

CALIFORNIA GAMBLING CONTROL COMMISSION
FINAL STATEMENT OF REASONS
CGCC-GCA-2016-01-R

HEARING DATE:

October 5, 2016

SUBJECT MATTER OF PROPOSED REGULATIONS:

Playing Books for Third-Party Providers of Proposition Player Services (TPPPS) and gambling businesses

SECTIONS AFFECTED:

California Code of Regulations, Title 4, Division 18: Sections 12003, 12200, 12200.7, 12200.9, 12200.10A, 12200.11, 12200.13, 12200.16, 12200.18, 12200.21, 12220, 12220.13, 12220.16, 12220.18, 12220.21, 12250, 12260, 12261, 12262, 12263, 12264, 12285, 12287, 12290, 12560, and 12562

UPDATED INFORMATION:

The Initial Statement of Reasons, as published on June 10, 2016, and Supplemental Initial Statement of Reasons, as noticed on July 14, 2017, are included in the file and are hereby incorporated by reference as if fully set forth herein. The information contained therein is updated as follows:

PROPOSED ACTION:

This proposed action makes the following specific changes within Division 18 of Title 4 of the California Code of Regulations:

A general change has been made in the proposal to remove the word “shall.” Shall is a potentially ambiguous word. In most connotations it is used to convey an obligation. However, the word has been used in a variety of contexts to convey a range of ideas including “may,” defining a term, meaning “should,” etc. In an effort to foreclose any such ambiguity, shall is replaced throughout the text with other words subject to less interpretation. These are non-substantive, clarifying changes to syntax within the meaning of Section 100(a)(4), Title 1 of California Code of Regulation (CCR).

The proposed changes to Chapter 1 are as follows:

Amend Section 12003. General Requirements

Section 12003 provides general requirements and procedures dealing with the maintenance and availability of records. These requirements are applied to other regulatory provisions which require a record to be created, reported, or maintained.

Subsection (b) provides that all records required by the Commission or Bureau must be maintained under specific requirements. This provision requires that a change in the location for storage of required records must be approved by the Bureau. The Bureau is provided 30 days to disapprove a location after a change in location is reported to them otherwise the location is deemed approved by the Bureau. This provision is modified to specify that the Bureau's response time is 30 calendar days. This change clarifies the timeline.

The proposed changes to Chapter 2.1 are as follows:

Amend Section 12200. Definitions.

Section 12200 provides definitions for the chapter dealing with TPPPS. Two definitions have been repealed from this section and moved to another section, other provisions have therefore been renumbered accordingly.

Subsection (b) provides the specific definitions that apply to this chapter.

Paragraph (12) provides the definition of "license" to mean a license issued pursuant to Article 3 of Chapter 2.1. This is further defined to include 4 license categories. Subparagraph (B) provides information on the license requirements for "other employees" as defined in paragraph (15) that are required to obtain a license and be approved or denied on the same basis as the "player" license category. Subparagraph (B) is amended to delete "shall be required to" which is replaced with "must. This change is consistent with the general change as noted above, with the additional words "be required to" removed to maintain proper syntax.

Amend Section 12200.18. Revocation.

This provision provides that the Commission may revoke a registration or license pursuant to the same hearing structure used for a gambling enterprise license.

Subsection (d) provides that a cause for administrative hearing is the failure by the registrant or licensee to properly maintain records. To maintain consistency, the regulatory reference is revised to reflect other changes and references to Section 12003. The additional reference to identify Section 12003's title is unnecessary and was therefore removed. This is a non-substantive change without regulatory effect.

The proposed changes to Chapter 2.2 are as follows:

Amend Section 12220. Definitions.

Section 12220 provides definitions for the chapter dealing with gambling businesses. Two definitions have been repealed from this section and moved to another section and other provisions have been renumbered accordingly.

Subsection (b) provides the specific definitions that apply to this chapter.

The provisions of paragraph (16) mirror the provisions of paragraph (15) of subsection (b) of Section 12200 in Chapter 2.1. The phrase “serve as a player” is replaced with “provide proposition player services.” This phrase provides a clarifying change that a gambling business’ other employee cannot participate in any function involving the play of a controlled game. Additionally, this change makes the definition consistent with the TPPPS definition found in Section 12200(b)(15).

Amend Section 12220.18. Revocation.

The provisions of Section 12220.18 mirror the provisions of 12200.18 in Chapter 2.1. The explanation for referencing Section 12003 is the same. Therefore, see Section 12200.18.

The proposed changes to Chapter 3 are as follows:

Add Section 12250. Definitions.

Section 12250 provides definitions for the chapter dealing with both TPPPS and gambling businesses. Fifteen definitions have been proposed to provide clarity to the terms used in other provisions. Where necessary, existing terms from other chapters have been either moved to this chapter or referenced.

Subsection (b) would provide the terms specific to Chapter 3. This provision clarifies the terms used in this chapter to ensure consistent understanding by the public and the regulated industry.

- Paragraph (1) would define the term “authentication” to mean the verification that an individual is authorized to access a system. This definition is necessary to provide consistent understanding to the public and regulated industry. This definition is modified to mean the verification that an individual is authorized to access a system. The change from “of an individual as being” to “that an individual is” is a non-substantive change without regulatory effect.
- Paragraph (4) would define the term “electronic playing book device” or “playing book device” to mean the specific terminal used to access an electronic playing book. This would be the physical device used by the proposition players to access the system. This definition is necessary to provide consistent understanding to the public and the regulated industry. This definition is modified to mean a terminal used to access an electronic

playing book. The change from “as” to “to access” is a non-substantive change without regulatory effect.

