

Title 23. Public Utilities and Regulated Industries

Chapter VIII. Arkansas Racing Commission, Department of Finance and Administration

Subchapter A. Generally

Part 355. Rules for Franchise Holders Operating Electronic Games of Skill

Codification Notes. This part as promulgated prior to codification into the Code of Arkansas Rules provided as follows:

"Preamble.

These rules apply only to the Electronic Games of Skill operations at licensed Pari-mutuel franchises, as authorized by Act 1151 of 2005. The provisions of this Act are located in the Arkansas Code and codified as A.C.A. §23-113-201. They were developed by Gaming Laboratories International, Inc. with the input of the Arkansas Racing Commission, the staff of the Department of Finance and Administration. Comments from suppliers of electronic games of skill and the general public were also considered in the drafting of this document. The rules were adopted under the provisions of A.C.A. §§ 25-15-201 through 25-15-218. Associated with, but not part of, these rules are "appendices."

The purpose of the appendices is to provide pertinent material that is subject to frequent change, particularly forms that are related to licensing. Although appendices are documents that enable the enforcement of rules, they are located outside the body of this document. This will permit the ability to change and update forms, procedures and processes to conform to changes without making policy/regulatory changes. Such changes are considered to be technical in nature and, therefore, will not necessitate invoking the rule making process.

The appendices are designated by a "P" followed by a hyphen, and then with a reference number of the Section number to which is refer or supports.

Example: P1-13-17 (a) would be a "Personal History Disclosure form. Appendices contain such items as:

Index of forms and appendices

Forms Examples Instructions

Key to abbreviations and acronyms Frequently asked questions (FAQs)

The games of skill rules and appendices reside on the Department of Finance and Administration's (DFA), Racing Division's web site at http://www.arkansas.gov/dfa/racing/rc_index.html, and are also available in printed form upon request. Requests for printed copies may be made in the form of an e-mail to the Manager of the Racing Division (listed on website) or by U.S. Mail at P.O Box 3076, Little Rock, AR 72203, or by telephone at 501-682-1467.

The Arkansas Racing Commission and the offices of the Department of Finance and Administration adhere to the spirit and letter of the Freedom of Information Act of 1967 as stated in ACA § 25-19-101 et seq."

Subpart 1. Generally

23 CAR § 355-101. Definitions.

The following words and terms, when used in these rules, shall have the following meanings unless the context clearly indicates otherwise:

(1) "Affiliate". Business companies, organizations, or individuals are affiliates of each other if, directly or indirectly, either one has the power to control the other, or a third party controls or has the power to control both;

(2) "Asset number" means a unique number assigned to an EGS and a cash storage box for purposes of tracking that machine and storage box while owned or leased by the franchise holder;

(3) "Cash" means currency;

(4) "Cash equivalent" means a certified check, electronic cards, chips, cashier's

check, treasurer's check, recognized travelers check, or recognized money order that:

- (A) Is made payable to the franchise holder, "bearer", or "cash";
- (B) Is dated, but not postdated; and
- (C) Does not contain any endorsement other than that of the presenting

patron;

(5) "Cash storage box" means a tamper-resistant cash box that is contained in a bill acceptor which shall securely store all deposited:

- (A) Cash;
- (B) Gaming tickets; and
- (C) Coupons;

(6) "Cashier booth" means a cashier booth, to house one (1) or more cashiers and to serve as the central location in the EGS gaming area, or, when there are multiple cashier booths, in that portion of the EGS gaming area;

(7)(A) "Commission" means the Arkansas Racing Commission or its successor having jurisdiction over horse racing and greyhound racing in this state.

(B) The Arkansas Racing Commission is responsible for all:

- (i) Licensing;
- (ii) Adjudication of fines;
- (iii) Certification of electronic games of skill;
- (iv) Appeals/rulings; and
- (v) Approval of all EGS plans;

(8) "Complimentary services or items" mean a service or item provided directly or indirectly by a franchise holder at no cost or at a reduced price;

(9) "Coupon" means a document which is issued in accordance with the coupon redemption and complimentary distribution programs approved by the Arkansas Racing Commission;

(10) "Denomination" when used in conjunction with or in reference to an EGS, means the value or monetary amount of the lowest wager that can be placed on the EGS;

(11)(A) "Distributor" means any person that sells, leases, or offers, or

otherwise provides, distributes, or services any EGS or associated equipment for use or play of EGS in a franchise holder's facility.

(B) A manufacturer may be a distributor;

(12) "EGS" means electronic game or games of skill;

(13)(A) "EGS Section" means the Office of Field Audit within the Revenue Division of the Arkansas Racing Commission.

(B) The EGS section is assigned responsibility for auditing and review of internal controls and the day-to-day operations of the EGS.

