

APPENDIX 1

PROPOSED PART 543 – MINIMUM INTERNAL CONTROL STANDARDS FOR CLASS II GAMING

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§ 543.1 What does this part cover?

This part establishes the minimum internal control standards for the conduct of Class II games on Indian lands as described in 25 U.S.C. 2701 *et seq.*

§ 543.2 What are the definitions for this part?

The definitions in this section apply to all sections of this part unless otherwise noted.

Accountability. All financial instruments, receivables, and patron deposits constituting the total amount for which the bankroll custodian is responsible at a given time.

Accumulated credit payout. Credit accrued in a player interface that is paid to a patron manually in lieu of a player interface payout (i.e. hand pay, manual pay).

Agent. A person authorized by the gaming operation, as approved by the TGRA, to make decisions or perform assigned tasks or actions on behalf of the gaming operation. This definition permits the use of computer applications to perform the function(s) of an agent.

Bingo paper. A consumable physical object that has one or more bingo cards on its face.

Bingo sales. Sales transactions and/or the value of purchases made by players to participate in the game(s).

Cage. A secure work area within the gaming operation for cashiers which may include a storage area for the gaming operation bankroll.

Chairman. The Chairman of the National Indian Gaming Commission.

Cash equivalents. Documents, financial instruments other than cash, or anything else of representative value to which the gaming operation has assigned a monetary value. A cash equivalent includes, but is not limited to, tokens, chips, coupons, vouchers, payout slips and tickets, and other items to which a gaming operation has assigned an exchange value.

Cashless system. A system that performs cashless transactions and maintains records of those cashless transactions.

Cashless transaction. A movement of funds electronically from one component to another, often to or from a patron deposit account, or promotional account.

Chips. Cash substitutes, in various denominations, issued by a gaming operation.

Class II game. Class II gaming shall have the same meaning as defined in 25 U.S.C. 2703(7)(A).

Class II Gaming System. All components, whether or not technologic aids in electronic, computer, mechanical, or other technologic form, that function together to aid the play of one or more Class II games including accounting functions mandated by these regulations ~~part~~ Part 547 of this chapter.

Commission. The National Indian Gaming Commission established by the Indian Gaming Regulatory Act, 25 U.S.C. 2701 *et seq.*

Complimentary. A service or item provided at no or reduced cost, to a patron ~~at the discretion of an agent authorized to issue such services or items.~~

Count. The act of counting and recording the drop and/or other funds. Also, the total funds counted for a particular game, player interface, shift, or other period.

Count room. A secured room location where the count is performed in which the cash and cash equivalents are counted.

Credit line (see Lines of credit). The privilege granted by a gaming operation to a patron to (1) defer payment of debt or (2) to incur debt and defer its payment under specific terms and conditions.

Credit line limit. The maximum dollar amount of credit assigned to a patron by the gaming operation.

Dedicated camera. A video camera that continuously records a specific activity.

Drop. The process of removing the drop boxes from the player interface or point of purchase.

Drop proceeds. The total amount of financial instruments removed from the drop boxes.

Drop box. A locked container in which cash or cash equivalents are placed at the time of the transaction.

Exception Report. A listing of occurrences, transactions or items that fall outside a predetermined range of acceptability.

Financial instrument. Any tangible item of value tendered in Class II game play, including, but not limited to bills, coins, vouchers, and coupons.

Gaming Promotion. A type of marketing activity conducted by a gaming operation which includes two, but not all three, of the following elements: prize, chance, consideration.

Generally Accepted Accounting Principles (GAAP). A widely accepted set of rules, conventions, standards, and procedures for reporting financial information, as established by the Financial Accounting Standards Board (FASB), including but not limited to the standards for casino accounting published by the American Institute of Certified Public Accountant (AICPA).

Governmental Accounting Standards Board (GASB). Generally accepted accounting principles used by state and local governments.

Independent. The separation of functions so that the person or process monitoring, reviewing or authorizing the controlled activity, function, transaction is separate from the persons or process performing the controlled activity, function, transaction.

Lines of credit. The privilege granted by a gaming operation to a patron to (1) defer payment of debt or (2) to incur debt and defer its payment under specific terms and conditions.

Manual payout. Hand payment to a player.

Marker. A document, signed by the patron promising to repay credit issued by the gaming operation.

MICS. Minimum internal control standards in this part.

Patron. A person who is a customer or guest of the gaming operation and may interact with a Class II game. Also may be referred to as a “player”.

Patron deposit account. An account maintained on behalf of a patron, for the purpose of depositing and withdrawing funds for the primary purpose of interacting with a gaming activity.

Permanent Record. Those records that must be maintained for a minimum period of 5 years, including all documents that contain original signatures or represent audit papers.

Player interface. Any component(s) or components of a Class II gaming system, including an electronic or technological aid (not limited to terminals, player stations, handhelds, fixed units, etc.), that directly enables player interaction in a Class II game.

Prize payout. Payment to a player associated with a winning or qualifying event.

Promotional progressive pots and/or pools. Funds contributed to a game by and for the benefit of players and are distributed to players based on a predetermined event.

Restricted patron deposit account. An account that can be accessed only by a specific patron using a secured method.

SSAE. Standards for Attestation Engagements.

Shift. A time period, unless otherwise approved by the tribal gaming regulatory authority, not to exceed 24 hours.

Shill. An agent financed by the gaming operation and acting as a player.

Short pay. The payment of the unpaid balance of an incomplete payout.

System of Internal Controls (SICS). An overall operational framework for a gaming operation incorporating principles of independence and segregation of function comprised of written policies, procedures, and standard practices based on overarching regulatory standards specifically designed to create a system of checks and balances in order to safeguard the integrity of a gaming operation and protect its assets.

Smart card. A card with embedded integrated circuits that possesses the means to electronically store or retrieve account data, and is the only source of that data.

Surveillance operation room(s). The secured area(s) where surveillance is taking place and/or where active surveillance equipment is located.

Surveillance system. A system of video cameras, monitors, recorders, video printers, switches, selectors, and other ancillary equipment used for surveillance.

Tier A. Gaming operations with annual gross gaming revenues of more than \$3 million but not more than \$8 million.

Tier B. Gaming operations with annual gross gaming revenues of more than \$8 million but not more than \$15 million.

Tier C. Gaming operations with annual gross gaming revenues of more than \$15 million.

TGRA. Tribal gaming regulatory authority which is the entity authorized by tribal law to regulate gaming conducted pursuant to the Indian Gaming Regulatory Act.

TICS. Tribal Internal Control Standards.

Unrestricted patron deposit account. An account that may be accessed by the holder of the account number.

Vault. A secure area where cash and cash equivalents are stored.

§ 543.3 How do tribal governments comply with this part?

(a) Determination of Tier.

(1) The determination of tier level shall be made based upon the annual gross gaming revenues indicated within the gaming operation's audited financial statements.

(2) Gaming operations moving from one tier to another shall have nine (9) months from the date of the independent certified public accountant's audit report to achieve compliance with the requirements of the new tier. The TGRA may extend the deadline by an additional six (6) months if written notice is provided to the Commission no later than two (2) weeks before the expiration of the nine (9) month period.

(b) TICS. TGRAs shall ensure that TICS are established and implemented that provide a level of control that equals or exceeds those set forth in this part.

(1) **Evaluation of Existing TICS.** Each TGRA must, in accordance with the tribal gaming ordinance, determine whether and to what extent their TICS require revision to ensure compliance with this part.

(2) Compliance Date. All changes necessary to ensure compliance with this part shall be promulgated within twelve (12) months from the effective date of this part and implemented at the commencement at the next fiscal year. At the discretion of the TGRA, gaming operations may have an additional six (6) months to come into compliance with the TICS.

(c) SICS. Each gaming operation must develop and implement a SICS that, at a minimum, complies with the TICS.

(1) Existing gaming operations. All gaming operations that are operating on or before the effective date of this part, must comply with this part within the time requirements established in paragraph (b) of this section. In the interim, such operations must continue to comply with existing TICS.

(2) New gaming operations. All gaming operations that commence operations after the effective date of this part, must comply with this part before commencement of operations.

(d) Submission to Commission. Tribal regulations promulgated pursuant to this part are not required to be submitted to the Commission pursuant to Sec. 522.3(b) of this chapter.

(e) Enforcement of Commission MICS.

(1) Each TGRA is required to establish and implement TICS pursuant to paragraph (b) of this section. Each gaming operation is then required, pursuant to paragraph (c) of this section, to develop and implement a SICS that complies with the TICS. Failure to do so may subject the tribal operator of the gaming operation, or the management contractor, to penalties under 25 U.S.C. 2713.

(2) Recognizing that tribes are the primary regulator of their gaming operation(s), enforcement action by the Commission will not be initiated under this part without first informing the tribe and TGRA of deficiencies in the SICS of its gaming operation and allowing a reasonable period of time to address such deficiencies. Such prior notice and opportunity for corrective action is not required where the threat to the integrity of the gaming operation is immediate and severe.

§ 543.4 What are the rules of interpretation and of general application for this part?

(a) Minimum Standards. A TGRA may establish and implement additional technical standards that are as stringent as, or more stringent than, those set out in this part.

(b) Only Applicable Standards Apply. Gaming equipment and software used with Class II gaming systems shall meet all applicable requirements of this part. For example, if a gaming operation does not offer lines of credit, then any standards that govern credit do not apply.

(c) No Limitation of Technology. This part should not be interpreted to limit the use of technology or to preclude the use of technology not specifically referenced.

(d) Severability. If any provision of this part is declared invalid by a court of competent jurisdiction, such decision shall not affect the remainder of this part.

§ 543.5 [RESERVED]

§ 543.6 Does this part apply to small and charitable gaming operations?

(a) Small Gaming Operations. This part does not apply to small gaming operations provided that:

- (1) The TGRA permits the operation to be exempt from this part;
- (2) The annual gross gaming revenue of the operation does not exceed \$3 million; and
- (3) The TGRA develops and the operation complies with alternate procedures that:
 - (i) Protect the integrity of games offered;
 - (ii) Safeguard the assets used in connection with the operation; and
 - (iii) Create, prepare and maintain records in accordance with Generally Accepted Accounting Principles.

(b) Charitable Gaming Operations. This part does not apply to charitable gaming operations provided that:

- (1) All proceeds are for the benefit of a charitable organization;
- (2) The TGRA permits the charitable organization to be exempt from this part;
- (3) The charitable gaming operation is operated wholly by the charitable organization's agents;
- (4) The annual gross gaming revenue of the charitable operation does not exceed \$3 million; and
- (5) The TGRA develops and the charitable gaming operation complies with alternate procedures that:

- (i) Protect the integrity of the games offered;
- (ii) Safeguard the assets used in connection with the gaming operation; and
- (iii) Create, prepare and maintain records in accordance with Generally Accepted Accounting Principles. For more information please see www.fasb.gov or www.fasb.org.

(c) Independent Operators. Nothing in this section exempts gaming operations conducted by independent operators for the benefit of a charitable organization.

§ 543.7 What are the minimum internal control standards for bingo?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Supervision. Supervision shall be provided for bingo operations as needed by an agent(s) with authority equal to or greater than those being supervised.

(de) Bingo Cards.

(1) Physical Inventory-of bingo paper.

(i) The bingo paper-card inventory must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery, theft, or fraud. Such controls shall address bingo paper-cards exchanged between ~~two~~ agents, increases and decreases to inventory, and inventory reconciliation.

(2) Bingo-salesSales.

(i) Bingo-The sales of bingo cards must be controlled in a manner to adequately record, track, and reconcile all bingosuch sales, including ~~but not limited to~~ voids of bingo-cards.

- (ii) When the sale of bingo cards sales are recorded manually, ~~total such sales are must be~~ verified by an ~~agent~~-independent ~~agent of the bingo sales being~~ verified.
- (iii) No unauthorized person shall have ~~unrestricted~~-access to bingo card sales records.

(ef) Draw.

~~(1) The draw must be controlled in a manner that ensures the identity of each object drawn is accurately recorded and transmitted to the participants.~~

(2) Controls must be ~~present to ensure established requiring~~ that all objects eligible for the draw are available to be drawn.

(2) The draw must be controlled in a manner that ensures random selection of the objects drawn.

~~(3) The draw must be controlled in a manner that ensures the identity of each object drawn is accurately recorded and transmitted to the participants.~~

(fg) Manual Payouts.

(1) ~~Manual payouts~~ Payouts must be controlled in a manner designed to verify winning events and prevent unauthorized access to, or misappropriation of, cash or cash equivalents. Such controls shall include, but not be limited to, the following:

- (i) ~~Manual payout~~ Payout documents records;
- (ii) Validation and Verification;
- (iii) Authorization ~~and or~~ signatures; and
- ~~(iv) Changes to Prize Payout amounts;~~
- ~~(v) Manually paid promotional prize payouts; and~~
- ~~(vi) Voids.~~

(gh) Cash or and Cash Equivalent Controls. Cash ~~or and~~ cash equivalents must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery, theft, or fraud. Such controls shall be in accordance with cash and cash equivalent controls established in sub part 543.14.

(h) ~~Class II Gaming systems~~ Technologic Aids to the Play of Bingo. Internal control procedures must be established to safeguard the integrity of ~~all or part of a Class II gaming system~~ technologic aids to the play of bingo during installations, operations, modifications, and retirements. Such procedures must include, but not be limited to, the following:

- (1) Shipping and receiving;
- (2) Access credential control methods;
- (3) Record keeping and audit processes;
- (4) System software signature verification;
- (5) Testing;
- (6) Display of rules and necessary disclaimers such as "Malfunctions void all ~~prizes and~~ pays and plays.", etc.
- (7) Dispute resolution;
- (8) Malfunctions; and
- (9) Removal, retirement, and/or destruction.

§ 543.8 What are the minimum internal control standards for pull tabs?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Supervision. Supervision shall be provided during the pull tab operations and over the pull tab storage areas by an agent(s) with authority equal to or greater than those being supervised.

(de) Pull Tab Inventory of pull tabs. The pull tab inventory must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery, theft, or fraud. Such controls shall address tabs exchanged between ~~two~~ agents, increases and decreases to inventory, and inventory reconciliation.

