISTRICT FOR WHICH PART 7 (COMMENCING WITH SECTION 17500) OF DIVISION 4 OF THE GOVERNMENT CODE REQUIRES REIMBURSEMENT: None.

COST TO ANY LOCAL AGENCY OR SCHOOL DISTRICT FOR WHICH PART 7 (COMMENCING WITH SECTION 17500) OF DIVISION 4 OF THE GOVERNMENT CODE REQUIRES REIMBURSEMENT: None.

EFFECT ON HOUSING COSTS: None.

IMPACT ON BUSINESS:

The Commission has made an initial determination that the adoption of these regulations would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

For the most part, this proposed action only makes minor modifications to the requirements already in place for hardcopy playing books. Furthermore, the elimination of the requirements for redundant approval of the same playing book form, regardless of any change, should actually have a positive impact on the affected businesses.

The addition of provisions relating to electronic playing book forms and systems may have a business impact; however, that impact would not be significant. The possible adverse impact would come from the development of the electronic playing book system itself, and in the certification of the system. That impact may be offset, at least to a large extent, by the reduction in storage costs in that data would be stored electronically rather in hardcopy form. Furthermore, the use of the electronic playing book is a purely discretionary alternative and is not mandated by the proposed action.

COST IMPACT ON REPRESENTATIVE PRIVATE PERSON OR BUSINESS:

The Commission is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

EFFECT ON SMALL BUSINESS:

The Commission has determined that the proposed regulatory action will not affect small businesses because TPPPS and Gambling Businesses are not small businesses as defined in Government Code section 11342.610.

RESULTS OF ECONOMIC IMPACT ASSESSMENT/ANALYSIS

IMPACT ON JOBS/NEW BUSINESSES:

The Commission has determined that this regulatory proposal will not have any impact on the creation of new jobs or businesses, the elimination of existing jobs or businesses, or the expansion of businesses in California.

The proposed action only makes minor modifications to existing requirements for hardcopy playing books and adds a discretionary alternative for the use of electronic playing books.

BENEFITS OF PROPOSED REGULATION:

These proposed regulations will have the benefit of providing one uniform and streamlined playing book approval process for TPPPS and Gambling Business and will provide an electronic playing book compliance option for licensees. These proposed regulations will allow each licensee to choose the method of playing book maintenance that best suits their business, while still maintaining the standards required to document each session of play. This will provide clarity, simplicity and uniformity for TPPPS and Gambling Businesses.

The proposed regulations will also enhance transparency in the regulation of TPPPS and Gambling Businesses; and, will protect the health, safety, and general welfare of the public by aiding and preserving the integrity of controlled gambling.

Any interested person may present statements or arguments orally or in writing relevant to the above determinations at the above-mentioned hearing.

CONSIDERATION OF ALTERNATIVES

The Commission must determine that no reasonable alternative considered by the Commission or that has otherwise been identified and brought to the attention of the Commission would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

INITIAL STATEMENT OF REASONS, INFORMATION AND TEXT OF PROPOSAL

The Commission has prepared an Initial Statement of Reasons and the exact language for the proposed action and has available all the information upon which the proposal is based. Copies of the language and of the Initial Statement of Reasons, and all of the information upon which the proposal is based, may be obtained at the hearing or prior to the hearing upon request from the Commission at 2399 Gateway Oaks Drive, Suite 220, Sacramento, CA 95833-4231.

AVAILABILITY AND LOCATION OF THE RULEMAKING FILE AND THE FINAL STATEMENT OF REASONS

All the information upon which the proposed action is based is contained in the Rulemaking File that will be available for public inspection and copying at the Commission's office throughout the rulemaking process. Arrangements for inspection and/or copying may be made by contacting the primary contact person named below.

You may obtain a copy of the Final Statement of Reasons, once it has been prepared, by making a written request to one of the contact persons named below or by accessing the Commission's Web site listed below.

CONTACT PERSONS

All comments and inquiries concerning the substance of the proposed action should be directed to the following **primary** contact person:

Ashley Heebner, Regulatory Actions Analyst
Regulatory Actions Unit
California Gambling Control Commission
2399 Gateway Oaks Drive, Suite 220, Sacramento, CA 95833-4231
Telephone: (916) 274-4904
Fax: (916) 263-0499
E-mail: aheebner@cgcc.ca.gov

Requests for a copy of the Initial Statement of Reasons, proposed text of the regulation, modified text of the regulation, if any, or other technical information upon which the proposed action is based should be directed to the following **backup** contact person:

Tina M. Littleton, Manager
Regulatory Actions Unit
California Gambling Control Commission
2399 Gateway Oaks Drive, Suite 220, Sacramento, CA 95833-4231
Telephone: (916) 263-4787
Fax: (916) 263-0499
E-mail: tlittleton@cgcc.ca.gov

WEB SITE ACCESS

Materials regarding this proposed action are also available on the Commission's Web site at www.cgcc.ca.gov.