- Paragraph (6) would define the term “independent gaming test laboratory” to mean a gaming test laboratory that meets one of two requirements. The laboratory must either be: (A) licensed or registered by another United States jurisdiction to test, approve, and certify gambling equipment, systems, and software, and accredited by a signatory to the International Laboratory Accreditation Cooperation Mutual Recognition Arrangement; or, (B) be operated by a state governmental gaming regulatory agency. This definition is necessary to identify a class of approved test laboratories. Subparagraph (A) is separated into two clauses (renumbered i. and ii.). In addition, the parentheticals associated with the International Laboratory Accreditation Cooperation Mutual Recognition Arrangement are removed. These are non-substantive changes without regulatory effect. In addition, the allowances of an “other equivalent laboratory accreditation agreement is removed. The Commission is not aware of any other appropriate standard and is unable to provide specific guidelines under which any additional guidelines would be appropriate. Without this specificity and clarity, it is inappropriate to include this additional language.
- Paragraph (7) would define the term “information technology technician” or “IT technician” to mean any person responsible for and has the permissions necessary to access an electronic playing book system, as specified. This definition is necessary to identify a class of individuals who have a high level of access to the financial information stored in a primary database but who otherwise may not be registered or licensed as employees of a TPPPS or gambling business. This definition is modified to remove the word “database.” The terms “electronic playing book,” “system” and “database” are each defined terms. The use of “system” and “database” together as defined terms causes a confusing statement. The removal of the word “database” does not change the regulatory effect and is therefore a non-substantive change.
- Paragraph (10) would define the term “playing book” to mean a record documenting each session of play by a third-party proposition player or by a gambling business individual player. This definition is being moved from Chapters 2.1 and 2.2, Sections 12200 and 12220 respectively. As part of the consolidation of the playing book regulations into Chapter 3, it is no longer necessary for two playing book definitions. The original noticed text failed to include “or by a gambling business individual player.” This provision is modified to add this language. This change is necessary to make the text match that which was originally noticed and is necessary to maintain current requirements.
- Paragraph (11) would define the term “primary database” or “database” to mean a collection and storage of all electronic playing book system information. This definition is necessary to provide consistent understanding to the public and regulated industry. The use of “system” and “database” together as defined causes a confusing statement. The removal of the word “system” does not change the regulatory effect and is therefore a non-substantive change.

- Paragraph (12) would define the term “session of play” to mean a time period when a player is operating at a gaming table before it closes. A session of play cannot be longer than 24 consecutive hours. Currently Chapters 2.1 and 2.2, Sections 12200 and 12220 respectively, include definitions of “session of play.” Those definitions are no longer required since the process for playing book approval has been moved to Chapter 3. The definition has been modified to provide clarity to its use. The former reference to “continuous work shift performed by an individual proposition player at a specific gaming table” lacked clarity and had been interpreted to mean either: (1) to follow the employee as they moved amongst different gaming tables or (2) to follow a gaming table as different employees came to work. The revised definition provides clarity that the session of play follows the play at a specific gaming table until that play ends or 24 hours have elapsed even if the employee changes.

Adopt Section 12260. General Provisions.

Subsection (g) would provide that the data-entry method for the playing book forms may be in any format that the Bureau approves. This provision is necessary to allow flexibility for the primary owner to develop a playing book that suits the needs of the business and regulations while still ensuring that appropriate protections are put in place.

- Paragraph (3) would require that the date and time of commencement of the session of play be provided on the playing book form. This provision is moved from subparagraphs (b)(2)(C) of Sections 12200.13 and 12220.13. This provision is modified to replace “each” with “the.” This change is necessary to keep this provision consistent with the change in Section 12560(b)(12).
- Paragraph (4) would require the recording on the player form the beginning and ending balances for each session of play and for each proposition player that operated during the session. The current requirements of subparagraphs (b)(2)(D) of Sections 12200.13 and 12220.13 requires only the beginning and ending balances to be provided on the playing book form. The modification of this requirement is necessary to remain consistent with the revised definition for “session of play.” Now, a session of play allows for different people to handle the same money. By requiring each employee to close out his or her balance and each new player verify his or her beginning balance, the proposed regulation provides an additional level of protection. If the employees who handle money at the beginning and end of each session of play do not count the money, there would be no way of knowing the amounts of money present at the time of a shift change, making it hard to investigate any issues that may be later discovered.
- Paragraph (7) would require that the playing book form include the printed name and badge number of each player, including owners and supervisors when acting as players. This provision is modified to replace “the” with “each.” This change is necessary to keep this provision consistent with the change in Section 12560(b)(12) which can now allow for multiple players to conduct proposition player services in a session of play.

- Paragraph (10) would require that the playing book form include the name of the TPPPS company or gambling business. The current requirement in subparagraphs (b)(2)(I) of Sections 12200.13 and 12220.13 require the name of the primary owner, but this lacks the necessary specificity. The term “primary owner” can refer to both the operating business (TPPPS company or gambling business) and also each individual, business, or trust owning or controlling the operating business. This change ensures that the correct primary owner is identified in all cases.
- Paragraph (11) would require that the date and time of completion of the session of play be provided on the playing book form. This provision is moved from subparagraphs (b)(2)(C) of Sections 12200.13 and 12220.13. This provision is modified to replace “each” with “the.” This change is necessary to keep this provision consistent with the change in Section 12560(b)(12).
- Paragraph (12) would require the proposition player and their supervisor to sign at the conclusion of that player’s activities. The current requirements of paragraphs (b)(3) of Sections 12200.13 and 12220.13 provide the player certification. Its consolidation here is a non-substantive change. The provision is modified from current requirements to be consistent with allowing more than one player within a session of play and to clarify that a player is not required to certify to the play of another player. The requirement that the form be time-stamped has been removed as the focus of the playing book form is on the session of play, whose timeline is otherwise tracked. The addition of a supervisor signature adds an additional layer of control.
- Paragraph (13) would require that the playing book form include a method of including a copy of any cage receipt, either physically or electronically. This is necessary as subsection (h) provides that a cage receipt may be required.

Subsection (h) would require that if a supervisor is not present to sign a playing book, the employee must instead deposit their playing funds into the TPPPS company’s player’s bank within the gambling establishment and acquire a cage receipt to be substituted for that signature. This is necessary to provide the TPPPS company the flexibility to close out a session of play without a supervisor being present while still ensuring a second count of any remaining funds is made.

Subsection (i) would require that an employee and supervisor provide electronic signatures on an electronic playing book form using the same format as an approved printed version of the playing book form. This is necessary to ensure the employee and supervisor are signing based upon the same information without one party being allowed to change information prior to the other signing. This provides protection by ensuring that all information is dual verified in a consistent format on any printout.

Subsection (j) [renumbered from subsection (h)] would require that all IT technicians employed by or contracting with 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 employee of either, who are authorized to perform IT technician duties. This is necessary to ensure that any person working for the TPPPS company or gambling business is properly identified. The term IT technician is discussed in more detail in Section 12250. Additional non-substantive grammatical changes have been made.