(ef) Pull Tab Sales.

- (1) Pull tab sales must be controlled in a manner to adequately record, track, and reconcile all pull tab sales and voids.
- (2) When pull tab sales are recorded manually, total sales are verified by an agent independent of the pull tab sales being verified.
- (3) No person shall have unrestricted access to pull tab sales records.

(dg) Winning Pull Tabs.

- (1) Redeemed pull tabs must be controlled in a manner to adequately record, track, and reconcile all pull tab payouts.
- (2) The redeemed pull tabs shall be defaced so that they cannot be redeemed for payment again.

(eh) Cash ~~or and~~ Cash Equivalent Controls. Cash ~~or and~~ cash equivalents must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery, theft, or fraud. Such controls shall be in accordance with cash and cash equivalent controls established in sub part 543.14.

§ 543.9 What are the minimum internal control standards for card games?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Supervision. Supervision shall be provided during the card room operations by an agent(s) with authority equal to or greater than those being supervised.

(e) Inventory of Playing Cards. The playing card inventory must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery, theft, or fraud. Such controls shall address tabs-cards exchanged between ~~two~~ agents, increases and decreases to inventory, and inventory reconciliation.

(f) Shill Funds. Issuance and return of shill funds shall be recorded and have the written approval of another agent.

(g) Cash ~~or~~ and Cash Equivalent Controls. Cash ~~or~~ and cash equivalents must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery, theft, or fraud. Such controls shall be in accordance with cash and cash equivalent controls established in sub part 543.14.

(h) Posted Rules. The rules shall be displayed or available for patron review at the gaming operation, including rules governing contests, prize payouts, fees, etc.

(i) Promotional Progressive Pots and Pools such as Contests, Tournaments, Drawings and Giveaway Programs. Funds contributed by patrons to prize pools shall be returned and documented in accordance with the posted rules.

(1) Promotional pool contributions shall be controlled in a manner to properly distinguish between gaming revenue and promotional pool contributions.

(i) Promotional pool contributions shall be placed in a locked container;

(ii) Agents transporting the locked container shall be precluded from having access to the contents keys.

(2) At least once a dayweek, increases and decreases to the promotional pool amount shall be verified, supported by documentation, recorded and reconciled to the cash by an agent independent of the card room.

§ 543.10 What are the minimum internal control standards for gaming promotions?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computer Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Supervision. Supervision shall be provided for gaming promotions as needed by an agent(s) with authority equal to or greater than those being supervised.

(e) Gaming Promotions. Controls must be established in a manner designed to prevent unauthorized access, cheating, misappropriation, forgery, theft, or fraud. Such controls must include, but not be limited to, the following:

- (1) Rules of the gaming promotion;
- (2) Gaming promotion accounting; and
- (3) TGRA approval.

§ 543.11 What are the minimum internal control standards for patron deposit accounts and cashless systems?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computer Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Conflicts of Standards. If there are any inconsistencies between these regulations and external standards incorporated by this provision, such as Title 31 and Credit Card Act, such other applicable standards shall prevail.

(d) Variiances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(e) Patron Deposit Accounts and Cashless Systems.

(1) Patron deposit accounts and cashless systems must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery, theft, or fraud.

(2) All smart cards (i.e., cards that possess the means to electronically store or retrieve data) that maintain the only source of account data are prohibited.

(3) Patron deposit accounts may be unrestricted or restricted to a specific patron.

(4) Establishment of patron deposit accounts. The following standards apply when the patron establishes an account and optionally makes an initial deposit.

(i) For restricted patron deposit accounts:

(A) The patron must appear at the gaming operation in person, at a designated area of accountability, and present a valid government issued picture identification credential.

(B) An agent must examine the patron's identification and record, at a minimum, the following information:

(1) Type, number, and expiration date of the identification;

(2) Patron's name;

(3) A unique account identifier;

(4) Date the account was opened; and

(5) The agent's name.

(C) The agent must require the patron to sign the account documentation before the account is activated.

(D) The agent or cashless system shall provide the patron deposit account holder with a secure method of access.

(ii) For unrestricted patron deposit accounts:

(A) The patron must be informed of the unrestricted nature of the account, and the fact that the account may be accessible to anyone with the account number.

(B) The patron must acknowledge and accept the risks associated with unrestricted accounts.

(5) Patron deposits, withdrawals and adjustments.

(i) Prior to the patron making a deposit or a withdrawal from a patron deposit account, the agent or cashless system must verify the identity of the patron deposit account, the patron identity for restricted accounts, and availability of funds. Reliance on a secured personal identification number (PIN) entered by the patron is an acceptable method of verifying patron identity.

(ii) Adjustments made to the patron deposit accounts must be performed by an agent.

(iii) When a deposit, withdrawal or adjustment is processed by an agent, a multi-part transaction record must be created containing the following information:

- (A) Same document number on all copies;
- (B) Type of transaction, (e.g., deposit, withdrawal, or adjustment);
- (C) Name or other identifier of the patron for restricted patron deposit accounts;
- (D) The unique account identifier;
- (E) Patron signature for withdrawals, unless a secured method of access is utilized;
- (F) Date and time of transaction;
- (G) Dollar amount of transaction;
- (H) Nature of deposit, withdrawal, or adjustment (e.g., cash, check, chips); and
- (I) Signature of the agent processing the transaction.

(iv) When a patron deposits or withdraws funds from a patron deposit account electronically, the following shall be recorded and reported:

- (A) Date and time of transaction;
- (B) Location (e.g., player interface, kiosk);
- (C) Dollar amount of transaction; and
- (D) The unique account identifier.

(v) Detailed patron deposit account transaction records must be available to the patron upon reasonable request.

(vi) If electronic funds transfers are made to or from a gaming operation bank account for patron deposit account funds, the bank account must be dedicated and may not be used for any other types of transactions.

§ 543.12 ~~[RESERVED]~~ What are the minimum internal control standards for player tracking systems used in conjunction with Class II gaming?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computer Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Player Tracking Systems. Controls must be established in a manner designed to prevent unauthorized access, cheating, misappropriation, forgery, theft, or fraud when a player tracking system is used in conjunction with Class II gaming. Such controls must include, but not be limited to, the following:

(1) Operation of player tracking programs;

(2) Security of player tracking accounts; and

(3) Audit and accounting.

§ 543.13 [RESERVED]

§ 543.14 What are the minimum internal control standards for the cage, vault, cash and cash equivalents?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computer Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Supervision. Provide supervision for cage, vault, and other operations using cash or cash equivalents as needed by an agent(s) with authority equal to or greater than those being supervised.

(~~e~~) Cash ~~or~~ and Cash Equivalent Controls.

(1) Cash ~~or~~ and cash equivalents must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery, theft, or fraud. Such controls must include, but not be limited to, the following actions:

- (i) Counting;
- (ii) Recording increases and decreases to inventory;
- (iii) Inventory reconciliation;
- (iv) Issuance and redemption;
- (v) Transfers;
- ~~(vi)~~ Inspecting, validating and verifying;
- ~~(vii)~~ Cancelations and voids;
- ~~(viii)~~ Authorization; and
- ~~(ix)~~ Document retention.

~~(e)~~ Check Cashing. Check cashing must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery, theft, or fraud. Such controls must include, but not be limited to, the following:

- (1) Acceptance of checks;
- (2) Deposit of checks (Checks not deposited in the normal course of business are subject to § 543.15 Lines of Credit standards).
- (3) Collecting and recording returned checks;
- (4) Re-deposit; and
- (5) Write-off authorization.
- (6) If a third party check cashing or guarantee service is used, the examination and documentation procedures required by the service provider shall apply unless otherwise provided by ~~Tribal~~tribal law or regulation.

~~(f)~~ Cage and Vault Accountability.

- (1) Increases and decreases to cage inventory shall be verified, supported by documentation, and recorded. Unverified transfers of cash and/or cash equivalents are prohibited.
- (2) The cage and vault inventories (including coin rooms/vaults) shall be counted independently by at least two agents, attested to by signature, and recorded in ink or other permanent form at the end of each shift during which activity took place.

(gh) Chip(s) and Token(s). Controls must be established to ensure accountability of chip and token inventory. Such controls must include, but not be limited to, the following:

- (1) Purchase;
- (2) Receipt;
- (3) Inventory;
- (4) Storage; and
- (5) Destruction.

(hi) Cage and Vault Access. Controls must be established in a manner designed to prevent unauthorized access, misappropriation, forgery or fraud. Such controls must include, but not be limited to, the following:

- (1) Physical access to the cage to cage department agents, designated staff, and other persons authorized; and
- (2) Transportation of extraneous items (e.g., personal belongings, tool boxes, beverage containers, etc.) into and out of the cage.

§ 543.15 What are the minimum internal control standards for lines of credit?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computer Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variiances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Establishment of Lines of Credit Policy.

(1) If a gaming operation extends lines of credit, controls must be established to safeguard the assets of the gaming operation. Such controls must include the establishment of a lines of credit policy including the following:

- (i) A process for the patron to apply for, modify, and/or re-establish lines of credit, to include required documentation and credit line limit;

- (ii) Credit issuer authorization levels;
- (iii) Identification of agents authorized to issue lines of credit;
- (iv) A process for verifying lines of credit worthiness of applicants;
- (v) A system for recording patron information; to include:
 - (A) Name, current address, and signature;
 - (B) Identification credential;
 - (C) Authorized credit line limit; and
 - (D) Approval by an agent authorized to approve credit line limits;
- (vi) A process for issuing lines of credit to include the following:
 - (A) Notice to patron of lines of credit terms including patron written acknowledgment by signature;
 - (B) Completion of a uniquely identified, multi-part, lines of credit issuance form, such as a marker or counter check, which includes the terms of that lines of credit transaction;
 - (C) Signatory requirements;
 - (D) Determining the amount of the patron's available lines of credit;
 - (E) Creation and maintenance of current lines of credit balance record updated at the time of each transaction to assure that lines of credit issued is within the established limit and balance for that patron.
 - (F) Requirement that the agent issuing the lines of credit must be independent of the agent who authorized the lines of credit.
- (vii) A policy establishing credit line limit exceptions to include the following:
 - (A) Identification of the agent(s) authorized to permit a credit line limit to be exceeded;
 - (B) Authorization thresholds; and
 - (C) Required documentation.

(viii) A policy governing increases and decreases to a patron's lines of credit account balances to include the following:

- (A) Documentation and record keeping requirements;
- (B) Independence between the department that receives the payment and the department that maintains custody of the credit balance for payments made by mail;
- (C) Collections;
- (D) Periodic audits and confirmation of balances; and
- (E) If a collection agency is utilized, a process to ensure documentation of increases and decreases to the lines of credit account balances.

(ix) A policy governing write-offs and settlements to include:

- (A) Identification of agent(s) authorized to approve write-offs and settlements;
- (B) Authorization levels for write-offs and settlements of lines of credit instruments;
- (C) Required documentation for write-offs and settlements;
- (D) Independence between the agent who established the lines of credit and the agent writing off or settling the lines of credit instrument.
- (E) Necessary documentation for the approval of write-offs and settlements and transmittal to the appropriate department for recording and deductibility.

§ 543.16 What are the minimum internal control standards for security and management of server, server software and data associated with Class II gaming systems?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Class II Gaming systems and Physical Controls. Controls must be established to ensure:

(1) Control of physical and logical access to server, server software and data associated with Class II gaming systems, including accounting, voucher, cashless and player tracking, among others used in conjunction with Class II gaming;

(2) Physical and logical protection of storage media and its contents, including recovery procedures;

(3) Access credential control methods;

(4) Record keeping and audit processes; and;

(5) Departmental independence, including, but not limited to, means to restrict agents that have access to server, server software and data from having access to financial instruments.

(d) Independence. All personnel having access to Class II gaming servers, server software and/or data are independent of and restricted from access to:

(1) Financial instruments (e.g. cash, cash equivalents, vouchers, and coupons);

(2) Signatory authority over financial instruments and payouts forms; and

(3) Accounting, audit, and ledger entries.

§ 543.17 What are the minimum internal control standards for complimentary services or items?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Supervision. Supervision shall be provided for approval of complimentary services as needed by an agent(s) with authority equal to or greater than those being supervised.

(~~de~~) Complimentary Services and-or Items. Controls must be established in a manner designed to prevent unauthorized access, misappropriation, forgery, theft, or fraud. Such controls must include, but not be limited to, the following:

(1) How the gaming operation delegates to its personnel the authority to approve the issuance of complimentary services and-or items, including levels of authorization for the agents approving the issuance of complimentary services and-or items;

(2) Written limits and conditions on the approval and issuance of complimentary services or items, and how the conditions or limits of authority may be modified~~;~~;

(3) Documentation and recordation requirements for the authorization, issuance, and tracking of complimentary services and-or items, including cash and non-cash gifts;

(i) Complimentary issuance records shall include the following for all complimentary items and services equal to or exceeding an amount established by the TGRA.

(A) Name of patron who received the complimentary service or item;

(B) Name(s) of issuer of the complimentary service or item;

(C) The actual cash value of the complimentary service or item;

(D) The type of complimentary service or item (i.e., food, beverage, etc.);
and

(E) Date the complimentary service or item was issued.

(ii) Reserved.

§ 543.18 How does a gaming operation apply for a variance from the standards of this part?

(a) Variance.

(1) Should a TGRA grant a variance to any provision of these MICS, the TGRA shall deliver a notice of the same to the Commission within ten (10) days of such approval.

(i) The notice shall contain a complete copy of the information presented to the TGRA and the variance as granted.

(ii) The notice shall be forwarded to the Commission within ten (10) days of the granting of the Variance.

(2) During a thirty (30) day period when the Commission first receives the notice required by this subpart, the Chairman may request additional information from the TGRA concerning the subject of variance. Such request shall suspend the thirty (30) day period until the Chairman receives the TGRA response.

(b) Commission Review.

(1) Within the thirty (30) day review period, the Commission may:

- (i) Advise the TGRA, in writing, that it has no objection.
- (ii) Provide the TGRA a written statement itemizing its objections.
- (iii) Take no action, in which case, the TGRA's variance shall be final.