(C) This would include full administrative regulatory jurisdiction and exercise of the duties, powers, and responsibilities over electronic games of skill and wagering on the electronic games of skill as authorized in Acts 2005, No. 1151, and 23 CAR §§ 355-102 and 355-103;

(14) "Electronic card" means a card provided by, or purchased from, the franchise holder for use at the franchise holder's EGS as a substitute for tickets for the conduct of gaming in the EGS;

(15)(A) "Electronic fund transfer" means a transfer of funds, other than a transaction originated by check, draft, or similar paper instrument that is initiated through an electronic terminal, telephone, computer, or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account.

(B) For the purposes herein, the term does not include any transactions exempt by statute or regulation from the provisions of Title IX of the Federal Consumer Protection Act, 15 U.S.C. § 1693;

(16)(A) "Electronic game or games of skill (EGS)" means a game or games played through any electronic device or machine that affords an opportunity for the exercise of skill or judgment where the outcome is not completely controlled by chance alone.

(B) EGS do not include pari-mutuel wagering on horse racing and greyhound racing governed by the Arkansas Horse Racing Law, Arkansas Code § 23-110-101 et seq., or Arkansas Greyhound Racing Law, Arkansas Code § 23-111-101 et

seq., whether pari-mutuel wagering on live racing, simulcast racing, or races conducted in the past and rebroadcast by electronic means.

(C) See Arkansas Code § 23-113-201(d);

(17) "Franchise holder" means any person holding a franchise to conduct horse racing under the Arkansas Horse Racing Law, Arkansas Code § 23-110-101 et seq., or greyhound racing under the Arkansas Greyhound Racing Law, Arkansas Code § 23-111-101 et seq.;

(18) "Gaming day" means a twenty-four-hour period of time which represents the beginning and ending of EGS gaming activities by which the franchise-holder keeps its books and records for business and accounting purposes;

(19) "Gaming floor" means the designated area where EGS gaming activities occur;

(20) "Gaming operator" means a franchise holder that is conducting the operation of EGS;

(21) "Gross wagering revenues" mean the total value of currency, coupons, gaming tickets, and electronic credits invested by a patron to activate the play of an EGS;

(22)(A) "Identification credential" means a valid driver license, passport, or other document generally accepted in business as a form of identification and which contains, at a minimum, the person's signature.

(B) A personal reference does not constitute an identification credential;

(23)(A) "Incompatible function" means a function for accounting control purposes that places any person employed by, or department established by, the franchise holder, in a position to both perpetrate and conceal errors or irregularities in the normal course of their duties.

(B) Anyone recording transactions and having access to assets ordinarily is in a position to perpetrate errors or irregularities.

(C) Persons may have incompatible functions if such persons are members of departments which have supervisors not independent of each other;

(24) "Intermediary company" means a corporation, firm, association,

partnership, trust or any other form of business organization other than a natural person which is a:

(A) Holding company with respect to a corporation which holds or applied for a gaming license; and

(B) Subsidiary with respect to any holding company;

(25)(A) "Manufacturer" means any person who manufactures, builds, rebuilds, fabricates, assembles, produces, programs, designs, or otherwise makes modifications to any EGS or associated equipment for EGS gaming purposes.

(B) A manufacturer may be a distributor, as approved by the Arkansas Racing Commission;

(26)(A) "Multistation game" is an EGS that incorporates more than one (1) player station, which are controlled by a unit that contains the game's CPU and houses the game display, which is shared among the player stations.

(B) Since certain features are shared by the player stations the actions of one player station must not influence the operation of the other stations and at no time should any of the players be at a disadvantage to the next game played.

(C) In addition, each player station must make it clear as to when the next game will begin.

(D) For multistation games, each player station is considered an EGS and must meet the technical standards outlined throughout these rules;

(27) "Net drop" is the total amount of credits played, minus the credits won for EGS gaming operations;

(28) "Progressive system" means a computerized system linking EGS in one (1) or more licensed facilities approved by the Arkansas Racing Commission and offering one (1) or more common progressive payouts based on the amounts wagered;

(29) "Surveillance system" means any facility, not controlled by the Arkansas Racing Commission employees, that has been approved by the commission to receive transmissions from the surveillance department's security system including without limitation:

(A) System monitoring rooms;

- (B) Surveillance department offices;
- (C) System repair areas; and
- (D) System emergency facilities;

(30) "Transaction". A transaction includes deposit, withdrawal, transfer between accounts, exchange of currency, loan, extension of credit, purchase or redemption of gaming instruments, or any other payment, transfer, or delivery to a franchise holder by whatever means affected;

(31) "Wager" means a sum of money or thing of value bet on an EGS; and

(32) "Wire transfer" means a transfer of funds by means of the Federal Reserve Bank wire system in accordance with the requirements of 12 C.F.R. 210.25 et seq. and the Arkansas Racing Commission's rules.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-102. Powers and duties.

(a) The EGS Section of the Office of Field Audit shall act at the direction of the Arkansas Racing Commission pursuant to the authority granted to the commission under Acts 2005, No. 1151.

