

AGA

Progress on Regulatory Reform

By **Frank Fahrenkopf** *Mon, Mar 25, 2013*



Of the many things in our business that make me proud, chief among them is that we have the finest regulatory system of any industry in the nation. This is due, in part, to the collaborative role our companies play in forming this framework, which benefits not just them, but also regulators, customers and the industry, from top to bottom.

However, we will always need improvements. Changes in the way games are played, advancing technologies and new communications will continue to require new or updated regulations. New types of gaming-company ownerships and board structures, as well as federal oversight over many industry activities, present regulators with a new paradigm. This—combined with gaming’s rapid expansion throughout the country—makes it essential for both licensees and regulators to

make the rapid adjustments necessary for our industry’s continued success. So, how are we doing?

In 2011, the American Gaming Association launched an aggressive initiative to address regulatory reform. This involved forming a task force—made up of former regulators, compliance officers, lawyers and other industry professionals from the AGA membership—who collaborated to develop a list of 10 key reform recommendations. The list aimed to make an already-excellent system even better.

The white paper resulting from this task force, titled “Improving Gaming Regulation: 10 Recommendations for Streamlining Processes While Maintaining Integrity,” was released in late 2011 and distributed to legislators and regulators across the country. In 2012, the AGA launched a section of its website dedicated to regulatory reform. This serves as a clearinghouse of information, displaying areas where reform is needed and charts for each state identifying regulatory priorities.

Since this effort began—and thanks to diligent and ongoing efforts at the state level—I’m proud to say that significant inroads have been made.

The state of Michigan is one example of a commercial gaming jurisdiction that has embraced the need for intelligent regulatory reform—reform that does not adversely impact casino operations, fairness of play or the overall integrity of the industry.

Under the leadership of Executive Director Richard Kalm, the Michigan Gaming Control Board has made a number of reforms since the release of the AGA’s white paper. Rules that impact operators and suppliers (such as increasing the time between formal investigations from annually to every four years) have been modified. Additionally, the MGCB has made procedural changes that permit operators to process certain computer settings without an MGCB employee needing to be present for the administration of the process.

Changes have also been made that positively impact casino suppliers, specifically including the removal of the five-day advanced shipping notification, as well as permitting limited personal

disclosures by certain outside directors based upon their ultimate control over the supplier licensee. For non-gaming suppliers, the MGCB has increased the threshold for vendor registration from \$5,000 in a 12-month period to \$15,000, and also increased the threshold of business volume that non-gaming companies can conduct prior to being required to obtain a full license. The MGCB has also considered, and allowed, the use of “shelf” debt approvals, which permits greater flexibility when a casino operator and its financial service providers are able to enter the public market to refinance debt on the most favorable terms.

Lastly, the MGCB licensing staff is currently in the process of finalizing procedures in which it will accept the universal Multi-Jurisdictional Disclosure Form and a Michigan Rider for key persons. Executive Director Kalm recently noted that “it is the responsibility of the MGCB to enforce the gaming laws adopted by the Michigan legislature, while at the same time balancing the regulations so as not to create unnecessary regulatory burdens.”

We’ve seen progress in other states, too. In February, Rick Day cited the AGA’s white paper during his interview for the role of executive director of the Massachusetts Gaming Commission. Day, who is the former director of the Washington Gaming Commission, said he took the white paper’s suggestions as evidence that gaming agencies need to “move forward” and adapt with the times to tackle new issues and technologies. Afterward, the commissioners voted to approve Day for his new role.

Regulators from Michigan, Missouri and other states have cited the AGA’s white paper extensively in various conference sessions across the country.

Based on these examples, it is clear that our efforts have created momentum. It is now important for the AGA, and our colleagues at the state level, to continue educating stakeholders about these suggested changes and how they are mutually beneficial for regulators and the industry.

In 2013, the AGA will continue to push for regulatory reform in a number of ways. First, we plan to reconvene the task force that developed our white paper, with the goal of marking our progress and discussing the next steps. One of those next steps, we know already, is updating the AGA website to illustrate the headway that has been made and to continue to provide updated information on the topic.

Other matters we want to address: How do we move forward and continue to facilitate change? And what else can we do? One topic we might address, for example, would be recommendations for standardizing shipping procedures—an area that could easily be streamlined, to all of our benefit.

The commercial casino industry has a long history of working hand-in-hand with regulators, and that won’t change. We are happy with the dialogue that was sparked by the release of our white paper, and we look forward to it continuing. And, as always, we welcome comments and ideas from our member companies and other stakeholders for how best to serve both regulators and the industry at large when it comes to this important issue.