(2) If the Commission has provided the TGRA a statement itemizing objections to the variance:

- (i) The TGRA shall reconsider the variance taking into account the objections itemized by the Commission.
- (ii) The TGRA may seek reconsideration by submitting a request to the Chairman and members of the Commission.
- (iii) Upon receipt of a request for reconsideration, the Commission shall conduct an informal hearing with the TGRA within 30 days, which may be conducted in person or through the exchange of documents, as requested by the TGRA.
- (iv) After the informal hearing, the Commission must issue a written decision within 14 days. If the Commission disapproves the variance, such written decision must include an explanation of why the requested variance creates an imminent threat to the integrity of the tribal gaming operation.

§ 543. 19 What are the minimum internal control standards for audit and accounting?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Conflicts of Standards. ~~When establishing SICS the gaming operation should review and consider incorporation of other external standards such as GAAP, SSAE, and standards promulgated by GASB and FASB. Accordingly, in the event of a conflict~~If there are any inconsistencies between the MICS and the ~~these regulations and external standards~~ incorporated external standards, ~~by this provision, such as GASB, GAAP, FASB, and SSAE, such other applicable~~the external standards shall prevail.

(d) Operational Audits (formerly "Revenue Audit"). Controls shall be established to ensure:

(1) All audits are designed in a manner to detect unauthorized access, misappropriation, forgery, theft, or fraud.

(2) All audits are performed within seven (7) days of the audited activity's occurrence as follows, unless otherwise specified:

- (i) Gaming revenue and payouts;
- (ii) Increases and decreases to inventory;
- (iii) Cash equivalent inventory count;
- (iv) Exceptions, overrides, and voids;
- (v) Complimentary services and items records (Weekly);
- (vi) Manual increases and decreases to/from player accounts (Weekly);
- (vii) Promotions, contests, and tournaments (Weekly); and
- (viii) Key control records (Quarterly).

(3) Minimum bankroll calculations are audited periodically to ensure that the gaming operation maintains cash in an amount sufficient to satisfy the gaming operation's obligations.

(4) At least bi-annually, an inventory of all drop, count, override, and panel keys are performed and increases and decreases in key inventory are reconciled.

(5) Audit results are summarized and recorded.

(6) ~~Audit Controls are developed to account~~controlled inventories for recording the receipt, issuance, and use of controlled inventories (including but not limited to bingo cards, pull tabs, playing cards, keys, pre-numbered and/or multi-part forms, etc.).

(7) Adjustments to original data are controlled to ensure all adjustments are properly completed and documented.

(8) Exceptions are reviewed for suspect and/or unusual transactions.

(9) Documentation must be generated and maintained evidencing the performance of audit procedures.

(10) If the audit is not performed by accounting agents, the agent(s) performing the audit are independent of the agents who performed the transactions being reviewed.

(e) Accounting. Controls must be established to ensure each gaming operation:

(1) Prepares accurate, complete, legible, and permanent records of all transactions pertaining to gaming revenue.

(2) Prepares general accounting records on a double-entry system of accounting, maintaining detailed, supporting, subsidiary records, and perform the following:

(i) Record gaming activity transactions in an accounting system to identify and track all revenues, expenses, assets, and liabilities;

(ii) Produce income and balance sheet statements;

(iii) Produce appropriate subsidiary ledgers to support the balance sheet;

(iv) Inventory and safeguard assets;

(v) Prepare, review, and maintain accurate financial statements;

(vi) Prepare minimum bankroll calculations; and

(vii) Maintain and preserve all financial books, records, and relevant supporting documentation.

(f) Internal Audit. Controls shall be established to ensure:

(1) Internal auditor(s) perform audits of each department of a gaming operation, at least annually, to review compliance with TICS, SICS, and these MICS, ~~TICS, and SICS~~.

(2) Internal auditor(s) are independent of the gaming operations with respect to the departments subject to audit (auditors internal to the operation, officers of the TGRA, or outside CPA firm may perform this function).

(3) Internal auditors report directly to the Tribe, TGRA, audit committee, or other entity designated by the Tribe.

(4) Documentation (e.g., checklists, programs, reports, etc.) is prepared to evidence all internal audit work and follow-up performed as it relates to compliance with TICS, SICS, ~~and these MICS, TICS, and SICS.~~

(5) Reports documenting audits performed are maintained and made available to the Commission upon request.

(6) All material exceptions resulting from internal audit work are investigated and resolved with the results documented.

(7) Internal audit findings are reported to management, responded to by management in the internal audit report stating corrective measures to be taken, and delivered to management, the Tribe, TGRA, audit committee, or other entity designated by the Tribe.

(g) Annual Audits.

(1) Agreed upon procedures. A CPA must be engaged to perform, in accordance with agreed upon procedures and the most recent versions of the Statements on Standards for Attestation Engagements and Agreed-Upon Procedures Engagements (collectively “SSAE’s”), issued by the American Institute of Certified Public Accountants Inc., an assessment of whether the gaming operation is in compliance with these MICS, the TICS, and/or the SICS.

(2) The tribe must submit two copies of the agreed-upon procedures report to the Commission within 120 days of the gaming operation’s fiscal year end in conjunction with the submission of the annual financial audit report required under 25 CFR Part 571.

(3) Require management to have sufficient knowledge and understanding of the purpose, nature, and scope of the agreed upon procedures to provide adequate oversight and participation in the process to ensure a meaningful and useful outcome.

(4) Reliance on Internal Audit.

(i) Agreed upon procedures are to be performed by the CPA to determine that the internal audit procedures performed during the fiscal year have been properly completed.

(ii) The CPA may rely on the work of internal audit for the completion of the MICS checklists as they relate to the standards covered by this Part.

(5) Report Format. The Statements on Standards for Attestation Engagements and Agreed-Upon Procedure Engagements (SSAE's) are applicable to ~~agreed-agreed~~-upon procedures engagements required in this Part. All noted instances of noncompliance must be documented in the report with a narrative description, the number of exceptions and sample size tested.

§ 543.20 [RESERVED]

§ 543.21 What are the minimum internal control standards for drop and count?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Supervision. Supervision shall be provided for drop and count as needed by an agent(s) with authority equal to or greater than those being supervised.

~~(d)~~ Count Room Access. Controls must be established to limit physical access to the count room to count team agents, designated staff, and other authorized persons. Such controls must include, but not be limited to, the following:

(1) Count team agents shall not be allowed to exit or enter the count room during the count except for emergencies or scheduled breaks.

(2) Surveillance shall be notified whenever count room agents exit or enter the count room during the count.

(3) The count team policy, at a minimum, shall address the transportation of extraneous items (e.g., personal belongings, tool boxes, beverage containers, etc.) into or out of the count room.

~~(e)~~ Count team. Controls must be established in a manner designed to ensure security of the count and the count room to prevent unauthorized access, misappropriation of funds, forgery, theft, and-or fraud. Such controls must include, but not be limited to, the following:

(1) For Tier A and B operations, all counts shall be performed by a minimum of two (2) agents. For Tier C operations, all counts shall be performed by a minimum of three (3) agents.

(2) For Tier A and B operations, at no time during the count shall there be fewer than two (2) count team agents in the count room until the drop proceeds have been accepted into cage/vault accountability. For Tier C operations, at no time during the count shall there be fewer than three (3) count team agents in the count room until the drop proceeds have been accepted into cage/vault accountability.

(3) For Tier A and B operations, count team agents shall be rotated on a routine basis such that the count team is not consistently the same two (2) agents more than four (4) days per week. This standard shall not apply to gaming operations that utilize a count team of more than two (2) agents. For Tier C operations, count team agents shall be rotated on a routine basis such that the count team is not consistently the same three (3) agents more than four (4) days per week. This standard shall not apply to gaming operations that utilize a count team of more than three (3) agents.

(4) Functions performed by count team agents shall be rotated on a routine basis.

~~(5) For Tier A and B operations, if the count is not viewed live, the operation must establish controls to ensure a review of the recording within seven (7) days by an agent independent of the count operation and the count being reviewed. For Tier C operations, the count shall be viewed live.~~

(6) Count team agents shall be independent of the department being counted and the cage/vault departments. An accounting agent may be used if there is an independent audit of all count documentation.

(g) Drop. Controls must be established in a manner designed to ensure security of the drop process to prevent unauthorized access to gaming equipment and the drop, misappropriation of funds, ~~forgery, theft, and or~~ fraud. Such controls must include, but not be limited to, the following:

(1) Drop schedules and periods, including procedure to continue drop once started through completion.

(2) Security during transport of drop boxes, including escort by a minimum of two (2) agents, at least one of whom is independent of the revenue being dropped.

(3) All drop boxes shall be uniquely identified to correspond with the card table, player interface, and/or other location from which the drop box was removed.

- (4) Security over drop boxes removed and awaiting transport to the count room.
- (5) Security of drop boxes until the count takes place.
- (6) Notification to surveillance when a drop is to begin.
- (7) Provisions for emergency drop.

(gh) Count. Controls must be established in a manner designed to ensure security of the count process to prevent unauthorized access to count equipment and the drop, misappropriation of funds, improper manipulation of financial records, forgery, theft, and-or fraud. Such controls must include, but not be limited to, the following:

- (1) Establishment of a dedicated count room;
- (2) Manual count process;
- (3) Utilization, testing, and calibration of counters and/or validation systems;
- (4) Verification of count;
- (5) Prevention of the comingling of funds until recorded per drop box;
- (6) Accurate and permanent forms of recordation for all cash and cash equivalents and rejected cash or cash equivalents;
- (7) For card game counts, additional controls, as applicable, shall be established and procedures implemented to ensure:

(i) Fills/credits, ~~Pit Marker-marker Issue~~issue/~~Payment-payment Slips-slips~~ are recorded and forwarded to the appropriate department for verification and reconciliation.

(ii) Opening/closing card table inventory forms are examined and traced to or recorded on the appropriate documentation with discrepancies investigated and results documented.

(8) The reconciliation of count records to the total drop, which shall address, but not be limited to:

(i) Signature of each agent of the count team attesting to their participation in the count;

(ii) Reconciliation of the total drop by a count team agent who shall not function as the sole recorder; and

(iii) Documentation of all unresolved variances.

(9) Transfer of the drop following the count.

(10) All cash and cash equivalent inventory stored in the count room shall be secured from unauthorized access at all times.

(11) Access to stored drop boxes, full or empty.

(h) Controlled keys or equivalents. Controls shall be established and procedures implemented to safeguard the use, access, and security of keys or other access methods in accordance with the following:

(1) Each of the following requires a separate and unique key lock or alternative secure access method:

- (i) Drop cabinet;
- (ii) Drop box release;
- (iii) Drop box content; and
- (iv) Storage racks and carts.

(2) Access to and return of keys or equivalents shall be ~~manually or electronically~~ documented with the date, time, and signature or other unique identifier of the agent accessing or returning the key(s).

(i) For Tier A and B operations, at least two (2) drop team agents are required to be present to access and return keys. For Tier C operations, at least three (3) drop team agents are required to be present to access and return keys.

(ii) For Tier A and B operations, at least two (2) count team agents are required to be present at the time count room and other count keys are issued for the count. For Tier C operations, at least three (two for card game drop box keys in operations with three tables or fewer) count team agents are required to be present at the time count room and other count keys are issued for the count.

(~~iii~~3) Where an alternative access method is utilized, the use of such method shall be controlled in a manner consistent with the objectives of this standard.

(~~3~~4) Documentation of all keys, including duplicates, shall be maintained including:

- (i) Unique identifier for each individual key;

(ii) Key storage location;

(iii) Number of keys made, duplicated, and destroyed; and

(iv) Authorization and access.

(45) Custody of all keys involved in the drop and count shall be maintained by a department independent of the count and drop agents and those departments being dropped and counted.

(56) Other than the count team, no agent shall have access to the drop box content keys while in possession of storage rack keys and/or release keys.

(67) Other than the count team, only agents authorized to remove drop boxes are allowed access to drop box release keys.

(78) Utilization of keys at times other than the scheduled drop and count ~~is~~ must be properly authorized and documented.

(89) Emergency manual keys (~~a.k.a.i.e., Override-override Keykey~~) for computerized, electronic, and alternative key systems.

§ 543.22 [RESERVED]

§ 543.23 What are the minimum internal control standards for surveillance?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Surveillance Equipment and Control Room(s). Controls must be established in a manner designed to prevent unauthorized access and/or activities, ~~cheating~~, misappropriation, forgery, theft, or fraud. Such controls must include, but not be limited to, the following:

(1) For Tier A, the surveillance system shall be maintained and operated from a secured location, such as a locked cabinet. For Tier B and C, the surveillance system shall be maintained and operated from a staffed surveillance operation room(s).

(2) The surveillance operation room(s) shall be secured to prevent unauthorized entry.

- (3) Access to the surveillance operation room(s) shall be limited to surveillance agents; ~~designated staff~~, and other persons authorized.
- (4) Surveillance operation room(s) access logs shall be maintained.
- (5) Surveillance operation room equipment shall have total override capability over all other satellite surveillance equipment located outside the surveillance operation room.
- (6) Power loss to the surveillance system.
 - (i) For Tier A, in the event of power loss to the surveillance system, immediate alternative security measures, such as additional supervisory or security agents, shall be provided.
 - (ii) For Tier B and C, in the event of power loss to the surveillance system, an auxiliary or backup power source shall be available and capable of providing immediate restoration of power to all elements of the surveillance system that enable surveillance agents to observe all areas covered by dedicated cameras.
- (7) The surveillance system shall record an accurate date and time stamp on recorded events. The displayed date and time shall not significantly obstruct the recorded view.
- (8) All surveillance agents shall be trained in the use of the equipment, and be knowledgeable of the games and house rules.
- (9) Each camera required by the standards in this section shall be installed in a manner that will prevent it from being readily obstructed, tampered with, or disabled.
- (10) The surveillance system shall:
 - (i) Have the capability to display all camera views on a monitor;
 - (ii) Include sufficient numbers of recording devices to record the views of all cameras required by this section;
 - (iii) Record all camera views; and
 - (iv) For Tier B and C only, include sufficient numbers of monitors to simultaneously display gaming and count room activities.
- (11) A periodic check of the surveillance systems shall be conducted. When a malfunction of the surveillance system is discovered, the malfunction and necessary repairs shall be documented and repairs initiated within seventy-two (72) hours.