(b) It is recognized that duties regarding the collection and administration of the eighteen percent (18%) privilege fee are delegated by Acts 2005, No. 1151, to the Secretary of the Department of Finance and Administration.

(c) It is also recognized that duties regarding the collection and administration of other state tax laws are likewise delegated to the secretary.

(d) In the course of fulfilling its duties under this rule, the EGS Section shall exercise the following powers, duties, and responsibilities:

(1) Audit income received by a gaming operator from EGS;

(2) Review the operation, financial data, and program information relating to EGS through a central computer that will allow the EGS Section to:

(A) Audit the gaming operation of a gaming operator; and

(B) Monitor wagering patterns, payouts, privilege fee payments and other

matters related to the payment of the eighteen percent (18%) privilege fee or any other state tax administered by the Department of Finance and Administration;

(3)(A) Require a gaming operator to maintain specific records and submit any information, records, or reports required for the administration of the eighteen percent (18%) privilege fee or other state taxes;

(B) The EGS Section may also make recommendations to the commission that a gaming operator be required to maintain specified records and submit information, records, or reports required under Acts 2005, No. 1151, and this part as determined by the commission to be necessary for the proper implementation and enforcement of those provisions of Acts 2005, No. 1151, unrelated to the collection of the eighteen percent (18%) privilege fee or other state taxes;

(4)(A) The EGS Section of the Office of Field Audit shall investigate, audit, or review other operations of the franchise holder unrelated to the collection of the eighteen percent (18%) privilege fee or other state taxes, as directed by the commission to fulfill the commission responsibilities under Acts 2005, No. 1151.

(B) The commission shall direct and supervise the EGS section of the Office of Field Audit in exercising the statutory duties of the commission as authorized under Acts 2005, No. 1151, and this part, except with regard to activities of the EGS Section related to the collection and administration of the eighteen percent (18%) privilege fee or other state taxes; and

(5)(A) In addition to the duties related to collection of the eighteen percent (18%) privilege fee on net gaming revenues, all day-to-day operational duties related to enforcement of the electronic gaming rules adopted by the commission shall be conducted by the Department of Finance and Administration, Office of Field Audit, Electronic Gaming Section under authority of a resolution duly adopted by the commission as recorded in the minutes of the commission delegating such authority.

(B) Any and all subsequent limitations of such rules shall be made in the form of a commission resolution.

Authority. Arkansas Code §§ 23-113-302, 23-113-501.

23 CAR § 355-103. Additional responsibilities.

(a) The EGS Section of the Office of Field Audit shall have unrestricted access to the gaming floor and facility at all times and shall require that each franchise holder strictly comply with Acts 2005, No. 1151, and the Arkansas Gaming Commission's rules relating to the operation of EGS.

(b) The EGS section shall:

(1) Inspect and examine facilities where EGS are offered for play;

(2) Inspect EGS and any other equipment or supplies used in conjunction with or in any way related to EGS;

(3) Collect any assessments, fees, penalties, or other charges arising from the operation of EGS for which a gaming operator is liable to the State of Arkansas; and

(4)(A) Receive and investigate complaints concerning the operation of EGS by gaming operators.

(B) Complaints that cannot be resolved shall be forwarded by the EGS section to the commission for review and adjudication by the commission.

Authority. Arkansas Code § 23-113-302.

Subpart 2. Operation of Electronic Games of Skill

23 CAR § 355-201. Authorized facilities.

The operation of electronic games of skill is permitted at licensed pari-mutuel racetracks in the State of Arkansas in accordance with Acts 2005, No. 1151, and this part.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-202. Persons authorized to conduct the operation of electronic games of skill.

(a)(1) No one other than the franchise holder and its employees (and patrons playing the game) may operate the electronic games of skill.

(2) The games may not be located in a place other than the grounds of the franchise holder's facility, as approved by the Arkansas Racing Commission.

(b)(1) Key licensee employees shall not engage in any electronic games of skill wagering activity within the EGS gaming area of the franchise holder with which they are employed at any time.

(2) Other employees may not engage in any EGS wagering activity within the franchise they are employed during their work schedule.

(c) The franchise holder's license and authority to operate electronic games of skill is governed by statute and shall be valid as long as the franchise holder retains a franchise to conduct horse or dog racing in the State of Arkansas.

Authority. Arkansas Code § 23-113-302.

Subpart 3. Service Industry License and Service Industry Employee License

23 CAR § 355-301. Restriction of doing business.

No entity shall manufacture, sell or lease, distribute, repair or provide EGS maintenance services of EGS equipment to the franchise holder's EGS operations in the State of Arkansas unless it holds a current service industry license issued by the Arkansas Racing Commission in accordance with this part.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-302. Determining the need for a service industry license.