Subsection (k) [renumbered from subsection (i)] provides the notification requirements associated with subsection (c) of Section 12290. This information is necessary to ensure that the Bureau can identify all pertinent incident information, such as the reporting entity, location of incident, relevant dates, descriptive information, and any resolution plan to prevent future incidents. This section is modified to include both TPPPS companies and gambling businesses. This change is consistent with the similar treatment of TPPPS companies and gambling businesses otherwise reflected in this proposed and modified text.

Adopt Section 12261. Review of Playing Book Forms.

Subsection (b) provides that the current Bureau form, Request for Approval of Playing Book, BGC-APP-036 (Rev. 12/11), would be renamed to Application for Playing Book Approval, BGC-APP-036 (Rev. 07/17). The proposed change simply provides a non-substantive, editorial revision without regulatory effect. The new form has been incorporated by reference because it would be cumbersome, unduly expensive, or otherwise impractical to publish the document in the CCR. The new form allows for a complex system to be submitted and explained to the Bureau. To require every provision in the regulations would create confusion and inconsistencies in reporting which would result in a more burdensome application process. Once approved, the form will be made available on both the Bureau and Commission's websites under the appropriate form sections.

The repealed form has been replaced with a version dated July 2017. During the course of this regulatory package the Bureau changed its address and phone number. While this change was reflected in the 15 day change, as noticed July 15, 2017, it was also included in a non-substantive change that globally updated the Commission's forms (OAL Regulatory Action Number 2017-0728-06N). Due to this additional change, the version number and some information on the form changed since the issuance of the 15 day notice. The update of this section and the repealed form does not alter this package in any materially way. Additionally, to avoid the confusion of replacing a form with one with an older number, the form from this action is revised to be October 2017. If not for this change, the noticed form would pre-date the repealed form.

The form is also 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.

This provision is clarified to apply only to hardcopy playing books. Without this clarification, the regulation could be interpreted to require two forms and two processing fees when submitting an electronic playing book system.

In addition, the form is further modified as follows:

- Section 7: “Either” is changed to “At Least One of the Following.” The Commission finds that this change will not materially alter any requirement, right, responsibility, condition, prescription, or other regulatory element of any CCR provision. The proposed change simply provides a non-substantive, editorial revision without regulatory effect.
- Privacy Notice: The section references 12253 and 12259 are removed and replaced with references to Sections 12261 and 12264. The references to Sections 12253 and 12259 reference section numbers that do not exist in either current regulations or any section proposed as part of this action. The Commission published a Notice of Proposed Action on August 7, 2015.¹ This Notice was later withdrawn through a Notice of Decision Not to Proceed with Rulemaking Action. This project, revised and later re-noticed, included Sections 12253 and 12259. These sections, and others, were renumbered before this current notice was published; however, these section references were inadvertently not updated. The proposed change simply provides a non-substantive, editorial revision without regulatory effect.

Subsection (c) would provide that the Bureau must provide the applicant notification if their application is deficient within 10 working days and complete their review within 30 days. The 30 day time period is modified to provide that the timeline is 30 calendar days. This provides clarity to the timeline. Additionally, consistent with the modification to subsection (b), this provision is clarified to apply to hardcopy playing books.

Subsection (d) would provide that a non-substantive change to a previously approved playing book form may be deemed accepted upon notice to the Bureau, unless otherwise advised by the Bureau within 30 days. The provision is modified from requiring the Bureau to advice to provide notification in writing. This change is necessary to provide clarity to the process and the method of communication required of the Bureau.

The authority and reference to this section is modified to remove Business and Professions Code section 19853. The Commission finds that this change will not materially alter any requirement, right, responsibility, condition, prescription, or other regulatory element of any CCR provision. The proposed change simply provides a non-substantive, editorial revision without regulatory effect that provides clarifying specificity to the section.

Adopt Section 12262. Electronic Playing Book Device Requirements.

Subsection (c) would establish the capability and limitation requirements for the playing book device. This provision is necessary to provide clear and consistent standards for electronic playing books.

¹ Playing Books for Third-Party Providers of Proposition Player Services and gambling businesses, as described in the Notice of Proposed Action published August 7, 2015, in the *California Regulatory Notice Register*, No. 32-Z, Notice File No. Z2016-0724-01

- Paragraph (3) 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. This provision is modified from “Have manual synchronization capabilities” to “The capability for manual synchronization.” This change provides a non-substantive change that allows the provision to better fit with the associated subsection.
- Paragraph (4) 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. This provision is modified from “Have the ability to...” to “The ability to...” This change provides a non-substantive change that allows the provision to better fit within the associated subsection.
- Paragraph (5) would require that the electronic playing book system be able to accept signatures in any method approved by the Bureau. A signature may include one of many authentication types approved by the Bureau. These different authentication types give playing book designers the flexibility to use the system that is best suited for the needs of the company. This signature is necessary to prevent misappropriation of a user’s access but also to ensure that only the specific person logs into their account or authorizes changes through that account.

The authority and reference to this section is modified to remove Business and Professions Code section 19853. The Commission finds that this change will not materially alter any requirement, right, responsibility, condition, prescription, or other regulatory element of any CCR provision. The proposed change simply provides a non-substantive, editorial revision without regulatory effect that provides clarifying specificity to the section.

Adopt Section 12263. Electronic Playing Book Database Requirements.

Subsection (b) would establish the means by which the database will control access to the playing book system. This provision is modified to remove “verifications.” In the list of authentications, verifications, and permissions, both authentications and permissions are defined terms in Section 12250. Verification is not a defined term. Including it in the list makes the provision less clear as it adds an unknown element to the list. Additionally, a common definition of verification would seem to be duplicative of authentications and permissions, as defined.

- Paragraph (1) 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. This provision is modified to change the reference from Section 12260(g)(12)(A) to Section 12262(c)(5). This change is consistent with the move of Section 12260(g)(12)(A) to Section 12262(c)(5).
- Paragraph (2) 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. This provision is modified to change the reference from Section

12260(g)(12)(A) to Section 12262(c)(5). This change is consistent with the move of Section 12260(g)(12)(A) to Section 12262(c)(5).

Subsection (c) would establish the storage and retrieval requirements for the database. This provision is necessary to provide clear and consistent standards.