(i) If a dedicated camera malfunctions, immediate alternative security measures, such as additional supervisory or security agents, shall be provided.

(ii) The TGRA shall be notified of any surveillance system and/or camera(s) that have malfunctioned for more than twenty-four (24) hours and the alternative security measures being provided.

(d) Additional Surveillance Requirements. With regard to the following functions, the additional specified ~~requirements-controls~~ shall be implemented:

(1) Bingo.

(i) For manual draws, the surveillance system shall monitor the bingo ball drawing device or mechanical random number generator, which shall be recorded during the course of the draw by a dedicated camera to identify the ~~balls-numbers or other designations~~ drawn ~~or numbers selected~~.

(ii) The surveillance system shall monitor and record the activities of the bingo game, including drawing, calling, and entering, ~~and~~ the balls, numbers or other designations drawn ~~or selected~~.

(2) Card games.

(i) Except for card game tournaments, a dedicated camera(s) shall be used to provide:

(A) An overview of the activities on each card table surface, including card faces and cash and/or cash equivalents;

(B) An overview of card game activities, including patrons and dealers;
and

(C) An unobstructed view of all posted progressive pool amounts.

(ii) For card game tournaments, a dedicated camera(s) shall be used to provide an overview of tournament activities, including entrances/exits and any area where cash or cash equivalents are exchanged.

(3) Prize ~~payouts~~ Winning Events. The TGRA shall establish standards for surveillance camera coverage of ~~payouts-prize winning events~~. Dedicated camera coverage is required when the progressive base value or prize amount in excess of exceeds \$3,000,000.00 for fixed prize payouts or progressive reset values. Such Recorded camera coverage shall

include the activities of patrons and agents at the time and location of the prize winning event.

(4) Cash and Cash Equivalents.

(i) The surveillance system shall monitor and record:

(A) A view of the patron, cage agent, vault agent or count team agent(s) and the surrounding area and counting surface;

(B) Payouts of gaming winnings;

(C) Entry and exit doors to and from the cage, vault and other secured count areas;

(D) All count equipment including but not limited to reject bins, weigh scales, wrapping machines, currency and coin counters, and chips sorters;

(E) Any area where the manipulation of recorded data may occur;

(F) Drop and count while in process; for Tier A and B operations, if the count is not viewed live, the operation must establish controls to ensure a review of the recording within seven (7) days by an agent independent of the count operation and the count being reviewed. For Tier C operations, the count shall be viewed live.

(G) All drop boxes and storage racks by either a dedicated camera or a motion-detector activated camera.

(ii) During the count process a dedicated overhead camera(s) or motion-detector activated camera(s) must cover the:

(A) Transaction area with the ability to identify cash and cash equivalent values;

(B) All counting surfaces used during the count; and

(C) All drop boxes and their storage racks.

(e) Recording Retention. Controls must be established that include, but are not limited to, the following:

(1) All recordings required by this section shall be retained for a minimum of seven (7) days; and

(2) Suspected or confirmed gaming crimes, unlawful or suspicious activity, or detentions by security personnel discovered within the initial retention period shall be copied and retained for a time period, not less than one (1) year.

(f) Logs. Logs must be maintained and demonstrate the following:

(1) Compliance with the storage, identification, and retention standards required in this section;

(2) Each malfunction and repair of the surveillance system as defined in this section; and

(3) Activities performed by surveillance agents.

APPENDIX

2

**PART 547 — MINIMUM TECHNICAL STANDARDS FOR GAMING EQUIPMENT USED
WITH THE PLAY OF CLASS II GAMES.**

Sec.

~~547.1~~ 547.1 What is the purpose of this part?

~~547.2~~ 547.2 How do these regulations affect state jurisdiction?

~~547.3~~ 547.3 What are the definitions for this part?

~~547.4~~ 547.4 How does a tribal government, ~~tribal gaming regulatory authority~~ TGRA, or tribal gaming operation comply with this part?

~~547.5~~ 547.5 What are the rules of interpretation and of general application for this part?

~~547.6~~ 547.6 What are the minimum technical standards for enrolling and enabling Class II gaming system components?

~~547.7~~ 547.7 What are the minimum technical hardware standards applicable to Class II gaming systems?

~~547.8~~ 547.8 What are the minimum technical software standards applicable to Class II gaming systems?

~~547.9~~ 547.9 What are the minimum technical standards for Class II gaming system accounting functions?

~~547.10~~ 547.10 What are the minimum standards for Class II gaming system critical events?

~~547.11~~ 547.11 What are the minimum technical standards for money and credit handling?

~~547.12~~ 547.12 What are the minimum technical standards for downloading on a Class II gaming system?

~~547.13~~ 547.13 What are the minimum technical standards for program storage media?

~~547.14~~ 547.14 What are the minimum technical standards for electronic random number generation?

~~547.15~~ 547.15 What are the minimum technical standards for electronic data communications between system components?

~~547.16~~ 547.16 What are the minimum standards for game artwork, glass, and rules?

~~547.17~~ 547.17 How does a ~~tribal gaming regulatory authority apply for~~ TGRA grant a variance from these standards?

Authority: 25 U.S.C. 2706(b).

§ 547.1_ What is the purpose of this part?

The Indian Gaming Regulatory Act, 25 U.S.C. 2703(7)(A)(i), permits the use of electronic, computer, or other technologic aids in connection with the play of Class II games. This part establishes the minimum technical standards governing the use of such aids.

§ 547.2 How do these regulations affect state jurisdiction?

Nothing in this part shall be construed to grant to a state jurisdiction over Class II gaming or to extend a state's jurisdiction over Class III gaming.

§ 547.3 What are the definitions for this part?

For the purposes of this part, the following definitions apply:

Account ~~AccessComponent,~~access component. A component within a Class II gaming system that reads or recognizes account access media and gives a patron the ability to interact with ~~his or her~~an account.

Account ~~AccessMedium,~~access medium. A magnetic stripe card or any other medium inserted into, or otherwise made to interact with, an account access component in order to give a patron the ability to interact with an account.

Audit ~~Mode,~~mode. The mode where it is possible to view Class II gaming system accounting functions, statistics, etc. and perform non-player-related functions.

Agent,~~An employee or other,~~A person authorized by the gaming operation, as approved by the ~~tribal gaming regulatory authority, designated for certain~~TGRA, to make decisions, tasks ~~and~~or actions ~~in~~on the behalf of the gaming operation. This definition permits the use of computer applications to perform the function(s) of an agent.

Cancel ~~Credit,~~credit. An action initiated by the Class II gaming system where some or all of a player's credits are removed by an attendant and paid to the player.

Cashless ~~System,~~system. A system that performs cashless transactions and maintains records of those cashless transactions.

Cashless ~~Transaction,~~transaction. A movement of funds electronically from one component to another, often to or from a patron deposit account~~,~~or promotional account.

CD-ROM~~,~~. Compact Disc – Read Only Memory.

Chairman~~,~~. The Chairman of the National Indian Gaming Commission.

Class II ~~Game,~~ ~~The same as~~ “class game. Class II gaming” ~~in~~ shall have the same meaning as defined in 25 U.S.C. 2703(7)(A).

Class II ~~Gaming System~~, gaming system. All components, whether or not technologic aids in electronic, computer, mechanical, or other technologic form, that function together to aid the play of one or more Class II games, including accounting functions mandated by these regulations.

*Commission*_{7.2}. The National Indian Gaming Commission established by the Indian Gaming Regulatory Act, 25 U.S.C. 2701 *et seq.*

*Coupon*_{7.2}. A financial instrument of fixed wagering value, usually paper, that can only be used to acquire non-cashable credits through interaction with a voucher system. This does not include instruments such as printed advertising material that cannot be validated directly by a voucher system.

Critical ~~Memory~~, memory. Memory locations storing data essential to the functionality of the Class II gaming system.

*DLL*_{7.2}. A Dynamic-Link Library file.

Download ~~Package~~, package. Approved data sent to a component of a Class II gaming system for such purposes as changing the component software.

*DVD*_{7.2}. Digital Video Disk or Digital Versatile Disk.

~~*Electromagnetic Interference*, The physical characteristic of an electronic component to emit electronic noise either into free air, onto the power lines, or onto communication cables.~~

(Remark: Definition not used in this proposed draft.)

Electrostatic Discharge. A single-event, rapid transfer of electrostatic charge between two objects, usually resulting when two objects at different potentials come into direct contact with each other.

*EPROM*_{7.2}. Erasable Programmable Read Only Memory – a storage area that may be filled with data and information, that once written is not modifiable, and that is retained even if there is no power applied to the machine.

*Fault*_{7.2}. An event that when detected by a Class II gaming system causes a discontinuance of game play or other component functions.

Financial ~~Instrument~~,instrument. Any tangible item of value tendered in Class II game play, including, but not limited to, bills, coins, vouchers and coupons.

Financial ~~InstrumentAcceptor~~,instrument acceptor. Any component that accepts financial instruments, such as a bill validator.

(Remark: Added clarity when referring to proposed TGWG draft Part 543.)

Financial ~~InstrumentDispenser~~,instrument dispenser. Any component that dispenses financial instruments, such as a ticket printer.

(Remark: Added clarity when referring to proposed TGWG draft Part 543.)

Financial ~~InstrumentStorageComponent~~,instrument storage component. Any component that stores financial instruments, such as a drop box.

(Remark: Added clarity when referring to proposed TGWG draft Part 543.)

Flash ~~Memory~~,memory. Non-volatile memory that retains its data when the power is turned off and that can be electronically erased and reprogrammed without being removed from the circuit board.

Game ~~Software~~,software. The operational program or programs that govern the play, display of results, and/or awarding of prizes or credits for Class II games.

Gaming ~~Equipment~~,equipment. All electronic, electro-mechanical, mechanical, or other physical components utilized in the play of Class II games.

Hardware~~,~~ Gaming equipment.

Interruption~~,~~ Any form of mis-operation, component failure, or interference to the Class II gaming equipment.

Modification~~,~~ A revision to any hardware or software used in a Class II gaming system.

Non-cashable ~~Credit~~,credit. Credits given by an operator to a patron; placed on an Class II gaming system through a coupon, cashless transaction or other approved means; and capable of activating play but not being converted to cash.

Patron. A person who is a customer or guest of the gaming operation and may interact with a

Class II game. Also may be referred to as a “player”.

Patron ~~DepositAccount,~~deposit account. An account maintained on behalf of a patron, for the purpose of depositing and withdrawing cashable funds for the primary purpose of interacting with a gaming activity.

Player ~~Interface,~~interface. Any component or components of a Class II gaming system, including an electronic or technologic aid (not limited to terminals, player stations, handhelds, fixed units, etc.), that directly enables player interaction in a Class II game.

Prize ~~Schedule,~~schedule. The set of prizes available to players for achieving pre-designated patterns in the Class II game.

Program ~~StorageMedia,~~storage media. An electronic data storage component, such as a CD-ROM, EPROM, hard disk, or flash memory on which software is stored and from which software is read.

Progressive ~~Prize,~~prize. A prize that increases by a selectable or predefined amount based on play of a Class II game.

Random ~~NumberGenerator~~number generator (RNG), A software module, hardware component or combination of these designed to produce outputs that are effectively random.

Reflexive ~~Software,~~software. Any software that has the ability to manipulate and/or replace a randomly generated outcome for the purpose of changing the results of a Class II game or deprives a player of a prize to which the player is otherwise entitled based on the random outcome of the game.

(Remark: The added language makes this definition more consistent with the industry understanding of reflexive technology. The proposed language operates to clearly identify the harm the provision is intended to prevent.)

Removable ~~RewritableStorageMedia,~~rewritable storage media. Program or data storage components that can be removed from gaming equipment and be written to, or rewritten by, the gaming equipment or by other equipment designed for that purpose.

~~Server,~~ A computer that controls one or more applications or environments within a Class II gaming system.

Test/~~DiagnosticsMode,~~diagnostics mode. A mode on a component that allows various tests to be performed on the Class II gaming system hardware and software.

Testing ~~Laboratory,~~laboratory. An organization recognized by a ~~tribal gaming regulatory authority~~TGRA pursuant to § 547.4(f).

~~TGRA.~~ Tribal Gaming Regulatory Authority. The gaming regulatory authority, which is the entity authorized by tribal law to regulate gaming conducted pursuant to the Indian Gaming Regulatory Act.

~~Voucher,~~ A financial instrument of fixed wagering value, usually paper, that can only be used to acquire an equivalent value of cashable credits or cash through interaction with a voucher system.

Voucher ~~System,~~system. A component of the Class II gaming system or an external system that securely maintains records of vouchers and coupons; validates payment of vouchers; records successful or failed payments of vouchers and coupons; and controls the purging of expired vouchers and coupons.

§ 547.4_ How does a tribal government, ~~tribalgamingregulatoryauthority~~TGRA, or tribal gaming operation comply with this part?

~~(a)~~ (a) *Limited immediate compliance.* A ~~tribal gaming regulatory authority~~TGRA shall:

(1) Require that all Class II gaming system software that affects the play of the Class II game and were in operation prior to November 10, 2008 be submitted, together with the signature verification required by § 547.8(f), to a testing laboratory recognized pursuant to paragraph (f) of this section ~~within 120 days after November 10, 2008.~~

(Remark: Submission under this provision was restricted to TGRAs and only provided for games in active operation on the effective date. Accordingly, manufacturers who may have had inactive games that would otherwise qualify for grandfather status would not have been able to qualify such games for grandfather status. To ensure that tribes are able to take advantage of all Class II systems

eligible for grandfather status, we propose the foregoing revision to this sub-section. We further note that any concerns with system integrity are addressed by the non-waivable provision governing the integrity of the grandfathered systems set forth in subpart 547.4.)

