CHAIRPERSON JAMES: Mr. Curran.

MR. CURRAN: Good morning.

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MR. CURRAN: I appreciate the opportunity to speak before you today regarding the nuts and bolts of the regulation of the Nevada sports and race wagering industry. In my allotted time I will briefly overview to you our sports betting industry and generally discuss Nevada's regulatory efforts with regard to these operations.

Race and sports betting provides a recreational opportunity for many of Nevada's residents and visitors, generates employment for our citizens and tax revenue for our government and provides an outlet for legitimate wagerings for sports fans in a venue that is strictly regulated and that minimizes the undesirable side effects that are associated with illegal betting activities.

Although our race and sports books generate only a small percentage of Nevada's gaming revenue, they constitute an important part of the total recreational experience enjoyed by our gaming industry. Race and sports betting in Nevada does have several aspects that are unique in the gaming industry. It's the only form of betting activity permitted in which the winning wager is not determined by the laws of probability or random selection. This form of gaming, while unique in this regard, is subjected to state regulation in almost every aspect.
A few examples of the unique nature of such wagering and our supervision of it include the fact that it is the only form of betting in which we require a record of every wager and every pay-out. It's the only form of betting in which wagers from certain adults must be refused by the casino in the case of messenger bets. It's the only form of betting that allows one casino to wager with another. We call that lay-off betting. It's the only form of betting in which wagering by telephone is permitted so long as the wager comes from within Nevada.

It's also unique in that our law allows the stationing of one of our agents at the book at the casino's expense and allows the agent to, among other things, listen in to any telephone call. Nevada law allows wagering on sports events and other events as well as horse or other races. While a wide array of wagers may be accepted by the sports book, there are certain types of wagers that the books may not accept such as any amateur sports event held in Nevada, any sports event held outside of Nevada if the event involves a public or private institution; for example, they cannot accept wagers on UNLV basketball games regardless of where they're played, any election for public office, I would note the subject often comes up while there's discussion about the Vegas line on the Academy Awards, we don't allow wagering on that either, any professional sports event held in Nevada if the team's governing body requests that our Commission that wagers on such event be prohibited, that has happened, and any event other than a horse
race or athletic sports event unless the Gaming Control Board chairman specifically approves it.

By virtue of the fact that Nevada is one of the few states in the U.S. that may legally accept sports bets, the industry has grown significantly through the years. The State of Nevada currently has 137 books licensed to conduct sports wagering. For fiscal year ended June 30th of this year, these books handled approximately $2.4 billion in wagers and generated a win of $87 million, resulting in state tax collection of approximately $5 million.

Although Nevada’s casinos are strictly regulated, casino sports book operations arguably are more tightly controlled than any other gaming segment. Sports books are required by regulation to track business -- transact business via a computerize bookmaking system that has been reviewed and approved by the Gaming Control Board. These systems must satisfy extensive internal control standards and must document the details of every wager accepted, every pay-out made on a winning ticket, the final outcome of each sporting event, voided tickets, changes in odds, all transactions where supervisory approval was required and other requirements too numerous to discuss today.

The book must submit to the board an in-depth written system of internal control that describes their operating procedures and must comply with this system at all times. In short, sports books must document every transaction
that flows through their operations in accordance with detailed accounting standard and are required to maintain this audit trail for at least five years.

The audit trail is necessary since board agents will periodically audit each sports book to insure that all gaming revenue has been properly computed and taxes duly remitted and that the book is in full compliance with all applicable laws, regulations and internal control standards. In addition to tax law compliance board agents will verify compliance with the following requirements which are critical to the control of sports books.

First, employee work cards; each book employee must have a gaming work card. Employees deemed unsuitable are precluded from working in Nevada casinos. Book supervisory employee registration and licensing; the Commission recently adopted regulations requiring book supervisory employees to register with the board and to provide extensive personal history information. Cash and non-cash transaction reporting requirements; all cash transactions exceeding $10,000.00 whether flowing into or out of the book, must be reported on a federal currency transaction report pursuant to Nevada Regulation 6(a). The books must comply with numerous other Regulation 6(a) requirements designed to prevent money laundering.

The books will soon be required to comply with new reporting requirements whereby non-cash wagers exceeding $10,000.00 must also be reported to the board. This would
include chips, tokens and the like. Messenger bettors; it's illegal in Nevada for a person to place a bet on behalf of another person for compensation. This type of activity is called messenger betting and typically involves a representative of an illegal bookmaking operation based on another state placing bets and cashing winning tickets pursuant to the illegal bookmaker's instructions. It is also an unsuitable method of operation for a sports book to knowingly accept wagers from a messenger better.

Intra-state wagering communications; Nevada has allowed the placing of sports wagers via telephone for a number of years as long as the call originates from within Nevada. Regulations were recently revised to allow for other communications technology to be used for the placing of wagers. For example, a customer from within Nevada will be allowed to place a wager using a personal computer as long as there is a direct communication with the casino's bookmaking system.

However, the regulations clearly prohibit the use of the Internet to make such a bet. A book that requests approval to accept wagers from patrons other than the person, must have the communications technology approved by the board annually and such approvals will be granted only if the book can demonstrate that out of state wagering communications cannot be accepted.

Account wagering; a person wishing to open a book -- a betting account with a sports book must appear in person at the book, show identification and fill out the necessary
paperwork before betting can begin. An account number and coded
password are assigned. Books are required to keep extensive
information on the patron's betting activity and all wagering
communications conducted over the phone or via PC must be
recorded and retained for 60 days.

Gambling and books by minors; in Nevada, any person
who has attained the age of 21 may gamble in the casino. In
order for a patron to place a bet in the sports book, the patron
must generally appear at the writers window to make a wager.
It's an unsuitable method of operation for a casino to cater to
a minor, so the books are diligent in insuring that they
transact business with someone who is at least 21 years old.

Casino bank roll and cash reserve requirements; a
critical concern with regulators is that a book must at all
times have sufficient funds available to pay winning tickets,
refund account deposits and refund wagers on sporting events
that will occur at some point in the future. Our commission has
adopted funding requirements for the books to satisfy these
patron obligations with which the books must remain in
continuous compliance and the board monitors compliance with
these requirements monthly.

Full and clear disclosure of wagering propositions;
it is imperative that the wagers offered to the public be clear
and that the winning wagers be paid in accordance with posted
payoff schedules. The Gaming Control Board reviews and approves
parlay cards and supports book house rules and these rules are
required to be posted in the book. If a disagreement between
the book and the patron should arise, the board will investigate
the complaint and if necessary resolve the dispute.

Betting on fixed sporting events; the Gaming Control
Board and Nevada sports books are always on the lookout for
unusual betting patterns that could indicate that the sporting
event may have had the outcome changed or altered. Board
agents, in conjunction with the sports book, will assist other
law enforcement agencies with their investigative efforts in
detecting and prosecuting such crimes.

Finally, problem gaming programs; our Commission has
adopted regulations requiring casinos to adopt casino gaming
programs for assisting patrons that may have a gambling problem.
Casino employees, including book employees, are required to
receive training regarding the casino's problem gaming programs
and board agents verify that such programs are in existence and
functioning as designed.

In conclusion sports betting is a popular form of
gambling in Nevada. If properly conducted and regulated sports
betting can contribute significant tax dollars to a state's
economy while providing patrons with another form of the gaming
experience. Thank you for the opportunity to speak to you
today.

CHAIRPERSON JAMES: Thank you, Mr. Curran.