- Paragraph (1) would require that no data stored in the system can be edited, deleted, or replaced. If any necessary changes are made to the data, a notation indicating the change would be required to be made. This provision is modified to provide clarification that while data cannot be edited, deleted, or replaced, there are situations where incorrect data may be inadvertently entered. In these or other situations, change may be required, even if the original data is not changed. These provisions clarify that in these situations the original data is maintained, with a new data point allowed along with a notation or documentation showing the purpose of the revised data and the set aside of the original data.
- Paragraph (2) would require that the database have the ability to generate a system report and a report of all notations as required in paragraph (1). Subparagraph (B) is modified to reference paragraph (1) directly instead of repeating terms. This provides clarity to what notations are being listed.

Adopt Section 12264. Review and Certification of Electronic Playing Book Systems.

Subsection (a) is revised to be consistent with the changes to Section 12261(a) and Section 12263(b)(1).

Subsection (b) would provide that the Bureau 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. The 120 day time period is modified to provide that the timeline is 120 calendar days. This provides clarity to the timeline.

The authority and reference to this section is modified to remove Business and Professions Code section 19853. The Commission finds that this change will not materially alter any requirement, right, responsibility, condition, prescription, or other regulatory element of any CCR provision. The proposed change simply provides a non-substantive, editorial revision without regulatory effect that provides clarifying specificity to the section.

Adopt Section 12285. General Provisions.

Subsection (a) provides that any written procedures required pursuant to this Chapter must be submitted to the Bureau for review and approval, including any amendments to approved procedures. This is necessary to ensure compliance with all regulatory requirements.

Subsection (b) provides that these required procedures must be established and introduced by a specific date. This provision is necessary to give the primary owner adequate time to develop the procedures after the regulations become effective.

In addition, the text is modified to “six months following the effective date of this section.” In 2012, Section 11343.4 was modified to require the Secretary of State to publish regulations quarterly instead of on the 30th date after the date of filing. Due to this change, language requiring that policies be in effect on the “first day of the first full month” is repetitive and unnecessary. The Commission finds that this change will not materially alter any requirement, right, responsibility, condition, prescription, or other regulatory element of any CCR provision. The proposed change simply provides a non-substantive, editorial revision without regulatory effect.

As part of the finalization of this package, the reference to six months following the effective date of this section is revised to July 1, 2018. This change is consistent with the notice text and the expected effective date of January 1, 2018.

The authority to this section is modified to add Business and Professions Code sections 19840, 19841, and 19984. The reference to this section is modified to add Business and Professions Code section 19841. The Commission finds that this change will not materially alter any requirement, right, responsibility, condition, prescription, or other regulatory element of any CCR provision. The proposed change simply provides a non-substantive, editorial revision without regulatory effect that provides clarifying specificity to the section.

Adopt Section 12287. Loss Notification.

Subsection (a) provides that a TPPPS company and gambling business must develop written procedures. This provision is necessary to provide clear and consistent standards for TPPPS companies and gambling business.

- Paragraph (1) provides that the procedures must include a dollar threshold for a loss that triggers notification to the primary owner. This is necessary to ensure that significant losses are properly reported to help protect the integrity of the game. The proposed provision does not provide a specific threshold because the policy must be flexibly determined based upon many factors; such as game rules, TPPPS or gambling business size, and average risk of play. By leaving it flexible, the primary owner is able to determine the value under consultation with the Bureau.
- Paragraph (2) provides that in addition to notifying the primary owner, the procedures must include a process for notifying the Bureau’s Criminal Intelligence Unit. This notification must take place within 24 hours of the primary owner being notified. This process is necessary to ensure that the Bureau is able to promptly and adequately investigate the loss for criminal activity. The notification to the Bureau needs to be prompt to ensure that the Bureau’s investigation can be conducted while evidence is still available. In addition, the text is modified to change “Includes” to “Include.” The proposed change simply provides a non-substantive, editorial revision without regulatory effect.

The authority to this section is modified to add Business and Professions Code sections 19840, 19841, and 19984. The reference to this section is modified to add Business and Professions

Code section 19841. The Commission finds that this change will not materially alter any requirement, right, responsibility, condition, prescription, or other regulatory element of any CCR provision. The proposed change simply provides a non-substantive, editorial revision without regulatory effect that provides clarifying specificity to the section.

Adopt Section 12290. Compliance.

Subsection (a) would require that licensees and registrants under Chapter 2.1 and 2.2 must comply with all game rules. This provision is currently part of subsections (a) of Sections 12200.21 and 12220.21. This section was originally noticed as a non-substantive change; however, it incorrectly changes those affected from all registrants and licensees to just primary owners. The provision has been modified to maintain current provisions, as originally noticed.

Subsection (b) would require that only an authorized TPPPS and gambling business player may possess, direct, or otherwise control currency, chips, or other wagering instruments. This provision is currently part of subsections (b) of Sections 12200.21 and 12220.21. The provision has been modified to maintain the term “authorized player” as it is a defined term. While this is technically a change, it is done to maintain the effectiveness of current regulations and is therefore a non-substantive change.

Subsection (c) would require that the licensee notify the Bureau within five calendar days of specific incidents.

- Paragraph (1) requires that the licensee must notify the Bureau of any incident that prevents an electronic playing book device, system, or database from functioning. This provision is modified from “a electronic...” to “an electronic.” This is a non-substantive, grammatical revision.
- Paragraph (3) would require that the licensee notify the Bureau when the electronic playing book database cannot synchronize information for a period longer than 24 hours. This provision is modified to allow the provision to better work with the associated subsection. This is a non-substantive change without regulatory effect.

Subsection (d) provides that the proposition player contract may contain a provision prohibiting another TPPPS company or a gambling business from also operating at a table where there is a third-party contract. This provision is currently part of subsection (a) of Section 12200.21. Section 12200.21 was noticed as being moved to Section 12290; however, this provision was inadvertently missed. The modified text does include changes from the original text to account for the regulatory effects of both existing provisions. This is a non-substantive change.

Subsection (e) provides that the house is not precluded from assigning a seat at the table to a registrant or licensee. This provision is currently part of subsection (a) of Section 12200.21; however, this provision was inadvertently missed. This is a non-substantive change.