~~(2)~~ (2) Require that the testing laboratory test the submission to the standards established by § 547.8(b), § 547.8(f), § 547.14, ~~the minimum probability standards of~~ § 547.5(c), and to any additional technical standards adopted by the ~~tribal gaming regulatory authority~~ TGRA;

(Remark: Minimal probability standards are not applicable to Bingo.)

~~(3)~~ (3) Require that the testing laboratory provide the ~~tribal gaming regulatory authority~~ TGRA with a formal written report setting forth and certifying to the findings and conclusions of the test;

(i) The testing laboratory's written report shall note the submission of any other compliance with applicable federal laws or regulations.

(Remark: Given that other federal agencies are responsible for establishing and enforcing electrical product safety standards, the NIGC lack's jurisdiction over this subject matter. However, this section was added to clarify that it is industry standard for the laboratories to make note or include other laboratory certifications as provided by the manufacturer in their report.)

~~(4)~~ (4) Make a finding, in the form of a certificate provided to the supplier or manufacturer of the Class II gaming system, that the Class II gaming system qualifies for grandfather status under the provisions of this section, but only upon receipt of a testing laboratory's report that the Class II gaming system is compliant with § 547.8(b), § 547.8(f), ~~the minimum probability standards of~~ § 547.5(c), § 547.14, and any other technical standards adopted by the ~~tribal gaming regulatory authority~~ TGRA. If the ~~tribal gaming regulatory authority~~ TGRA does not issue the certificate, or if the testing laboratory finds that the Class II gaming system is not compliant with § 547.8(b), § 547.8(f), ~~the minimum probability standards of~~ § 547.5(c), § 547.14, or any other technical standards adopted by the ~~tribal gaming regulatory authority~~ TGRA, then the gaming system shall immediately be removed from play and not be utilized. (See previous remark regarding minimal probability.)

~~(5)~~ (5) Retain a copy of any testing laboratory's report so long as the Class II gaming system that is the subject of the report remains available to the public for play;

~~(6)~~ (6) Retain a copy of any certificate of grandfather status so long as the Class II gaming system that is the subject of the certificate remains available to the public for play; and

~~(7)~~ (7) Require the supplier of any player interface to designate with a permanently affixed label each player interface with an identifying number and the date of manufacture or a statement that the date of manufacture was on or before the effective date of this part. The ~~tribal gaming regulatory authority~~ TGRA shall also require the supplier to provide a written declaration or affidavit affirming that the date of manufacture was on or before on or before November 10, 2008.

~~(b)~~ (b) *Grandfather provisions.* All Class II gaming systems manufactured or placed in a tribal facility on or before the effective date of this part and certified pursuant to paragraph (a) of this section are grandfathered Class II gaming systems for which the following provisions apply:

~~(1) — Grandfathered Class II gaming systems may continue in operation for a period of five years from November 10, 2008.~~

(Remark: The proposed strike out is intended to rectify the economically burdensome and unfair effect of the rule as promulgated. In the first place, the rule as promulgated is unduly restrictive and given that its promulgation was not supported by relevant and credible data, it is arbitrary and capricious as well. Operation of grandfathered Class II gaming systems under the existing grandfather provision demonstrate no reason to suggest retention any time restrictions on usage of the grandfathered Class II gaming systems. Additionally, any concerns with system integrity are addressed by the non-waive able provision governing the integrity of the grandfathered systems set forth in subpart 547.4. Finally, any concerns with regard to product safety standards are within the jurisdiction of other agencies and therefore beyond the scope of NIGC jurisdiction.)

~~(2)~~ (1) Grandfathered Class II gaming system shall be available for use at any tribal gaming facility subject to approval by the ~~tribal gaming regulatory authority~~ TGRA, which shall transmit its notice of

that approval, identifying the grandfathered Class II gaming system and its components, to the Commission.

~~(3)~~ (2) As permitted by the ~~tribal gaming regulatory authority~~ TGRA, individual hardware or software components of a grandfathered Class II gaming system may be repaired or replaced to ensure proper functioning, security, or integrity of the grandfathered Class II gaming system.

~~(4)~~ (3) All modifications that affect the play of a grandfathered Class II gaming system must be approved pursuant to paragraph (c) of this section, except for the following:

(i) Any software modifications that the ~~tribal gaming regulatory authority~~ TGRA finds will maintain or advance the system's overall compliance with this part or any applicable provisions of ~~parts 542 and~~ part 543 of this chapter, after receiving a new testing laboratory report that the modifications are compliant with the standards established by § 547.8(b), ~~the minimum probability requirements of~~ § 547.5(c), § 547.14, and any other standards adopted by the ~~tribal gaming regulatory authority~~; TGRA;

(Remark: Reference to part 542 removed throughout the proposed draft part 547 because it is not applicable to minimal technical standards for gaming equipment used with the play of Class II games.)

(ii) Any hardware modifications that the ~~tribal gaming regulatory authority~~ TGRA finds will maintain or advance the system's overall compliance with this part or any applicable provisions of ~~parts 542 and~~ part 543 of this chapter; and

(iii) Any other modification to the software of a grandfathered Class II gaming system that the ~~tribal gaming regulatory authority~~ TGRA finds will not detract from, compromise or prejudice:

~~(A)~~ (A) The proper functioning, security, or integrity of the Class II gaming system, and

(B) The gaming system's overall compliance with the requirements of this part or any applicable provisions of ~~parts 542 and~~ part 543 of this chapter.

(iv) No such modification may be implemented without the approval of the ~~tribal gaming regulatory authority~~ TGRA. The ~~tribal gaming regulatory authority~~ TGRA shall maintain a record of the modification so long as the Class II gaming system that is the subject of the modification remains

available to the public for play and shall make the record available to the Commission upon request.

The Commission will only make available for public review records or portions of records subject to release under the Freedom of Information Act, 5 U.S.C. 552; the Privacy Act of 1974, 5 U.S.C. 552a; or the Indian Gaming Regulatory Act, 25 U.S.C. 2716(a).

~~(e)~~ (c) *Submission, testing, and approval - generally.* Except as provided in paragraphs (b) and (d) of this section, no ~~tribal gaming regulatory authority~~ TGRA shall permit in a tribal gaming operation the use of any Class II gaming system, or any associated cashless system or voucher system or any modification thereto, unless:

~~(1)~~ (1) The Class II gaming system, cashless system, voucher payment system, or modification has been submitted to a testing laboratory;

~~(2)~~ (2) A TGRA shall require a testing laboratory ~~tests to test~~ the submission to the standards established by:

(i) This part;

(ii) Any applicable provisions of ~~parts 542 and~~ part 543 of this chapter that are testable by the testing laboratory; and

(iii) The ~~tribal gaming regulatory authority~~ TGRA;

~~(3)~~ (3) The testing laboratory provides a formal written report to the party making the submission, setting forth and certifying to its findings and conclusions; and

~~(4)(i)~~ (4)(i) Following receipt of the testing laboratory's report, the ~~tribal gaming regulatory authority~~ TGRA makes a finding that the Class II gaming system, cashless system, or voucher system conforms to the standards established by:

(A) This part;

(B) Any applicable provisions of ~~parts 542 and~~ part 543 of this chapter that are testable by the testing laboratory; and

(C) The ~~tribal gaming regulatory authority~~ TGRA.

(ii) The ~~tribal gaming regulatory authority~~ [TGRA](#) shall retain a copy of the testing laboratory's report so long as the Class II gaming system, cashless system, voucher system, or modification thereto that is the subject of the report remains available to the public for play in its gaming operation.

~~(d)~~ (d) *Emergency hardware and software modifications.*

(1) A ~~tribal gaming regulatory authority~~ [TGRA](#), in its discretion, may permit modified hardware or software to be made available for play without prior laboratory testing or review if the modified hardware or software is:

(i) Necessary to correct a problem affecting the fairness, security, or integrity of a game or accounting system or any cashless system, or voucher system; or

(ii) Unrelated to game play, an accounting system, a cashless system, or a voucher system.

(2) If a ~~tribal gaming regulatory authority~~ [TGRA](#) authorizes new or modified software or hardware to be made available for play or use without prior testing laboratory review, the ~~tribal gaming regulatory authority~~ [TGRA](#) shall thereafter require the hardware or software manufacturer to:

(i) Immediately advise other users of the same hardware or software of the importance and availability of the update;

(ii) Immediately submit the new or modified hardware or software to a testing laboratory for testing and verification of compliance with this part and any applicable provisions of ~~parts 542 and~~ [part 543](#) of this chapter that are testable by the testing laboratory; and

(iii) Immediately provide the ~~tribal gaming regulatory authority~~ [TGRA](#) with a software signature verification tool meeting the requirements of § 547.8(f) for any new or modified software.

(3) If a ~~tribal gaming regulatory authority~~ [TGRA](#) authorizes a software or hardware modification under this paragraph, it shall maintain a record of the modification and a copy of the testing laboratory report so long as the Class II gaming system that is the subject of the modification remains available to the public for play and shall make the record available to the Commission upon request. The Commission will only make available for public review records or portions of records subject to release under the

Freedom of Information Act, 5 U.S.C. 552; the Privacy Act of 1974, 5 U.S.C. 552a; or the Indian Gaming Regulatory Act, 25 U.S.C. 2716(a).

(e) *Compliance by charitable gaming operations.* This part shall not apply to charitable gaming operations, provided that:

- (1) The tribal government determines that the organization sponsoring the gaming operation is a charitable organization;
- (2) All proceeds of the charitable gaming operation are for the benefit of the charitable organization;
- (3) The ~~tribal gaming regulatory authority~~ TGRA permits the charitable organization to be exempt from this part;
- (4) The charitable gaming operation is operated wholly by the charitable organization's employees or volunteers; and
- (5) The annual gross gaming revenue of the charitable gaming operation does not exceed \$1,000,000.

(f) *Testing laboratories.* (1) A testing laboratory may provide the examination, testing, evaluating and reporting functions required by this section provided that:

- (i) It demonstrates its integrity, independence and financial stability to the ~~tribal gaming regulatory authority~~ TGRA.
- (ii) It demonstrates its technical skill and capability to the ~~tribal gaming regulatory authority~~ TGRA.
- (iii) ~~If the testing laboratory~~ is ~~not~~ owned or operated by the ~~same tribe or tribal gaming regulatory authority~~ tribe the testing laboratory must be independent from the manufacturer and gaming operator for whom it is providing the testing, evaluating, and reporting functions required by this section.

(Remark: The existing rule improperly restricts tribes from owning or operating test laboratories. The proposed revision corrects this problem, while at the same time ensuring independence and the appropriate segregation of function.)

(iv) The ~~tribal gaming regulatory authority~~ TGRA:

(A) Makes a suitability determination of the testing laboratory based upon standards no less stringent than those set out in §§ 533.6(b)(1)(ii) through (v) of this chapter and based upon no less information than that required by § 537.1 of this chapter, or

(B) Accepts, in its discretion, a determination of suitability for the testing laboratory made by any other gaming regulatory authority in the United States.

(v) After reviewing the suitability determination and the information provided by the testing laboratory, the ~~tribal gaming regulatory authority~~ TGRA determines that the testing laboratory is qualified to test and evaluate Class II gaming systems.

(2) The ~~tribal gaming regulatory authority~~ TGRA shall:

(i) Maintain a record of all determinations made pursuant to paragraphs (f)(1)(iv) and (f)(1)(v) of this section for a minimum of three years and shall make the records available to the Commission upon request. The Commission will only make available for public review records or portions of records subject to release under the Freedom of Information Act, 5 U.S.C. 552; the Privacy Act of 1974, 5 U.S.C. 552a; or the Indian Gaming Regulatory Act, 25 U.S.C. 2716(a).

(ii) Place the testing laboratory under a continuing obligation to notify it of any adverse regulatory action in any jurisdiction where the testing laboratory conducts business.

(iii) Require the testing laboratory to provide notice of any material changes to the information provided to the ~~tribal gaming regulatory authority~~ TGRA.

§ 547.5_ What are the rules of interpretation and of general application for this part?

~~(a)~~ (a) *Minimum standards.* A ~~tribal gaming regulatory authority~~ TGRA may establish and implement additional technical standards that are as stringent as, or more stringent than, those set out in this part.

~~(b)~~ (b) *Only applicable standards apply.* Gaming equipment and software used with Class II gaming systems shall meet all applicable requirements of this part. For example, if a Class II gaming system lacks the ability to print or accept vouchers, then any standards that govern vouchers do not apply.

~~(e)~~ (c) *Fairness*. No Class II gaming system shall cheat or mislead users. All prizes advertised shall be available to win during the game. ~~No progressive prize shall have a probability of winning less than 1 in 100,000,000. No other prize shall have a probability of winning less than 1 in 50,000,000.~~ Test laboratory shall calculate and/or verify the mathematical expectations of game play, where applicable, in accordance with the manufacturer stated submission. The results shall be included in the test laboratory's report to the TGRA.

(Remark: This correctly states the terms applicable to the game of Bingo where use of the term mathematical probability standards is incorrect. In Bingo, it is appropriate to require the manufacturer to disclose to TGRA the mathematical expectations of the game and to have the laboratories such mathematical expectations. In the existing rule the NIGC included an admittedly arbitrary probability standard that unfairly operates to limit game design and is not consistent with the probability standards applicable to most, if not all, charitable bingo operations and state lotteries.)

~~(d)~~ (d) *Approved equipment and software only*. All gaming equipment and software used with Class II gaming systems shall be identical in all respects to a prototype reviewed and tested by a testing laboratory and approved for use by the ~~tribal gaming regulatory authority~~ TGRA pursuant to § 547.4(a) through (c). Unapproved software shall not be loaded onto or stored on any program storage medium used in a Class II gaming system, except as provided in § 547.4(d).

~~(e)~~ (e) *Proper functioning*. All gaming equipment and software used with Class II gaming systems shall perform according to the manufacturer's design and operating specifications.

~~(f)~~ (f) *No Limitation of Technology*. This part should not be interpreted to limit the use of technology or to preclude the use of technology not specifically referenced.

~~(g)~~ (g) *Severability*. If any provision of this part is declared invalid by a court of competent jurisdiction, such decision shall not affect the remainder of this part.

§ 547.6_ What are the minimum technical standards for enrolling and enabling Class II gaming system components?