Any entity which satisfies one (1) or more of the following criteria shall, unless it is otherwise set forth in this part, obtain a service industry license to carry out business with a franchise holder in the State of Arkansas:

(1) The entity manufactures, sells or leases, supplies, or distributes devices,

machines, equipment, accessories, objects, or articles which:

(A) Are designed specifically for use in EGS operations of the franchise holder;

(B) Are needed to carry out the activities of an authorized game;

(C) Have the capacity to affect the result of the play of an authorized game; or

(D) Have the capacity to affect the calculation, storage, collection, or control of the gross revenues;

(2) The entity provides maintenance services or repairs gaming equipment for the EGS of the franchise holder;

(3)(A) All other suppliers of materials, maintenance, and supplies that provide greater than twenty-five thousand dollars (\$25,000) worth per year in materials, service, and supplies.

(B) This would include security systems, gaming devices, and money handling/storage devices; or

(4) The entity is conducting more than one hundred fifty thousand dollars (\$150,000) in business with one (1) franchise holder or more than three hundred thousand dollars (\$300,000) in business with two (2) or more franchise holders during a calendar year.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-303. General parameters of granting a service industry license.

An applicant for a service industry license shall submit to the Arkansas Racing Commission the information, documentation, and guarantees necessary to establish through clear and convincing evidence:

(1) The stability, integrity, and economic responsibility of the applicant;

(2) The good character (if an individual), honesty, and integrity of the applicant;

(3) That the owners, administrative and supervisory personnel, principal employees, and sales representatives of the applicant comply with the parameters provided in 23 CAR § 355-310 qualifying as a person related with a service industry license of this part;

(4) The integrity of the investors, mortgage creditors, guarantors, and holders of bonds, notes, and other evidences of debt which are in any way related to the entity; and

(5) The integrity of all the officers, directors, and trustees of applicant.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-304. Initial application for a service industry license.

(a) The initial application for a service industry license shall consist of an original and a copy of the following documents:

(1) The Arkansas Racing Commission business entity disclosure form for Service Industry Licensee, to be completed by the applicant and by each company, individual, or entity holding an interest in applicant;

(2) The commission's personal history disclosure and supplemental form of persons related with service industries, to be completed by each natural person who must be qualified for a license by the commission in accordance with 23 CAR § 355-310 of this part; and

(3) The fees to be paid to the commission, as provided in 23 CAR § 355-307.

(b) The commission shall not evaluate an initial service industry license application unless same is accompanied by all the information required in this part, including all the documents requested in subsection (a) of this section, provided that any incomplete application filed with the commission shall be deemed to be as if same had not been filed.

(c) **Burden of proof.** It shall be the responsibility of the service industry applicant and its principals to provide information and or documentation and to demonstrate their qualifications by clear and convincing evidence relative to the character, honesty, and

integrity of its directors, officers, stockholders, and principal employees, to the commission.

(d) No person may sell or otherwise supply electronic games of skill to a franchise holder for the conduct of wagering thereon as authorized in this chapter unless the person has demonstrated to the satisfaction of the commission that the person has the capability and qualifications necessary to reasonably furnish the equipment and perform the services to be provided by the supplier.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-305. Duration of service industry license.

(a) Every service industry license shall be issued by the Arkansas Racing Commission for a period of three (3) years.

(b) Notwithstanding the provisions of subsection (a) of this section, the commission may, as it may deem necessary:

- (1) Issue any service industry license for a shorter period; and
- (2) At any time, void the service industry license for reasonable cause.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-306. Service industry license renewal application.

(a) Every service industry license renewal application shall be filed no later than ninety (90) days prior to the expiration date of said license.

(b) The service industry license renewal application shall include a duly completed original and a photocopy of:

- (1) An Arkansas Racing Commission business entity disclosure form service industry application, which shall contain all the information that has changed from the date of the application for the initial service industry license or of the last renewal, to be completed by the applicant and by each holding company of applicant;
- (2) A commission personal history disclosure and supplemental form of

persons related with service industry licensees to be completed by each natural person who must be licensed in accordance with 23 CAR § 355-309 of this part, and who has not been licensed by the commission; and

(3) A commission personal history disclosure form and supplemental personal history disclosure form of persons related with service industry licensee-renewal to be completed by any natural person required to be licensed in accordance with 23 CAR § 355-302 of this part and who has already been licensed by the commission.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-307. Service industry license fees.

(a)(1) The fees to be paid for the initial or renewal application for a service industry license shall be determined by the Arkansas Racing Commission, provided that the application fee shall not be more than one thousand dollars (\$1,000) a year.

(2) This does not include the actual cost of the investigation or investigations which is to be billed to and paid by the applicant to the commission.

(b) The fees to be paid for the initial application shall cover administrative costs related to the processing of the application.

(c) The renewal application fee shall not be more than one thousand dollars (\$1,000), payable to the commission and submitted with the service industry license renewal form.

(d) The license will not be approved until the fees, including the investigative costs, have been paid by the applicant.

Authority. Arkansas Code §§ 23-113-302, 23-113-303.