The authority to this section is modified to add Business and Professions Code sections 19840, 19841, and 19984. The reference to this section is modified to add Business and Professions

Code section 19841. The Commission finds that this change will not materially alter any requirement, right, responsibility, condition, prescription, or other regulatory element of any CCR provision. The proposed change simply provides a non-substantive, editorial revision without regulatory effect that provides clarifying specificity to the section.

The proposed changes to Chapter 10 are as follows:

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. This is a non-substantive change.

Subsection (c), paragraph (10) would be amended to change the referenced section from 12200.21 to 12290. This is a non-substantive change.

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. This is a non-substantive change.

UNDERLYING DATA:

In addition to the information discussed in the Initial Statement of Reasons, the Commission also considered the following information:

- Workload Analysis and Fee Calculation, April 28, 2016, Bureau of Gambling Control, Department of Justice

REQUIRED DETERMINATIONS:

LOCAL MANDATE:

A mandate is not imposed on local agencies or school districts.

BUSINESS IMPACT:

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.

This proposed action generally 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 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, to some extent, by a) the fact that many businesses already utilize electronic playing books, and b) the reduction in storage costs because 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.

ECONOMIC IMPACT ASSESSMENT/ANALYSIS:

IMPACT ON JOBS/NEW BUSINESSES:

The Commission has determined that this regulatory proposal will not have a significant impact on the creation of new jobs or businesses, the elimination of jobs or existing businesses, or the expansion of businesses in California. For this purpose, the consolidated small business definition provided in Government Code section 11346.3, subdivision (b), paragraph (4) was utilized.

The basis for this determination is that this proposed action 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 businesses 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.

By allowing for information to be entered and stored digitally, the amount of paper documents is reduced. This provides benefit to the environment by reducing resources and waste.

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.

CONSIDERATION OF ALTERNATIVES:

No reasonable alternative to the regulations would be more effective in carrying out the purpose for which the action is proposed, would be as effective as 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.

Set forth below are the alternatives that were considered and the reasons each alternative was rejected:

No reasonable alternative has been considered or otherwise identified and brought to the attention of the Commission.

COMMENTS, OBJECTIONS OR RECOMMENDATIONS / RESPONSES:

The following public comments/objections/recommendations were made regarding the proposed action² during the public comment periods:

I. 45-DAY WRITTEN COMMENT PERIOD

The following written comments/objections/recommendations were received regarding the proposed text dated May 18, 2016, during the 45-day written comment period that commenced June 10, 2016, and ended July 25, 2016:

A. COMMENTS MADE IN GENERAL TO THE PROPOSAL.

1. The following comments were received about the proposal, in general:

- a. **Mitchell Goldstein – Gold Gaming Consultants:** Mr. Goldstein commented that the gaming laboratory approval, software licensing, and the location of the server seem too strict for his company's needs. Further, he recommended that the Commission add language to the pending regulations that states that paper forms may also include a printed form on a non-compliant electronic database and signed in ink by the player.

Recommended Response: This comment was considered but was rejected. 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. Understanding that the option to use an electronic playing book database and playing book to track the activities would be too strict for Mr. Goldstein's company's needs, this suggested language would make the proposed language for electronic playing books moot. Any playing book that is not an electronic database system must be reviewed and approved by the Bureau pursuant to Sections 12260 and 12261.

B. AMEND SECTION 12003. GENERAL REQUIREMENTS.

1. Subsection (c) amends the existing provision to include language that allows the Bureau representatives to inspect, copy, or audit all required documents, papers, books, and other records to include hardware, associated equipment, and systems that support the operation of the licensed activities.
 - a. **Yolanda Morrow – Bureau of Gambling Control:** Ms. Morrow suggests that the definition address access to inspect all programs or applications that have access

² The descriptions of the proposed changes are based on the regulation text originally published October 18, 2013.

either to Electronic Playing Book terminal(s) or the database(s) associated with the operation of those terminal(s).

Recommended Response: This comment was considered but was rejected. The Business and Profession Code section 19827 provides the Department of Justice the powers necessary to enable it to carry out fully and effectually the duties and responsibilities of the Department as specified in the Gambling Control Act. Further, staff believes that the suggested language [“The inspection may include all hardware, associated equipment, and systems that support the operation of the licensed activities.”](#) which can be found in Section 12003(c) provides the Bureau the authority to inspect all programs or applications as stated in Ms. Morrow’s comment.

C. AMEND SECTION 12200. DEFINITIONS.

1. Subsection (b)(15) amends the existing definition to include subcontractor and independent contractor as an “other employee”; and, moves language from the “License” definition currently in Section 12200(b)(12)(B).
 - a. **Keith Sharp – Metis TPS, LLC:** Mr. Sharp suggests that the amended language not be included as it is a potentially burdensome and an unwieldy requirement. Requiring every third party vendor employee who sets foot into a gambling establishment to be registered or licensed could potentially hold up the installation/troubleshooting/maintenance of a third party playing book database; thereby, jeopardizing the security of that database.

Recommended Response: This comment was considered but was rejected. Section 12250(b)(7) defines information technology technician to mean any person who is responsible for and has the system permission necessary to access an electronic playing book system database, including but not limited to the software coding, data storage functions, all critical components of system functioning, and the receipt of system alerts. These types of duties could be performed remotely or at the business address of the TPPPS; therefore, an IT technician is required to be registered or licensed regardless of whether they work remotely or on site. Further, this requirement is being suggested to ensure that the electronic playing book system and information are maintained by person(s) who meet the licensing standards.

D. AMEND SECTION 12220. DEFINITIONS.

1. Subsection (b)(16) amends the existing definition to include subcontractor and independent contractor as an “other employee”; and, to move language from the “License” definition currently in Section 12220(b)(13)(B).
 - a. **Keith Sharp – Metis TPS, LLC:** Mr. Sharp suggests that the amended language not be included as it is a potentially burdensome and unwieldy requirement. Requiring every third party vendor employee who sets foot into a gambling establishment to be registered or licensed could potentially hold up the installation, troubleshooting,

and/or maintenance of a third party playing book database; thereby, jeopardizing the security of that database.

Recommended Response: This comment was considered but was rejected. Please see recommended response for C.1.a.

E. ADOPT SECTION 12250. DEFINITIONS.

1. Subsection (b)(8) provides a new definition for the term “ink.” This definition provides clarity to the types of materials that could be used in producing a playing book, focusing on those that make an indelible mark.