~~(a)~~ (a) *General requirements.* Class II gaming systems shall provide a method to:

(1) Enroll and unenroll system components;

~~(2)~~ (2) Enable and disable specific system components.

(b) *Specific requirements.* Class II gaming systems shall:

~~(1)~~ (1) Ensure that only enrolled and enabled system components participate in gaming; and

~~(2)~~ (2) Ensure that the default condition for components shall be unenrolled and disabled.

§ 547.7_ What are the minimum technical hardware standards applicable to Class II gaming systems?

~~(a) General requirements. (1) The Class II gaming system shall operate in compliance with applicable regulations of the Federal Communications Commission.~~

~~(2) —Prior to approval by the tribal gaming regulatory authority pursuant to § 547.4(e), the Class II gaming system shall have obtained from Underwriters' Laboratories, or its equivalent, relevant certification(s) required for equipment of its type, including but not limited to certifications for liquid spills, electromagnetic interference, etc.~~

(Remark: Other federal agencies are responsible for establishing and enforcing electrical product safety standards. Accordingly, promulgation of such standards is beyond the scope of NIGC jurisdiction. However, sub-part 547.4 (a)(3)(i) is proposed above to reflect that it is industry standard for the laboratories to make note or include other laboratory certifications as provided by the manufacturer in their report.)

~~(b)~~(a) *Printed circuit boards.*

(1) Printed circuit boards that have the potential to affect the outcome or integrity of the game, and are specially manufactured or proprietary and not off-the-shelf, shall display a unique identifier such as a part number and/or revision number, which shall be updated

to reflect new revisions or modifications of the board.

- (2) Switches or jumpers on all circuit boards that have the potential to affect the outcome or integrity of any game, progressive award, financial instrument, cashless transaction, voucher transaction, or accounting records shall be capable of being sealed.

~~(e)~~ (b) *Electrostatic discharge.* Class II gaming system components accessible to the public shall be constructed so that they exhibit immunity to human body electrostatic discharges on areas exposed to contact. Static discharges of ± 15 kV for air discharges and ± 7.5 kV for contact discharges may not cause damage, or inhibit operation or integrity of the Class II gaming system.

~~(d)~~ (c) *Physical enclosures.* Physical enclosures shall be of a robust construction designed to resist determined illegal entry. All protuberances and attachments such as buttons, identification plates, and labels shall be sufficiently robust to avoid unauthorized removal.

~~(e)~~ (d) *Player interface.* The player interface shall include a method or means to:

- (1) Display information to a player; and
- (2) Allow the player to interact with the Class II gaming system.

~~(f)~~ (e) *Account access components.* A Class II gaming system component that reads account access media shall be located within a secure, locked or tamper-evident area or in a cabinet or housing that is of a robust construction designed to resist determined illegal entry and to protect internal components. In addition, the account access component:

- ~~(1)~~ (1) Shall be constructed so that physical tampering leaves evidence of such tampering; and
- ~~(2)~~ (2) Shall provide a method to enable the Class II gaming system to interpret and act upon valid or invalid input or error condition.

~~(g)~~ (f) *Financial instrument storage components.* Any Class II gaming system components that store financial instruments and that are not designed to be operated under the direct control of a gaming operation employee or agent shall be located within a secure and locked area or in a locked cabinet or

housing that is of a robust construction designed to resist determined illegal entry and to protect internal components.

(Remark: Technical Standards should only cover the design of the component; operation of the component should be covered in the MICS.)

~~(h)~~ (g) *Financial instrument acceptors.* (1) Any Class II gaming system components that handle financial instruments and that are not designed to be operated under the direct control of an agent shall:

(Remark: Technical Standards should only cover the design of the component; operation of the component should be covered in the MICS.)

(i) Be located within a secure, locked and tamper-evident area or in a locked cabinet or housing that is of a robust construction designed to resist determined illegal entry and to protect internal components;

(ii) Be able to detect the entry of valid or invalid financial instruments and to provide a method to enable the Class II gaming system to interpret and act upon valid or invalid input or error condition; and

(iii) Be constructed to permit communication with the Class II gaming system of the accounting information required by § 547.9(a) and by applicable provisions of any Commission and tribal gaming regulatory regulations governing minimum internal control standards.

~~(2)~~ (2) Prior to completion of a valid financial instrument transaction by the Class II gaming system, no monetary amount related to that instrument shall be available for play. For example, credits shall not be available for play until currency or coupon inserted into an acceptor is secured in the storage component.

~~(3)~~ (3) The monetary amount related to all valid financial instrument transactions by the Class II gaming system shall be recorded as required by § 547.9(a) and the applicable provisions of any Commission and ~~tribal gaming regulatory authority~~ TGRA regulations governing minimum internal control standards.

~~(h)~~ (i) *Financial instrument dispensers.*

(1) Any Class II gaming system components that dispense financial instruments and that are not designed to be operated under the direct control of a gaming operation employee or agent shall:

(Remark: Technical Standards should only cover the design of the component; operation of the component should be covered in the MICS.)

(i) Be located within a secure, locked and tamper-evident area or in a locked cabinet or housing that is of a robust construction designed to resist determined illegal entry and to protect internal components;

(ii) Provide a method to enable the Class II gaming system to interpret and act upon valid or invalid input or error condition; and

(iii) Be constructed to permit communication with the Class II gaming system of the accounting information required by § 547.9(a) and by applicable provisions of any Commission and tribal gaming regulatory regulations governing minimum internal control standards.

~~(2)~~ (2) The monetary amount related to all valid financial instrument transactions by the Class II gaming system shall be recorded as required by § 547.9(a), the applicable provisions of ~~parts 542 and part~~ 543 of this chapter, and any ~~tribal gaming regulatory authority~~ TGRA regulations governing minimum internal control standards.

(j) *Game Outcome Determination Components.* Any Class II gaming system logic components that affect the game outcome and that are not designed to be operated under the direct control of a gaming operation employee or agent shall be located within a secure, locked and tamper-evident area or in a locked cabinet or housing that is of a robust construction designed to resist determined illegal entry and to protect internal components. DIP switches or jumpers that can affect the integrity of the Class II gaming system must be capable of being sealed by the ~~tribal gaming regulatory authority~~ TGRA.

~~(k)~~ (j) *Door access detection.* All components of the Class II gaming system that are locked in order to meet the requirements of this part shall include a sensor or other methods to monitor an open door. A

door open sensor, and its components or cables, shall be secure against attempts to disable them or interfere with their normal mode of operation~~;~~.

~~(k)~~ *Separation of functions/no limitations on technology.* Nothing herein shall prohibit the account access component, financial instrument storage component, financial instrument acceptor, and financial instrument dispenser from being included within the same component, or separated into individual components.

§ 547.8_ What are the minimum technical software standards applicable to Class II gaming systems?

This section provides general software standards for Class II gaming systems for the play of Class II games, including where applicable games similar to bingo.

~~(a)~~ (a) *Player interface displays.* (1) If not otherwise provided to the player, the player interface shall display the following:

- (i) The purchase or wager amount;
- (ii) Game results; and
- (iii) Any player credit balance.

~~(2)~~ (2) Between plays of any game and until the start of the next play, or until the player selects a new game option such as purchase or wager amount or card selection, whichever is earlier, if not otherwise provided to the player, the player interface shall display:

- (i) The total purchase or wager amount and all prizes and total credits won for the last game played;
 - (ii) The final results for the last game played, ~~including entertaining displays of results, if any;~~
- and

(Remarks: In Bingo gaming systems, game outcome is displayed on the bingo card located on the player interface which is independent of, and separate from, any entertaining display. Because an entertaining display cannot in anyway affect the player outcome of the game, it is irrelevant for

regulatory purposes. Furthermore, inclusion of regulatory language concerning entertaining displays creates a false appearance of legal relevancy that enhances the potential for patron disputes. We, therefore, have proposed the removal of this language.)

(iii) Any default purchase or wager amount for the next play.

~~(b)~~ (b) *Game initiation and play.* (1) Each game played on the Class II gaming system shall follow and not deviate from a constant set of rules for each game provided to players pursuant to § 547.16. ~~Any change in rules constitutes a different game. There shall be no automatic or undisclosed changes of rules.~~

(Remark: These statements have caused much confusion in the industry, particularly the laboratories. To eliminate this confusion, we propose removal of these statements as they are redundant with the first sentence.)

(2) ~~For bingo games and games similar to bingo,~~ The Class II gaming system shall not alter or allow to be altered the card permutations ~~or game rules~~ used for play of a Class II game unless specifically chosen by the player prior to commitment to participate in the game. No duplicate cards shall be sold for any common draw.

(Remark: Removed "game rules" reference because it is addressed in 547.8 (b)(1) above.)

(3) No game play shall commence and, no financial instrument or credit shall be accepted on the affected player interface, in the presence of any fault condition that affects the outcome of the game, open door, or while in test, audit, or lock-up mode.

(4) The player must choose to participate in the play of a game.

(c) *Audit Mode.* (1) If an audit mode is provided, the Class II gaming system shall provide, for those components actively involved in the audit:

- (i) All accounting functions required by § 547.9, by applicable provisions of any Commission regulations governing minimum internal control standards, and by any internal controls adopted by the tribe or ~~tribal gaming regulatory authority;~~ TGRA;

(ii) Display player interface identification; and

(iii) Display software version or game identification;

(2) Audit mode shall be accessible by a secure method such as an employee or agent PIN ~~and~~ key or other auditable access control.

(Remark: Removed “and” to eliminate confusion that multiple controls may be required.)

~~(3)~~ (3) Accounting function data shall be accessible by an agent ~~authorized person~~ at any time, except during a payout, during a handpay, or during play.

~~(4)~~ (4) The Class II gaming system shall disable financial instrument acceptance on the affected player interface while in audit mode, except during financial instrument acceptance testing.

~~(d)~~ (d) Last bingo game play recall. The last bingo game play recall function shall:

(Remark: The term “play” clarifies the need to identify the activity of a specific bingo game play instance.)

~~(1)~~ (1) Be retrievable at all times, other than when the recall component is involved in the play of a game, upon the operation of an external key- switch, entry of an audit card, or a similar method;

~~(2)~~ (2) Display the results of recalled bingo games play as originally displayed or in text representation, ~~including entertaining display results implemented in video, rather than electro-mechanical, form, if any,~~ so as to enable the ~~tribal gaming regulatory authority~~ TGRA or operator to clearly identify the bingo game play sequences and results that occurred;

(Remarks: The entertaining display has no legal significance to the outcome of the play of a bingo game. Its inclusion in any regulation is therefore legally inappropriate. The decision to display the entertaining display as a record should be a business decision made by the gaming operation, TGRA, and/or manufacturer. This is solely a business decision between the all parties, therefore a federal requirement is inappropriate. See previous remark for 547.8 (a)(2)(ii).)

~~(3)~~ (3) Allow the Class II gaming system component providing bingo game play recall, upon return to normal game play mode, to restore any affected display to the positions, forms and values displayed before access to the bingo game play recall information; and

~~(4)~~ (4) Provide the following information for the current and previous four bingo games ~~played~~ plays and shall display:

- (i) ~~Game~~ Play start time, end time, and date;
- (ii) The total number of credits at the start of play, ~~less the purchase or wager amount~~;
- (iii) The purchase or wager amount;
- (iv) The total number of credits at the end of play; and
- (v) The total number of credits won as a result of the bingo game play recalled, and the value in dollars and cents for progressive prizes, if different.
- (vi) For bingo games and, where applicable, games similar to bingo ~~only~~, also display:
 - (A) The card(s) used by the player;
 - (B) The identifier of the ~~bingo~~ game played;
 - (C) The numbers or other designations drawn, in the order that they were drawn;
 - (D) The numbers or other designations and prize patterns covered on each card;
 - (E) All prizes won by the player, including winning patterns ~~and entertaining displays~~

~~implemented in video, rather than electro-mechanical form~~, if any; and

(Remark: See previous remark for 547.8 (a)(2)(ii).)

(F) The unique identifier of the card on which prizes were won;

(vii) For pull-tab games only, also display:

- (A) The result(s) of each pull-tab, displayed in the same pattern as on the tangible pull-tab;
- (B) All prizes won by the player;
- (C) The unique identifier of each pull tab; and

(D) Any other information necessary to fully reconstruct the
current and four previous plays.

~~(e)~~ (e) *Voucher and credit transfer recall.* Notwithstanding the requirements of any other section
in this part, a Class II gaming system shall have the capacity to:

~~(1)~~ (1) Display the information specified in § 547.11(b)(5)(ii) through (vi) for the last five vouchers
or coupons printed and the last five vouchers or coupons accepted; and

~~(2)~~ (2) Display a complete transaction history for the last five cashless transactions made and the
last five cashless transactions accepted.

~~(f)~~ (f) *Software signature verification.* The manufacturer or developer of the Class II gaming system
must provide to the testing laboratory and to the ~~tribal gaming regulatory authority~~ TGRA an industry-
standard methodology, acceptable to the ~~tribal gaming regulatory authority~~ TGRA, for verifying the
Class II gaming system game software. By way of illustration, for game software stored on rewritable
media, such methodologies include signature algorithms and hashing formulas such as SHA-1.

~~(g)~~ (g) *Test, diagnostic, and demonstration modes.* If test, diagnostic, and/or demonstration modes are
provided, the Class II gaming system shall, for those components actively involved in the test,
diagnostic, or demonstration mode:

- (1) Clearly indicate when that component is in the test, diagnostic, or demonstration mode;
- (2) Not alter financial data on that component other than temporary data;
- (3) Only be available after entering a specific mode;

~~(4)~~ (4) Disable credit acceptance and payment unless credit acceptance or payment is being tested; and

~~(5)~~ (5) Terminate all mode-specific functions upon exiting a mode.

(h) Multi-game. If multiple games are offered for player selection at the player interface, the player
interface shall:

~~(1)~~ (1) Provide a display of available games;

~~(2)~~ (2) Provide the means of selecting among them;

~~(3)~~ (3) Display the full amount of the player's credit balance;

(4) Identify the game selected or being played; and

~~(5)~~ (5) Not force the play of a game after its selection.