23 CAR § 355-308. Service industry disqualification criteria.

(a) The Arkansas Racing Commission may deny a service industry license to any applicant which, in the opinion of the commission:

(1) Has not proved through clear and convincing evidence that the applicant

and any of the persons required to be licensed in accordance with this part are in fact duly qualified;

(2) Has violated any of the provisions of this part; or

(3) Has failed to provide information or documentation requested in writing by the commission in a timely manner, which shall not exceed thirty (30) business days from the date of request by the commission, without reasonable justification and an extension granted by the commission.

(b) The commission shall deny a service industry license to any applicant who does not satisfy the standards for entity licensing in this document.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-309. Qualification requirements — Service industry license.

(a) The Arkansas Racing Commission shall not issue a service industry license to any entity unless the applicant has established the individual qualifications of each one of the following entities or persons, if applicable:

(1) The entity;

(2) The holding company or companies of the entity;

(3) Every owner of the entity who has, directly or indirectly, any interest in or is the owner of more than five percent (5%) of the entity;

(4) Every owner of a holding company of the entity which the commission deems necessary to promote the purposes of this part;

(5) Any director of the entity, except such director who, in the opinion of the commission, is not significantly involved in, or related with, the administration of the entity;

(6) Every officer of the entity who is significantly involved in, or who has authority over, the manner in which the business dealing with the activities of the franchise holder and any officer who the commission considers necessary to protect the good character, honesty, and integrity of the entity;

(7) Any officer of the holding company of the entity who the commission

considers necessary to protect the good character, honesty, and integrity of the entity;

(8) Any employee who supervises the regional or local office which employs the sales representatives who shall solicit business from, or negotiate directly with, a franchise holder;

(9) Any employee who shall function as a sales representative or who shall be regularly dedicated to soliciting business from any franchise holder in the State of Arkansas; and

(10) Any other person connected to an entity who the commission considers should be licensed.

(b)(1) This part does not apply to an institutional investor (as defined by the Securities Exchange Act of 1934, as amended, 15 U.S.C. § 78a et seq.) that acquires, or will acquire, ten percent (10%) or less of the equity securities of an applicant or licensee that is a publicly traded corporation if those holdings were purchased for investment purposes only and the institutional investor files with the commission a certified statement that it has no intention of influencing or affecting, directly or indirectly, the affairs of the licensee.

(2) The investor will be permitted to vote on matters put to the vote of the outstanding security holders.

(c) In order to establish the individual qualifications, the persons specified in subdivisions (a)(1) – (a)(2) of this section shall complete a commission business entity disclosure.

(d) In order to establish the individual qualifications, the persons specified in subdivisions (a)(3) – (a)(10) of this section shall complete a commission personal history disclosure form of persons related with service industry licensee.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-310. Qualifying as a person related with a service industry license.

(a) Any natural person who is required to be licensed, because of his or her

relationship with a service industry license applicant, shall provide to the Arkansas Racing Commission the information, documentation, and assurances necessary to establish through clear and convincing evidence:

(1) His or her relationship with the entity;

(2)(A) That he or she is twenty-one (21) years of age.

(B) This only applies to those employees who service gaming machines or work on the gaming floor who have access to the machines;

(3) That he or she is of good character and reputation, in addition to being honest and having integrity; and

(4) That he or she has not been convicted, including nolo contendere and withheld adjudication, by any state or federal court in the country for:

(A) Committing, intending to commit or conspiring to commit a crime of moral turpitude, illegal appropriation of funds or robbery, or any violation of a law related to games of chance or skill, or a crime which is contrary to the declared policy of the commission with respect to the gaming industry; or

(B) Committing, intending to commit, or conspiring to commit a crime which is a felony in the State of Arkansas or a misdemeanor in another jurisdiction which would be a felony if committed in the State of Arkansas.

(b) Not satisfying with any one (1) of the requirements established in subsection (a) of this section shall be sufficient reason for the commission to deny a service industry license.

(c) The commission shall deny any person required to qualify in conjunction with a service industry license that does not satisfy the standards set forth within this part.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-311. Investigations — Supplementary approval of change.

(a) The Arkansas Racing Commission or its representatives may, at its discretion, conduct any investigation with respect to an applicant, or any person related with an applicant who it deems pertinent, either at the time of the initial application or at any

subsequent time.

(b) It shall be the continuous duty of any applicant or holder of a service industry license to fully cooperate with the Arkansas Racing Commission or its representatives during any investigation and provide any supplementary information that the Arkansas Racing Commission or its representatives requests.

(c)(1) It shall be the duty of any applicant or holder of a service industry license to notify the Arkansas Racing Commission within ten (10) business days of any proposed changes in the ownership of the applicant or licensee.

(2) If the applicant or holder of a service industry license is a publicly traded company, it does not have to report changes in ownership unless the change represents five percent (5%) or more of the total shares issued and outstanding or ten percent (10%) or more of the total shares issued and outstanding if the change is the result of an institutional investor.