- a. **Mitchell Goldstein – Gold Gaming Consultants:** Mr. Goldstein commented that the term “ink” needs to be clarified that toner should be allowed and that playing books should not be limited to only the use of a pen.

Recommended Response: This comment was considered but was rejected. The definition for “ink” already includes “printer toner powder.”

2. Subsection (b)(12) moves existing definitions 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 has been 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.

- a. **Keith Sharp – Metis TPS, LLC:** Mr. Sharp suggests that the definition be tied to a game and a gambling table rather than an individual’s work shift. Tying the playing book to the table and providing space on the playing book form for several individuals to record their service on that table greatly enhances game security.

Recommended Response: This comment was considered and accepted in part. The initial intent of the definition of “session of play” was to require a playing book form to be completed by an individual to monitor the activities of that individual as they provide proposition player services at a gaming table during their work shift which they sign under penalty of perjury. The playing book form is a tool to assist the Bureau when investigating if money laundering, loan sharking, theft, etc. occurred during an individual’s time while performing proposition player services at a particular gaming table. Now with the understanding that an individual does not sit at one gaming table for their entire shift, the language “continuous work shift” is not appropriate. Therefore, staff recommends the following changes to the language:

“Session of play” as used in Section 12250 (“Playing Book”) means the time period when a TPPPS company or gambling business operates, respectively, a third-party proposition player or individual player at a gaming table before the gaming table closes; however, provided that in no event may a time period be

longer than 24 consecutive hours ~~a continuous work shift performed by an individual proposition player at a specific gaming table.~~

3. Subsection (b)(14) defines “system” to mean a group of interdependent components that interact regularly to perform a task.
 - a. **Yolanda Morrow – Bureau of Gambling Control:** Ms. Morrow expressed concern that the definition of system may not include programs, software, or applications.

Recommended Response: This comment was considered but was rejected. While it is true that system does not explicitly mention programs, software, or applications, the term provides a broader reference that includes all interdependent components that interact regularly. This would include programs, software, or applications, but would also include any other component.

F. ADOPT SECTION 12260. GENERAL PROVISIONS.

This section provides specific requirements relating to the use of playing books that a licensee is responsible for following when providing third-party proposition services.

1. Subsection (g)(12) requires the signature of the player whose activity is being recorded along with the signature of a supervisor. In the absence of a supervisor, the player would be responsible for obtaining a receipt from the cage employee and kept in accordance with Section 12003.
 - a. **Yolanda Morrow – Bureau of Gambling Control:** Ms. Morrow suggests changes to the text to change the phrase “TPPPS company bank account” to “TPPPS Player’s Bank.”

Recommended Response: This comment was considered and accepted in part. “Player’s bank” is currently a definition in Section 12002(w); therefore, changing the proposed language remains consistent with that definition. Staff recommends the following changes to the language:

(12) The signature of the player whose activity is being recorded; and, the signature of a supervisor. Each signature shall include a declaration in the following form: “I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.” If a supervisor is not present to sign, the funds shall be deposited into a TPPPS company player’s bank ~~account~~ within the gambling establishment; and, a cage receipt shall be obtained and substituted for that signature. The receipt shall be kept in accordance with Section 12003.

2. Subsection (h) requires all IT technicians employed by a registrant or licensee be registered or licensed as “other employees” pursuant to either Chapters 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.

- a. **Keith Sharp – Metis, TP, LLC:** Mr. Sharp continues to suggest that subcontractors/independent contractors and their employees not be required to be registered/licensed. Mr. Sharp suggests that the TPPPS could instead provide notice to the Bureau of the contact information for any such vendor or subcontractor.

Recommended Response: This comment was considered but was rejected. Please see recommended response for I.C.1.a.

3. Subsection (i) provides the notification requirements when a licensee is reporting an incident to the Bureau:

- a. **Tracey Buck-Walsh – PT Gaming, LLC:** Ms. Buck-Walsh recommends changing the term “in this Chapter” to “as found in section 12290(c)” for clarity and ease of understanding.

Recommended Response: This comment was considered and accepted. The proposed change does provide clarity and ease of understanding as subsection 12290(c) is the only subsection that identifies when an incident report is required and is not found elsewhere in Chapter 3. The proposed changes are as follows:

(i) Any incident notification requirements ~~in this Chapter~~ as found in section 12290(c) must be submitted to the Bureau with the following information:

G. ADOPT SECTION 12262. ELECTRONIC PLAYING BOOK DEVICE REQUIREMENTS.

This section provides specific information storage and retrieval requirements for electronic playing book devices.

1. Subsection (b) would establish security requirements for the playing book device.

- a. **Yolanda Morrow – Bureau of Gambling Control:** Ms. Morrow suggests that the regulation, as written, does not address software, programs, or applications that are ancillary to those that are installed on the device solely for electronic playing book functions. Further, Ms. Morrow expressed concerns that any other electronic media installed on a device, other than those designed for electronic playing book functions, may corrupt or compromise the functionality of the electronic playing book device or the system itself. Ms. Morrow suggested that the following language be added to prohibit any ancillary electronic media access to any electronic playing book related function:

(3) Any software, program, or application installed on the terminal ancillary to the electronic playing book function of the terminal must not have access to

any recorded data or properties of the electronic playing book function of the terminal.

Recommended Response: This comment was considered but was rejected. Proposed language in Section 12260(a) provides for a licensee to have other applications or program accessible from a terminal with access to the playing book system. Further, it provides the Bureau with the authority to approve any program with access to the electronic playing book database. Therefore, the suggested language is not required.

H. ADOPT SECTION 12264. REVIEW OF ELECTRONIC PLAYING BOOK SYSTEMS.

This section provides specific provisions on the process for the Bureau to review electronic playing book systems.

1. The following comments were received about the section, in general:

- a. **Yolanda Morrow – Bureau of Gambling Control:** Ms. Morrow expresses concern that the issuance of an approval by the Bureau of an electronic playing book system could be taken as an assurance of the system’s functionality, thereby opening the Bureau or the Commission to liability in the event of the an approved system’s failure or malfunction. Ms. Morrow suggests that the following language be included in the regulation:

(d) The approval by the Bureau of any electronic playing book system shall not form the basis for any liability whatsoever on the part of the Bureau or the Commission in the event of a failure or malfunction of the electronic playing book system.