(i) *Program interruption and resumption.* The Class II gaming system software shall be designed so that upon resumption following any interruption, the system:

~~(1)~~ (1) Is able to return to a known state;

(2) Shall check for any fault condition upon resumption;

~~(3)~~ (3) Shall verify the integrity of data stored in critical memory;

~~(4)~~ (4) Shall return the purchase or wager amount to the player in accordance with the rules of the game; and

~~(5)~~ (5) Shall detect any change or corruption in the Class II gaming system software.

(j) *Class II gaming system components acting as progressive controllers.* This paragraph applies to progressive controllers and components acting as progressive controllers in Class II gaming systems.

~~(1)~~ (1) Modification of progressive parameters shall be conducted in a secure manner approved by the ~~tribal gaming regulatory authority~~ TGRA. Such parameters may include:

(i) Increment value;

(ii) Secondary pool increment(s);

(iii) Reset amount(s);

(iv) Maximum value(s); and

~~(v)~~ (v) Identity of participating player interfaces.

~~(2)~~ (2) The Class II gaming system component or other progressive controller shall provide a means of creating a progressive balancing report for each progressive link it controls. At a minimum, that report shall provide balancing of the changes of the progressive amount, including progressive prizes won, for all participating player interfaces versus current progressive amount(s), plus progressive prizes. In addition, the report shall account for, and not be made inaccurate by, unusual events such as:

- (i) Class II gaming system critical memory clears;
- (ii) Modification, alteration, or deletion of progressive prizes;
- (iii) Offline equipment; or
- (iv) Multiple site progressive prizes.

~~(k)~~ (k) *Critical memory.* (1) Critical memory may be located anywhere within the Class II gaming system. Critical memory is any memory that maintains any of the following data:

- (i) Accounting data;
- (ii) Current credits;
- (iii) Configuration data;
- (iv) Last game play recall information required by § 547.8(d);
- (v) Game play recall information for the current game play , if incomplete;
- (vi) Software state (the last normal state software was in before interruption);
- (vii) RNG seed(s), if necessary for maintaining integrity;
- (viii) Encryption keys, if necessary for maintaining integrity;
- (ix) Progressive prize parameters and current values;
- (x) The five most recent financial instruments accepted by type, excluding coins and tokens;
- (xi) The five most recent financial instruments dispensed by type, excluding coins and tokens; and
- (xii) The five most recent cashless transactions paid and the five most recent cashless transactions accepted.

~~(2)~~ (2) Critical memory shall be maintained using a methodology that enables errors to be identified and acted upon. All accounting and recall functions shall be verified as necessary to ensure their ongoing integrity.

~~(3)~~ (3) The validity of affected data stored in critical memory shall be checked after each of the following events:

- (i) Every restart;

- (ii) Each attendant paid win;
- (iii) Each attendant paid progressive win;
- (iv) Each sensed door closure; and

~~(v)~~ (v) Every reconfiguration, download, or change of prize schedule or denomination requiring operator intervention or action.

(l) Secured access. Class II gaming systems that use a logon or other means of secured access shall include a user account lockout after a predetermined number of consecutive failed attempts to access system.

§ 547.9_ What are the minimum technical standards for Class II gaming system accounting functions?

This section provides standards for accounting functions used in Class II gaming systems.

~~(a)~~ (a) *Required accounting data.* The following minimum accounting data, however named, shall be maintained by the Class II gaming system.

(1) Amount In: The total value of all financial instruments and cashless transactions accepted by the Class II gaming system. Each type of financial instrument accepted by the Class II gaming system shall be tracked independently per financial instrument acceptor, and as required by applicable requirements of ~~any Commission and tribal gaming regulatory authority~~ the TGRA regulations governing minimum internal control standards.

(2) Amount Out: The total value of all financial instruments and cashless transactions paid by the Class II gaming system, plus the total value of attendant pay. Each type of financial instrument paid by the Class II Gaming System shall be tracked independently per financial instrument dispenser, and as required by applicable requirements of ~~any Commission and tribal gaming regulatory authority~~ the TGRA regulations governing minimum internal control standards.

~~(b)~~ (b) *Accounting data storage.* If the Class II gaming system electronically maintains

accounting data:

~~(1)~~ (1) Accounting data shall be stored with at least eight decimal digits.

~~(2)~~ (2) Credit balances shall have sufficient digits to accommodate the design of the game.

~~(3)~~ (3) Accounting data displayed to the player may be incremented or decremented using visual effects, but the internal storage of this data shall be immediately updated in full.

~~(4)~~ (4) Accounting data shall be updated upon the occurrence of the relevant accounting event.

~~(5)~~ (5) Modifications to accounting data shall be recorded, including the identity of the person(s) making the modifications, and be reportable by the Class II gaming system.

~~(e)~~ (c) *Rollover*. Accounting data that rolls over to zero shall not corrupt data.

~~(d)~~ (d) *Credit balance display and function*. (1) Any credit balance maintained at the player interface shall be prominently displayed at all times except:

- (i) In audit, configuration, recall and test modes; or
- (ii) Temporarily, during entertaining displays of game results.

~~(2)~~ (2) Progressive prizes may be added to the player's credit balance provided:

- (i) The player credit balance is maintained in dollars and cents;
- (ii) The progressive accounting data is incremented in number of credits; or
- (iii) The prize in dollars and cents is converted to player credits or transferred to the player's

credit balance in a manner that does not mislead the player or cause accounting imbalances.

~~(3)~~ (3) If the player credit balance displays in credits, but the actual balance includes fractional credits, the Class II gaming system shall display the fractional credit when the player credit balance drops below one credit.

§ 547.10_ What are the minimum standards for Class II gaming system critical events?

This section provides standards for events such as system critical faults, deactivation, door open or other changes of states, and lockup within the Class II gaming system.

~~(a)~~ (a) *Fault events*. (1) The following events are to be treated as described below:

Events	Definition and action to be taken
(i) Component fault	Reported when a fault on a component is detected. When possible, this event message should indicate what the nature of the fault is.
(ii) Financial storage component full	Reported when a financial instrument acceptor or dispenser includes storage, and it becomes full. This event message should indicate what financial storage component is full.
(iii) Financial output component empty	Reported when a financial instrument dispenser is empty. The event message should indicate which financial output component is affected, and whether it is empty.
(iv) Financial component fault	Reported when an occurrence on a financial component results in a known fault state.
(v) Critical memory error	Some critical memory error has occurred. When a non-correctable critical memory error has occurred, the data on the Class II gaming system component can no longer be considered reliable. Accordingly, any game play on the affected component shall cease immediately, and an appropriate message shall be displayed, if possible.
(vi) Progressive communication fault	If applicable; when communications with a progressive controller component is in a known fault state.
(vii) Program storage medium fault	The software has failed its own internal security check or the medium itself has some fault.
(viii) Program storage medium fault	Any game play on the affected component shall cease immediately, and an appropriate message shall be displayed, if possible.

~~(2)~~ (2) The occurrence of any event identified in paragraph (a)(1) of this section shall be recorded.

~~(3)~~ (3) Upon clearing any event identified in paragraph (a)(1) of this section, the Class II gaming system shall:

- (i) Record that the fault condition has been cleared;
- (ii) Ensure the integrity of all related accounting data; and
- (iii) In the case of a malfunction, return a player's purchase or wager according to the rules of the game.

~~(b)~~ (b) *Door open/close events.* (1) In addition to the requirements of paragraph (a)(1) of this section, the Class II gaming system shall perform the following for any component affected by any sensed door open event:

- (i) Indicate that the state of a sensed door changes from closed to open or opened to closed;
- (ii) Disable all financial instrument acceptance, unless a test mode is entered;
- (iii) Disable game play on the affected player interface;
- (iv) Disable player inputs on the affected player interface, unless test mode is entered; and

~~(v)~~ (v) Disable all financial instrument disbursement, unless a test mode is entered.

~~(2)~~ (2) The Class II gaming system may return the component to a ready to play state when all sensed doors are closed.

~~(c)~~ (c) *Non-fault events.* (1) The following non-fault events are to be treated as described below, if applicable:

Event	Definition and action to be taken
(i) Player interface power off during play	This condition is reported by the affected component(s) to indicate power has been lost during game play.
(ii) Player interface power on	This condition is reported by the affected component(s) to indicate it has been turned on.
(iii) Financial instrument storage component container/stacker removed	This condition is reported when a financial instrument storage container has been removed. The event message should indicate which storage container was removed.

§ 547.11_ What are the minimum technical standards for money and credit handling?

This section provides standards for money and credit handling by a Class II gaming system.

~~(a)~~ (a) *Credit acceptance, generally.* (1) Upon any credit acceptance, the Class II gaming system shall register the correct number of credits on the player's credit balance.

~~(2)~~ (2) The Class II gaming system shall reject financial instruments deemed invalid.

~~(b)~~ (b) *Credit redemption, generally.* (1) For cashable credits on a player interface, players shall be allowed to cash out and/or redeem those credits at the player interface except when that player interface is:

- (i) Involved in the play of a game;
- (ii) In audit mode, recall mode or any test mode;
- (iii) Detecting any sensed door open condition;
- (iv) Updating the player credit balance or total win accounting data; or
- (v) Displaying a fault condition that would prevent cash-out or credit redemption. In this case a fault indication shall be displayed.

~~(2)~~ (2) For cashable credits not on a player interface, the player shall be allowed to cash out and/or redeem those credits at any time.

~~(3)~~ (3) A Class II gaming system shall not automatically pay an award subject to mandatory tax reporting or withholding.

~~(4)~~ (4) Credit redemption by voucher or coupon shall conform to the following:

- (i) A Class II gaming system may redeem credits by issuing a voucher or coupon when it communicates with a voucher system that validates the voucher or coupon.
- (ii) A Class II gaming system that redeems credits by issuing vouchers and coupons shall either:

~~(A)~~ (A) Maintain an electronic record of all information required by paragraphs (b)(5)(ii) through (vi) of this section; or

~~(B)~~ (B) Generate two identical copies of each voucher or coupon issued, one to be provided to the player and the other to be retained within the machine for audit purposes.

~~(5)~~ (5) Valid vouchers and coupons shall contain the following:

- (i) Gaming operation name and location;

(ii) The identification number of the Class II gaming system component or the player interface number, as applicable;

(iii) Date and time of issuance;

(iv) Alpha and numeric dollar amount;

(v) A sequence number;

(vi) A validation number that:

~~(A)~~ (A) Is produced by a means specifically designed to prevent repetition of validation numbers;

and

~~(B)~~ (B) Has some form of checkcode or other form of information redundancy to prevent prediction of subsequent validation numbers without knowledge of the checkcode algorithm and parameters;

(vii) For machine-readable vouchers and coupons, a bar code or other form of machine readable representation of the validation number, which shall have enough redundancy and error checking to ensure that 99.9% of all misreads are flagged as errors;

(viii) Transaction type or other method of differentiating voucher and coupon types; and

(ix) Expiration period or date.

~~(6)~~ (6) Transfers from an account may not exceed the balance of that account.

(7) For Class II gaming systems not using dollars and cents accounting and not having odd cents accounting, the Class II gaming system shall reject any transfers from voucher payment systems or cashless systems that are not even multiples of the Class II gaming system denomination.

~~(8)~~ (8) Voucher redemption systems shall include the ability to report redemptions per redemption location or user.

§ 547.12_ What are the minimum technical standards for downloading on a Class II gaming system?

This section provides standards for downloading on a Class II gaming system.

~~(a)~~ (a) *Downloads.* (1) Downloads are an acceptable means of transporting approved content, including but not limited to software, files, data, and prize schedules.

(2) Downloads of software, games, prize schedules, or other download packages shall be conducted only as authorized by the ~~tribal gaming regulatory authority~~ TGRA.

~~(3)~~ (3) Downloads shall use secure methodologies that will deliver the download data without alteration or modification, in accordance with § 547.15(a).

~~(4)~~ (4) Downloads conducted during operational periods shall be performed in a manner that will not affect game play.

~~(5)~~ (5) Downloads shall not affect the integrity of accounting data.

~~(6)~~ (6) The Class II gaming system or the ~~tribal gaming regulatory authority~~ TGRA shall log each download of any download package. Each log record shall contain as a minimum:

- (i) The time and date of the initiation of the download;
- (ii) The time and date of the completion of the download;
- (iii) The Class II gaming system components to which software was downloaded;
- (iv) The version(s) of download package and any software downloaded. Logging of the unique software signature will satisfy this requirement;

~~(v)~~ (v) The outcome of any software verification following the download (success or failure); and

(vi) The name and identification number, or other unique identifier, of any individual(s) conducting or scheduling a download.

~~(b)~~ (b) *Verifying downloads.* ~~Following download of any game~~ Downloaded software, ~~the on a~~ Class II gaming system shall ~~verify the downloaded software~~ be verified by the Class II gaming

system using a software signature verification method that meets the requirements of § 547.8(f).

~~Using any method it deems appropriate, the tribal gaming regulatory authority shall confirm the verification.~~

(Remark: The last sentence was removed because it is a MICS issue and is addressed in the TGWG proposed draft part 543.)

§ 547.13_ What are the minimum technical standards for program storage media?

This section provides minimum standards for removable, (re-)writable, and nonwritable storage media in Class II gaming systems.

~~(a)~~ (a) *Removable program storage media.* All removable program storage media shall maintain an internal checksum or signature of its contents. Verification of this checksum or signature is to be performed after every restart. If the verification fails, the affected Class II gaming system component(s) shall lock up and enter a fault state.

(b) *Nonrewritable program storage media.* (1) All EPROMs and Programmable Logic Devices (PLDs) that have erasure windows shall be fitted with covers over their erasure windows.

~~(2)~~ (2) All unused areas of EPROMs shall be written with the inverse of the erased state (*e.g.*, zero bits (00 hex) for most EPROMs), random data, or repeats of the program data.

~~(3)~~ (3) Flash memory storage components intended to have the same logical function as ROM, *i.e.* not to be dynamically written, shall be write-protected or otherwise protected from unauthorized modification.

~~(4)~~ (4) The write cycle shall be closed or finished for all CD-ROMs such that it is not possible to write any further data to the CD.