(3) In such cases, the licensee shall provide the Arkansas Racing Commission with copies of the most recent notice filed with the Securities and Exchange Commission.

(4) All proposed new owners shall submit to the Arkansas Racing Commission or its representatives an initial service industry license application, which must be approved by the Arkansas Racing Commission.

(5) Any failure to comply with this rule shall be grounds for revocation of an existing license or denial of an application for a license.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-312. Suspension, denial of renewal, or revocation of a service industry license.

(a) Any of the following reasons shall be considered sufficient cause for the suspension, denial of renewal, or revocation of a service industry license:

- (1) Violation of any provision of this part;
- (2) Conduct which would disqualify the applicant or any other person required

to be licensed by the Arkansas Racing Commission;

(3) Failure to comply with any applicable law, state or federal or regulation, or county or municipal ordinance; or

(4) The material misstatement made in the application for the service industry license.

(b) Notwithstanding the provisions of subsection (a) of this section, any other cause that the commission deems reasonable shall be considered sufficient cause for the suspension, denial of renewal, or revocation of a service industry license.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-313. Commercial transaction in the absence of a service industry license.

(a) The Arkansas Racing Commission, at its discretion, may permit any service industry license applicant to carry out a commercial transaction with a franchise holder before said service industry entity has obtained the service industry license required as long as:

(1) The applicant has filed with the commission a completed application for a service industry license;

(2) At least thirty (30) days has passed since the filing of said completed application with the commission; and

(3) The franchise holder submits to the commission a petition for special authorization to carry out a commercial transaction in the absence of a service industry license which contains:

(A) Sufficient reasons to convince the commission to grant the special authorization to the applicant; and

(B) A description of the commercial transaction that it desires to carry out.

(b) The commission shall evaluate said petition for special authorization to carry out a commercial transaction in the absence of a service industry license and shall notify franchise holder of its decision in writing within a reasonable period.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-314. Exemption to service industry license.

(a) The Arkansas Racing Commission may exempt an entity from the requirement of obtaining a service industry license if the commission determines that said entity is not operating its business in a regular and continuous manner as defined in subsection (d) of this section.

(b) Any entity which is interested in obtaining an exemption from the requirement of obtaining a service industry license in accordance with this section shall apply in writing to the commission for said exemption.

(c) The exemption application shall contain the following information:

(1) Name, address, and detailed description of the service offered by the entity;

(2) Name of the owners, directors, officers, and managerial employees of the entity;

(3) Franchise holder to whom they will provide services and a description of the service to be provided, including the quantity and cost of the services;

(4) Number and frequency of the transactions;

(5) Dollar amount of the transactions; and

(6) Sufficient reasons to convince the commission as to why granting the entity a license is not necessary to protect the public interest or advance the commission's policies relating to gaming.

(d) The commission may determine that an entity is not operating its business in a regular and continuous manner if the applicant demonstrates, to the satisfaction of the commission, that the goods or services provided by the entity are in minimal or insignificant amounts, and that granting the same a service industry license is not necessary to protect the public interest or advance the policies established by the commission relating to gaming.

(e) In order to determine if an entity operates or will operate in a regular or

continuous manner, the commission may take the following factors into consideration, among others:

- (1) Number of transactions;
- (2) Frequency of the transactions;
- (3) Dollar amount of transactions;
- (4) Nature of the equipment or services rendered or business carried out;
- (5) Maximum period of time necessary to provide the equipment, carry out the services, or complete in its entirety the business subject of the transactions; and
- (6) The public interest and the policy established by the commission relating to gaming.

(f) Any entity which has been exempt by the commission from the requirement of obtaining a service industry license in accordance with this section shall notify the commission before carrying out any commercial contract or business transaction, with a franchise holder.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-315. Records requirements for service industry licensee.

(a) Any service industry entity authorized by the Arkansas Racing Commission shall maintain in a place secure against robbery, loss or destruction, the records corresponding to the business operations, which shall be available to, and be produced for the commission in case the commission requests them.

(b) Said records shall include:

- (1) Any correspondence with the commission and other governmental agencies at a local, state, and federal level;
- (2) Any correspondence related to the business with a franchise holder, whether proposed or existing;
- (3) Copies of any publicity and promotional materials;
- (4) The personnel files for every employee of the authorized service industry entity, including those for the sales representatives; and

(5) The financial records for all the transactions related to the business with a franchise holder, whether proposed or existing.

(c) The records listed in subsection (a) of this section shall at least be kept for a period of five (5) years.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-316. Business entity disclosure for service applicant forms.

Arkansas Racing Commission business entity disclosure form shall be completed in the format provided by the commission.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-317. Personal history disclosure form.

The Arkansas Racing Commission may require a commission personal history disclosure form from all those natural persons required under 23 CAR § 355-309, to fill out the same.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-318. Obligation for payment of fees — No refund of fees paid.

(a) Any obligation for payment of fees arising from these regulations shall be paid in full to the Arkansas Racing Commission, even when the entity withdraws its application for a service industry license or the license is denied.