Recommended Response: This comment was considered but was rejected. Although the proposed language allows for the Bureau to review and approve electronic playing book systems, it is the requirement in Section 12264(a)(3) that allows for a gaming test laboratory through the certification process to ensure that the electronic playing book system, which includes the software, database, and a playing book device prototype, meets the relevant requirements. Therefore, it would be the gaming test laboratory that is assuring the system’s functionality through its certification.

I. ADOPT ARTICLE 4. SECURITY AND USE OF PLAYER BANKS.

This article provides for the general provisions for the TPPPS and gambling businesses for the security and use of player’s banks.

1. The following comments were received about the article, in general:

- a. **Yolanda Morrow – Bureau of Gambling Control:** Ms. Morrow suggests that the term “Player Banks” used in the title of Article 4 be changed to “Player’s Banks” as this term is defined and the term “Player Banks” is not.

Recommended Response: This comment was considered and accepted. The initial draft incorrectly used the term “Player Banks.” It is suggested that the language be changed to read:

Article 4. Security and Use of [Player’s Banks](#)

J. ADOPT SECTION 12285. GENERAL PROVISIONS.

This section provides specific requirements as it relates to the security and use of player’s banks.

1. The following comments were received about the proposal, in general:

- a. **Yolanda Morrow – Bureau of Gambling Control:** Ms. Morrow suggests that the title of Section 12285 be changed from “General Provisions” to “Loss Notification” because the draft provisions address a specific requirement for written procedures related to loss notification.

Recommended Response: This comment was considered and accepted in part. The written procedures provision should remain under General Provisions title; however, for clarity purposes it is recommended that the provisions for loss notification be moved to its own section. Staff recommends the following change:

[§ 12287. Loss Notification](#)

2. Subsection (a) requires the TPPPS and gambling business primary owner to develop written procedures acceptable to the Bureau which establishes a threshold of any significant loss incurred in a single controlled game; and, that the procedures include a provision that requires immediate notification to the Bureau.

- a. **Yolanda Morrow – Bureau of Gambling Control:** Ms. Morrow suggests a language change due to a concern that a reader could interpret “licensees” to mean cardroom licensees although this section pertains to TPPPS and gambling businesses. Further, Ms. Morrow points out that this section does not consider instances where established procedures require amendments. Ms. Morrow also suggests that the notification be made to the Bureau’s Criminal Intelligence Unit within 24 hours of the significant loss.

The suggested change for subsection (a) related to the “licensees” concern is as follows:

(a) *[A licensed or registered](#) TPPPS or gambling business shall develop...*

Recommended Response: This comment was considered and accepted in part. Staff recommends changes to the language as follows:

§ 12285. General Provisions

- (a) Any written procedures required pursuant to this Chapter must be submitted to the Bureau for their review and approval. This includes any amendments made to the written procedures after initial approval.
- (b) The written procedures must be established and implemented in accordance with the applicable provisions of this chapter [the first day of the first full month six months following the effective date of this section].

§ 12287. Loss Notification

- (a) A licensed or registered TPPPS and gambling business must develop written procedures which:
- (1) Establish 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.
- (2) Includes a provision that requires notification to the Bureau's Criminal Intelligence Unit 24 hours after notification has been made to the primary owner.

- b. **Tracey Buck-Walsh – PT Gaming, LLC:** Ms. Buck-Walsh suggests an amendment to the language which addresses an amendment process to the written procedures. Further, Ms. Buck-Walsh indicated that the requirement to provide “immediate notification” of a significant loss once the primary owner is notified causes some concern as it is difficult to determine when a loss is truly a loss. She suggests changing the draft language to require that significant losses be reported within 72 hours of the primary owner receiving notification. Finally, Ms. Buck-Walsh expressed concern that the term “significant loss” is unclear and may vary from club to club.

Recommended Response: This comment was considered and accepted, in part. See the recommended response in I.J.2.a. which responds to both of Ms. Buck-Walsh’s comments. Further, the initial suggestion of immediate notification was based on if the Bureau were to seek a copy of the surveillance tape for investigative purposes they would have sufficient amount of time to retrieve the data as the current requirement in Section 12396(a)(7)(B) requires that all recordings shall be retained for a minimum of 14 complete days of operation. Changing the notification requirement to 72 hours would only allow the Bureau three days to potentially retrieve the data and run the risk that it would not be available. Finally, the use of the term “significant loss” has been maintained so that the TPPPS can determine a value, in consultation with the Bureau, on a case-by-case basis. A \$1,000 loss may be significant to a small company and insignificant to a large company. The language has been proposed as it is to allow for a graduated and specific number to be determined to a level that has value to each TPPPS company.

K. ADOPT SECTION 12290. COMPLIANCE.

This section provides specific requirements a licensee is responsible for following as it relates to the use of playing books when providing third-party proposition services.

1. Subsection (a), which requires that all game rules be complied with, would be moved from Sections 12200.21 and 12220.21 to this subsection.
 - a. **Tracey Buck-Walsh – PT Gaming, LLC:** Ms. Buck-Walsh comments that although proposed section 12290(a) is existing language that is being moved and renumbered from another section, she would like to seek clarification regarding the requirements of the TPPPS. *Note: Ms. Buck-Walsh’s letter indicates section 12290(c); although, the comments are specific to section 12290(a).*

Recommended Response: This comment was considered but was rejected. This section is designed to ensure that proposition players (1) are not given an unfair advantage over other players; (2) comply with legal requirements concerning rotation of the player-dealer position; and, comply with incident reporting requirements.

There were no further comments, objections, or recommendations received regarding the proposed action during the 45-day change written comment period that began June 10, 2016 and ended July 25, 2016.

II. 15-DAY WRITTEN COMMENT PERIOD

The following written comments were received regarding the proposed text dated October 17, 2016, during the 15-day written comment period that commenced October 17, 2016, and ended November 1, 2016:

A. AMEND SECTION 12200. DEFINITIONS.

1. Subsection (b), paragraph (15) amends the existing definition to include subcontractor and independent contractor as an “other employee”; and, moves language from the “License” definition currently in Section 12200(b)(12)(B).
 - a. **Jieho Lee – Knighted Ventures and John Park – Certified Network M:** Mr. Lee and Mr. Park expressed concern that the proposed changes would have a negative effect on a TPPPS’ ability to hire outside companies. Mr. Lee and Mr. Park expressed concern that companies may decline work due to this additional requirement and associated costs.
 - b. **Manuel Moreno – Suns Gaming, Inc.:** Mr. Moreno expressed concern that any requirement for a TPPPS’ attorney, accountant or compliance consultant to be licensed would limit their ability to hire firms because the licensing requirement would be too burdensome.