~~(5)~~ (5) Write protected hard disks are permitted if the hardware means of enabling the write protect is easily viewable and can be sealed in place. Write protected hard disks are permitted using software write protection verifiable by a testing laboratory.

~~(e)~~ (c) *Writable and rewritable program storage media.* (1) Writable and rewritable program storage, such as hard disk drives, Flash memory, writable CD-ROMs, and writable DVDs, may be used provided that the software stored thereon may be verified using the mechanism provided pursuant to § 547.8(f).

~~(2)~~ (2) Program storage shall be structured so there is a verifiable separation of fixed data (e.g. program, fixed parameters, DLLs) and variable data.

~~(d)~~ (d) *Identification of program storage media.* All program storage media that is not rewritable in circuit, (e.g. EPROM, CD-ROM) shall be uniquely identified, displaying:

- (1) Manufacturer;
- (2) Program identifier;
- (3) Program version number(s); and
- (4) Location information, if critical (e.g. socket position 3 on the printed circuit board).

§ 547.14_ What are the minimum technical standards for electronic random number generation?

This section provides minimum standards for electronic RNGs in Class II gaming systems.

~~(a)~~ (a) *Properties.* All RNGs shall produce output having the following properties:

- (1) Statistical randomness;
- (2) Unpredictability; and
- (3) Non-repeatability.

~~(b)~~ (b) *Statistical Randomness.* (1) Numbers or other designations produced by an RNG shall be statistically random individually and in the permutations and combinations used in the application under the rules of the game. For example, if a bingo game with 75 objects with numbers or other designations has a progressive winning pattern of the five numbers or other designations on the bottom of the card and the winning of this prize is defined to be the five numbers or other designations are matched in the first five objects drawn, the likelihood of each of the 75C5 combinations are to be verified to be statistically equal.

~~(2)~~ (2) Numbers or other designations produced by an RNG shall pass the statistical tests for randomness to a 99% confidence level., ~~which may include:~~

(i) Mandatory statistical tests for randomness to include:

(A) Chi-square test;

(B) Runs test (patterns of occurrences shall not be recurrent); and

(C) Serial correlation test potency and degree of serial correlation (outcomes shall be independent from the previous game).

(ii) Optional statistical tests for randomness may include:

~~(i)~~ (A) Equi-distribution (frequency) test;

~~(ii)~~ (B) Gap test;

~~(iii)~~ (C) Poker test;

~~(iv)~~ (D) Coupon collector's test;

~~(v)~~ (E) Permutation test;

~~(vi)~~ (F) Run test (patterns of occurrences shall not be recurrent);-

~~(vii)~~ (G) Spectral test;

~~(viii)~~ (H) Serial correlation test potency and degree of serial correlation (outcomes shall be independent from the previous game); and-

~~(ix)~~ (I) Test on subsequences.

(Remark: TGWG wanted to ensure that industry standard RNG tests were mandated. Less commonly used tests were not considered adequate. See NIGC "Part 547 Bulletin 2008-4 Tech Stds RNG correction 110708")

~~(e)~~-(c) *Unpredictability*. (1) It shall not be feasible to predict future outputs of an RNG, even if the algorithm and the past sequence of outputs are known.

~~(2)~~-(2) Unpredictability shall be ensured by re-seeding or by continuously cycling the RNG, and by providing a sufficient number of RNG states for the applications supported.

~~(3)~~-(3) Re-seeding may be used where the re-seeding input is at least as statistically random as, and independent of, the output of the RNG being re-seeded.

~~(d)~~ (d) *Non-repeatability*. The RNG shall not be initialized to reproduce the same output stream that it has produced before, nor shall any two instances of an RNG produce the same stream as each other. This property shall be ensured by initial seeding that comes from:

~~(1)~~ (1) A source of "true" randomness, such as a hardware random noise generator; or

~~(2)~~ (2) A combination of timestamps, parameters unique to a Class II gaming system, previous RNG outputs, or other, similar method.

~~(e)~~ (e) *General requirements*. (1) Software that calls an RNG to derive game outcome events shall immediately use the output returned in accordance with the game rules.

~~(2)~~ (2) The use of multiple RNGs is permitted as long as they operate in accordance with this section.

~~(3)~~ (3) RNG outputs shall not be arbitrarily discarded or selected.

~~(4)~~ (4) Where a sequence of outputs is required, the whole of the sequence in the order generated shall be used in accordance with the game rules.

~~(5)~~ (5) The Class II gaming system shall neither adjust the RNG process or game outcomes based on the history of prizes obtained in previous games nor ~~makeuse~~ any reflexive software or secondary decision that affects the results shown to the player or game outcome. In no event shall the Class II gaming system deprive a player of a prize to which the player is otherwise entitled based on the random outcome of the game. Nothing in this paragraph shall prohibit the use of entertaining displays.

(Remark: The added language makes this provision more consistent with the industry understanding of reflexive technology. The proposed language operates to clearly identify the harm the provision is intended to prevent.)

~~(f)~~ (f) *Scaling algorithms and scaled numbers*. An RNG that provides output scaled to given ranges shall:

~~(1)~~ (1) Be independent and uniform over the range;

~~(2)~~ (2) Provide numbers scaled to the ranges required by game rules, and notwithstanding the requirements of paragraph (e)(3) of this section, may discard numbers that do not map uniformly onto the required range but shall use the first number in sequence that does map correctly to the range;

~~(3)~~ (3) Be capable of producing every possible outcome of a game according to its rules; and

~~(4) Use an unbiased algorithm. A scaling algorithm is considered to be unbiased if the measured bias is no greater than 1 in 100 million.~~

(Remark: See NIGC Bulletin 11/7/2008 #2008-4)

§ 547.15_ What are the minimum technical standards for electronic data communications between system components?

This section provides minimum standards for electronic data communications with gaming equipment or components used with Class II gaming systems.

~~(a)~~ (a) *Sensitive data.* Communication of sensitive data shall be secure from eavesdropping, access, tampering, intrusion or alteration unauthorized by the ~~tribal gaming regulatory~~ authority TGRA. Sensitive data shall include, but not be limited to:

~~(1)~~ (1) RNG seeds and outcomes;

(2) Encryption keys, where the implementation chosen requires transmission of keys;

(3) PINs;

~~(4)~~ (4) Passwords;

~~(5)~~ (5) Financial instrument transactions;

(6) Transfers of funds;

~~(7)~~ (7) Player tracking information;

(8) Download Packages; and

~~(9)~~ (9) Any information that affects game outcome.

~~(b)~~ (b) *Wireless communications.* (1) Wireless access points shall not be accessible to the general public.

~~(2)~~ (2) Open or unsecured wireless communications are prohibited.

~~(3)~~ (3) Wireless communications shall be secured using a methodology that makes eavesdropping, access, tampering, intrusion or alteration impractical. By way of illustration, such methodologies include encryption, frequency hopping, and code division multiplex access (as in cell phone technology).

~~(c)~~ (c) Methodologies shall be used that will ensure the reliable transfer of data and provide a reasonable ability to detect and act upon any corruption of the data.

~~(d)~~ (d) Class II gaming systems shall record detectable, unauthorized access or intrusion attempts.

~~(e)~~ (e) Remote communications shall only be allowed if authorized by the ~~tribal gaming regulatory authority~~ TGRA. Class II gaming systems shall have the ability to enable or disable remote access, and the default state shall be set to disabled.

~~(f)~~ (f) Failure of data communications shall not affect the integrity of critical memory.

(g) The Class II gaming system shall log the establishment, loss, and re-establishment of data communications between sensitive Class II gaming system components.

§ 547.16_ What are the minimum standards for game artwork, glass, and rules?

This section provides standards for the display of game artwork, the displays on belly or top glass, and the display and disclosure of game rules, whether in physical or electronic form.

~~(a)~~ (a) *Rules, instructions, and prize schedules, generally.* The following shall at all times be displayed or made readily available to the player upon request:

~~(1)~~ (1) Game name, rules, and options such as the purchase or wager amount stated clearly and unambiguously;

~~(2)~~ (2) Denomination;

~~(3)~~ (3) Instructions for play on, and use of, the player interface, including the functions of all buttons; and

~~(4)~~ (4) A prize schedule or other explanation, sufficient to allow a player to determine the correctness of all prizes awarded, including;

- (i) The range and values obtainable for any variable prize;
- (ii) Whether the value of a prize depends on the purchase or wager amount; and
- (iii) The means of division of any pari-mutuel prizes; but

(iv) For ~~bingo and games similar to bingo~~ Class II Gaming Systems, the prize schedule or other explanation need not state that subsets of winning patterns are not awarded as additional prizes (e.g. five in a row does not also pay three in a row or four in a row), unless there are exceptions, which shall be clearly stated.

~~(b)~~ (b) *Disclaimers.* The Class II gaming system shall continually display:

- (1) “Malfunctions void all prizes and plays” or equivalent; and

~~(2)~~ (2) “Actual Prizes Determined by Bingo [or other applicable Class II game] Play. Other Displays for Entertainment Only.” or equivalent.

§ 547.17 How does a tribal gaming regulatory authority apply for a variance from ~~these~~ the standards of this part?

~~(a) Tribal Gaming Regulatory Authority approval. (1) A tribal gaming regulatory authority may approve a variance from the requirements of this part if it has determined that the variance will achieve a level of security and integrity sufficient to accomplish the purpose of the standard it is to replace.~~

(a) Variance.

(1) Should a TGRA grant a variance to any provision of these standards, the TGRA shall deliver a notice of the same to the Commission within ten (10) days of such approval.

(Remark: Please see transmittal memorandum.)

~~(2) For each enumerated standard for which the tribal gaming regulatory authority approves a variance, it shall submit to the Chairman within 30 days, a detailed report, which shall include the following:~~

~~(i) An explanation of how the variance achieves a level of security and integrity sufficient to accomplish the purpose of the standard it is to replace; and (ii) The variance as granted and the record on which it is based.~~

~~(3) In the event that the tribal gaming regulatory authority or the tribe's government chooses to submit a variance request directly to the Chairman for joint government to government review, the tribal gaming regulatory authority or tribal government may do so without the approval requirement set forth in paragraph (a) (1) of this section.~~

~~(b) Chairman Review. (1) The Chairman may approve or object to a variance granted by a tribal gaming regulatory authority.~~

~~(2) Any objection by the Chairman shall be in written form with an explanation why the variance as approved by the tribal gaming regulatory authority does not provide a level of security or integrity sufficient to accomplish the purpose of the standard it is to replace.~~

~~(3) If the Chairman fails to approve or object in writing within 60 days after the date of receipt of a complete submission, the variance shall be considered approved by the Chairman. The Chairman and the tribal~~

~~gaming regulatory authority may, by agreement, extend this deadline an additional 60 days.~~

(i) The notice shall contain a complete copy of the information presented to the TGRA and the variance as granted.

(ii) The notice shall be forwarded to the Commission within ten (10) days of the granting of the Variance.

~~(4) — No variance may be implemented until approved by the tribal gaming regulatory authority pursuant to paragraph (a)(1) of this section or the Chairman has approved pursuant to paragraph (b)(1) of this section.~~

(2) During a thirty (30) day period when the Commission first receives the notice required by this subpart, the Chairman may request additional information from the TGRA concerning the subject of variance. Such request shall suspend the thirty (30) day period until the Chairman receives the TGRA response.

(b) Commission Review.

~~(c) — Commission Review. (1) Should the tribal gaming regulatory authority elect to maintain its approval after written objection by the Chairman, the tribal gaming regulatory authority shall be entitled to an appeal to the full Commission in accordance with the following process:~~

(1) Within the thirty (30) day review period, the Commission may:

~~(i) — Within 60 days of receiving an objection, the tribal gaming regulatory authority shall file a written notice of appeal with the Commission that may include a request for an oral hearing or it may request that the matter be decided upon written submissions. Advise the TGRA, in writing, that it has no objection.~~

~~(ii) — Within 10 days after filing a notice of appeal the tribal gaming regulatory authority shall file a supplemental statement specifying the reasons why the tribal gaming regulatory authority believes the Chairman's objection~~

~~should be reviewed, and shall include supporting documentation, if any.~~ Provide the TGRA a written statement itemizing its objections.

~~(iii) Failure to file an appeal or submit the supplemental statement within the time provided by this section shall result in a waiver of the opportunity for an appeal.~~ Take no action, in which case, the TGRA's variance shall be final.

(2) If the Commission has provided the TGRA a statement itemizing objections to the variance:

(i) The TGRA shall reconsider the variance taking into account the objections itemized by the Commission.

(ii) The TGRA may seek reconsideration by submitting a request to the Chairman and members of the Commission.

(iii) Upon receipt of a request for reconsideration, the Commission shall conduct an informal hearing with the TGRA within 30 days, which may be conducted in person or through the exchange of documents, as requested by the TGRA.

~~(iv) If an oral hearing is requested it shall take place within 30 days of the notice of appeal and a record shall be made.~~

~~(v) If the tribal gaming regulatory authority requests that the appeal be decided on the basis of written submission, the Commission shall issue a written decision within 30 days of receiving the supplemental statement.~~ After the informal hearing, the Commission must issue a written decision within 14 days. If the Commission disapproves the variance, such written decision must include an explanation of why the requested variance creates an imminent threat to the integrity of the tribal gaming operation.

~~(vi) The Commission shall uphold the objection of the Chairman, only if, upon de novo review of the record upon which the Chairman's decision is based, the Commission determines that the variance approved by the tribal gaming regulatory authority does not achieve~~

~~a level of security and integrity sufficient to accomplish the purpose
of the standard it is to replace.~~

~~(vii) The Commission shall issue a decision within 30 days of the oral
hearing unless the tribal gaming regulatory authority elects to provide
the Commission additional time, not to exceed an additional
30 days, to issue a decision. In the absence of a decision by the
Commission within the time provided, the decision of the tribal
gaming regulatory authority shall be deemed affirmed.~~

~~(viii) The Commission's decision shall constitute final agency action.~~

~~Dated: September ____, 2008~~

~~Philip N. Hogen,
Chairman~~

~~Norman H. DesRosiers
ViceChairman~~