(b) No amounts paid for service industry license fees shall be refundable.

(c) Any failure to pay fees when due shall result in a late fee penalty established by the commission, denial, or revocation of a license.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-319. Responsibility of the franchise holder.

(a) Any franchise holder that will be receiving a service shall be responsible for confirming that the entity with which it will carry out the business holds a service industry license or has obtained a special authorization in accordance with 23 CAR § 355-314 of this part, or an exemption in accordance with this part.

(b) Any violation of subsection (a) of this section shall be sufficient cause for sanctions by the Arkansas Racing Commission.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-320. Transitory provisions.

Any entity which manufactures, sells or leases, distributes, or repairs or provides maintenance services or any other service to a franchise holder with respect to EGS shall comply with the provisions of this part beginning on the effective date of the same.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-321. Vendor's list.

(a)(1) The Arkansas Racing Commission or its representatives shall also maintain a prohibited vendor list, which shall include all vendors who are prohibited from conducting business with a franchise holder.

(2) The commission shall provide this list to the franchise holders.

(b) Engaging in business with a vendor on the prohibited vendor list by the franchise holder may result in monetary fines not to exceed five thousand dollars (\$5,000).

Authority. Arkansas Code §§ 23-110-204, 23-113-302.

23 CAR § 355-322. Temporary service industry licensing.

(a) If an applicant for a manufacturer, distributor, or entity providing services to a franchise holder holds a similar license in another jurisdiction in the United States, the applicant may submit a written request with its application for the Arkansas Racing Commission to grant a temporary service industry license.

(b) The commission may use the temporary licensing process if:

(1) The commission determines, after investigation, that the licensing standards in a jurisdiction in which the applicant is licensed are similarly comprehensive, thorough, and provide equal, if not greater, safeguards as provided in Acts 2005, No. 1151, or this part and that granting the request is in the public interest;

(2) A completed application has been filed by the applicant;

(3) The applicant has provided current, updated information to the commission associated with the similar license in the other jurisdiction related to its financial viability and suitability;

(4) The applicant has no administrative or enforcement actions pending in another jurisdiction or the applicant has adequately disclosed and explained the action to the satisfaction of the commission; and

(5) There are no pending or ongoing investigations of possible material violations by the applicant in another jurisdiction or the applicant has adequately disclosed and explained the investigation to the satisfaction of the commission.

(c) This section shall not be construed to waive fees associated with obtaining a license through the application process in this state.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-323. Independent EGS testing laboratory license.

(a) **Testing lab license.**

(1) All EGS and associated equipment must be tested by a laboratory licensed by the Arkansas Racing Commission to ensure that the games and equipment comply with Arkansas law and the rules of the Arkansas Racing Commission.

(2) No franchise holder shall operate or allow wagering on any EGS that has not been tested by a licensed laboratory, and the Arkansas Racing Commission must approve the test results from the licensed laboratory prior to the franchise holder allowing wagering on the EGS.

(b) **Independent status of laboratory.** To qualify for an EGS testing license, the applicant must be independent from any manufacturer, distributor, or operator of any game, gaming device, associated equipment, cashless wagering system, intercasino-linked system, mobile gaming system, or interactive gaming system, or any component thereof or modification thereto, regardless of whether or not such person or entity is:

- (1) Licensed;
- (2) Registered; or
- (3) Otherwise does business in Arkansas;

(c) To be considered independent from a manufacturer, distributor, or operator under subsection (a) of this section, the independent testing laboratory, including its employees, management, directors, owners, compliance committee members, and gaming regulatory advisors, with the exception of the independent testing laboratory's external accountants and attorneys must not have a financial or other interest, direct or otherwise, in a manufacturer, distributor, or operator of any game, gaming device, associated equipment, cashless wagering system, intercasino-linked system, mobile gaming system, or interactive gaming system, or any component thereof or modification thereto, regardless of whether or not the person or entity is:

- (1) Licensed;
- (2) Registered; or
- (3) Otherwise does business in Arkansas.

(d) **General parameters of granting an EGS testing laboratory license.** An applicant for an EGS testing laboratory license shall:

(1) Submit to the Arkansas Racing Commission the information, documentation, and guarantees necessary to establish, through clear and convincing evidence, the following:

- (A) The stability, integrity, and economic responsibility of the applicant;

(B) The good character (if an individual), honesty, and integrity of the applicant;

(C) That the owners, administrative and supervisory personnel, principal employees, and sales representatives of the applicant comply with the parameters provided in 23 CAR § 355-310 of this part qualifying as a person related to an EGS testing laboratory; and

(D) The integrity of all the officers, directors, and trustees of applicant;

(2) Be accredited in accordance with ISO/IEC 17025 by an accreditation body that is a signatory to the International Laboratory Accreditation Cooperation Mutual Recognition Agreement, unless the independent testing laboratory is only seeking registration for the inspection and certification of games and game variations;