Recommended Response: These comments are not germane to the modified text of the proposed action. This language was not changed and considered under the 15-day comment period. However, a similar comment was presented as a 45-day comment (see comment I.C.1.a) and a response was provided.

B. ADOPT SECTION 12250. DEFINITIONS.

1. Subsection (b), paragraph (7) provides a definition for “information technology technician” or “IT technician.” The definition includes any person who is responsible for or has system access to the electronic playing book system database.
 - a. **Jieho Lee – Knighted Ventures, Manuel Moreno – Suns Gaming, Inc., and John Park – Certified Network M:** Mr. Lee, Mr. Moreno and Mr. Park expressed concern that the proposed definition would have a negative effect on a TPPPS’ ability to hire technical companies. Mr. Lee, Mr. Moreno and Mr. Park each expressed concern that companies may decline work due to this additional requirement and associated costs. Mr. Park commented that the licensing requirement might not be commercially feasible for larger technology firms due to the number of employees that could require licensure.

Recommended Response: These comments are not germane to the modified text of the proposed action. This language was not changed and considered under the 15-day comment period.

C. ADOPT SECTION 12287. LOSS NOTIFICATION.

1. Subsection (a), paragraph (1) provides that a TPPPS company or gambling business must have written procedures that include a dollar threshold for notification to the primary owner of any significant loss incurred in a single controlled game.
 - a. **Jieho Lee – Knighted Ventures:** Mr. Lee requests clarification on what the “determination of the loss” means.

Recommended Response: This comment was considered but was rejected. This section requires that the TPPPS company or gambling business develop procedures, part of which includes the method of the determination of loss. This term has been left flexible as it needs to be able to work with either a paper playing book or an electronic playing book system. For example, for a paper playing book, the determination could be made at the end of the day based upon an internal review, while an electronic system could include an automated process that is continually checking and provides notification as soon as the loss is recorded.

2. Subsection (a), paragraph (2) provides that a TPPPS company or gambling business must have written procedures that includes notifying the Bureau’s Criminal Intelligence Unit within 24 hours after the primary owner has become aware of a loss exceeding the threshold established in paragraph (1).

- a. **Jieho Lee – Knighted Ventures:** Mr. Lee suggested that the 24 hour notification requirement should be changed to a 72 hour requirement.

Recommended Response: This comment was considered but was rejected. This comment was previously provided and responded to in comment I.J.2.b. Specifically, Section 12396(a)(7)(B) only requires the maintenance of surveillance tapes for 14 days. Any delay in notification to the Bureau further limits any guarantee that surveillance tapes will still be attainable, as within those 14 days both notification must be provided to the primary owner and then to the Bureau (including a possible delay of up to 24 hours). Even assuming the primary owner is immediately notified, this potentially only leaves the Bureau 13 days to retrieve the information. If the significant loss is not immediately discovered or notification to the primary owner is inadvertently delayed, the Bureau could find itself with an even further reduced timeline to retrieve the information.

There were no further comments, objections, or recommendations received regarding the proposed action during the 15-day change written comment period that began October 17, 2016 and ended November 1, 2016.

III. 15-DAY WRITTEN COMMENT PERIOD

The following written comments were received regarding the proposed text dated July 10, 2017, during the 15-day written comment period that commenced July 15, 2017, and ended July 31, 2017:

A. AMEND SECTION 12200. DEFINITIONS.

1. Subsection (b), paragraph (15) amends the existing definition to include subcontractor and independent contractor as an “other employee”; and, moves language from the “License” definition currently in Section 12200(b)(12)(B).

- a. **Jieho Lee – Knighted Ventures and John Park – Certified Network M:** Mr. Lee and Mr. Park expressed concern that the proposed definition of “other employee” is unclear. Mr. Lee and Mr. Park inquired if an outside accounting firm was hired to conduct an on-site audit would it be required to be licensed? Mr. Lee and Mr. Park also inquired if firms hired by a TPPPS would be prohibited from being hired by a gambling enterprise if the firm was not licensed (because the TPPPS did not require it to go into a gambling establishment)?

Recommended Response: These comments are not germane to the modified text of the proposed action. This language was not changed and considered under the 15-day comment period.

B. ADOPT SECTION 12250. DEFINITIONS.

1. Subsection (b), paragraph (7) provides a definition for “information technology technician” or “IT technician.” The definition includes any person who is responsible for or has system access to the electronic playing book system database.

- a. **Jieho Lee – Knighted Ventures and John Park – Certified Network M:** Mr. Lee and Mr. Park expressed concern that the proposed definition would have a negative effect on a TPPPS’ ability to hire technical companies. Mr. Lee and Mr. Park commented that the licensing requirement might not be commercially feasible for larger technology firms due to the number of employees that could require licensure and that continued efforts, such as data storage and code updates would require these firms to maintain ongoing licensure.

Recommended Response: These comments are not germane to the modified text of the proposed action. This language was not changed and considered under the 15-day comment period.

- b. **Jieho Lee – Knighted Ventures and John Park – Certified Network M:** Mr. Lee and Mr. Park expressed concern that requiring IT technicians to be registered or licensed as “other employees” may have the unintended consequence of creating a less secure, less professional playing book systems by limiting larger firms. Larger firms may decline work due to the additional licensure requirements and associated costs.

Recommended Response: These comments are not germane to the modified text of the proposed action. This language was not changed and considered under the 15-day comment period.

IV. COMMENT RECEIVED OUTSIDE THE PUBLIC COMMENT PERIODS

The comment letters listed below were not received during any of the abovementioned public comment periods. While they are included in the rulemaking file, they have not been summarized or responded to.

1. Letter dated October 3, 2016 from Yolanda Morrow, Bureau of Gambling Control
2. Email received October 3, 2016 from Jesse Crawford.

There were no further comments, objections, or recommendations received regarding the proposed action either within or outside any of the public comment periods.