(3) Demonstrate it is technically competent in testing the category of game, device, or system in which it is seeking registration, and that the applicant has a minimum of five (5) years of experience in testing gaming devices;

(4) Demonstrate it is technically competent to test compliance with the applicable Arkansas statutes, rules, standards, and policies; and

(5) Submit:

(A) Detailed description of the testing facilities;

(B) Detailed description of available testing staff and staff qualifications, including:

(i) Education;

(ii) Training;

(iii) Experience; and

(iv) Skill levels;

(C) Detailed description of available testing equipment;

(D) Copies of documented policies, systems, programs, procedures, and instructions to ensure the quality of test results; and

(E) Copies of all test scripts to be used for testing against the applicable Arkansas:

(i) Statutes;

- (ii) Rules;
- (iii) Standards; and
- (iv) Policies.

(e) **Initial application for an EGS testing laboratory license.**

(1) The initial application for an EGS testing laboratory license shall consist of an original and a copy of the following documents:

(A) An Arkansas Racing Commission business entity disclosure form for EGS testing laboratory licensee, to be completed by the applicant and by each company, individual, or entity holding an interest in applicant;

(B) An Arkansas Racing Commission personal history disclosure and supplemental form of persons related with EGS testing laboratories, to be completed by each natural person who must be qualified for a license by the Arkansas Racing Commission in accordance with 23 CAR § 355-401 et seq.; and

(C) The fees to be paid to the Arkansas Racing Commission, as provided in 23 CAR § 355-323(h) of this part.

(2) The Arkansas Racing Commission shall not evaluate an initial EGS testing laboratory license application unless same is accompanied by all the information required in this part, including all the documents requested in subsection (a) of this section, provided that any incomplete application filed with the Arkansas Racing Commission shall be deemed to be as if same had not been filed.

(3) **Burden of proof.** It shall be the responsibility of the EGS testing laboratory applicant and its principals to provide information and/or documentation and to demonstrate their qualifications by clear and convincing evidence relative to the character, honesty, and integrity of its directors, officers, stockholders, and principal employees, to the Arkansas Racing Commission.

(4) No person may test electronic games of skill for a manufacturer to be used by a franchise holder for the conduct of wagering thereon as authorized in this subpart unless the person has demonstrated to the satisfaction of the Arkansas Racing Commission that the person has the capability and qualifications necessary to competently test the equipment to ensure compliance with Arkansas law.

(f) Duration of EGS testing laboratory license.

(1) Every EGS testing laboratory license shall be issued by the Arkansas Racing Commission for a period of three (3) years.

(2) Notwithstanding the provisions of subsection (a) of this section, the Arkansas Racing Commission may, as it may deem necessary:

(A) Issue an EGS testing laboratory license for a shorter period; or

(B) At any time, void the EGS testing laboratory license for reasonable cause.

(g) EGS testing laboratory license renewal application.

(1) Every EGS testing laboratory license renewal application shall be filed no later than ninety (90) days prior to the expiration date of said license.

(2) The EGS testing laboratory license renewal application shall include a duly completed original and a photocopy of:

(A) An Arkansas Racing Commission business entity disclosure form EGS testing laboratory application, which shall contain all the information that has changed from the date of the application for the initial EGS testing laboratory license or of the last renewal, to be completed by the applicant and by each holding company of applicant; and

(B) An Arkansas Racing Commission personal history disclosure and supplemental form of persons related with EGS testing laboratory licensees to be completed by each natural person who must be licensed in accordance with 23 CAR § 355-301 et seq. and 23 CAR § 355-401 et seq. of this part, and who has not been licensed by the Arkansas Racing Commission, and an Arkansas Racing Commission personal history disclosure form and supplemental personal history disclosure form of persons related with EGS testing laboratory licensee renewal to be completed by any natural person required to be licensed in accordance with 23 CAR § 355-301 et seq. and 23 CAR § 355-401 et seq. of this part and who has already been licensed by the Arkansas Racing Commission.

(h) EGS testing laboratory fees.

(1)(A) The fees to be paid for the initial or renewal application for an EGS

testing laboratory license shall be determined by the Arkansas Racing Commission, provided that the application fee shall not be more than one thousand dollars (\$1,000) a year.

(B) This does not include the actual cost of the investigation or investigations which are to be billed to and paid by the applicant to the Arkansas Racing Commission.

(2) The fees to be paid for the initial application shall cover administrative costs related to the processing of the application.

(3) The renewal application fee shall not be more than one thousand dollars (\$1,000), payable to the Arkansas Racing Commission and submitted with the EGS testing laboratory license renewal form.

(4) The license will not be approved until the fees, including the investigative costs, have been paid by the applicant.

(i) EGS testing laboratory disqualification criteria.

(1) The Arkansas Racing Commission may deny an EGS testing laboratory license to any applicant which, in the opinion of the Arkansas Racing Commission:

(A) Has not proved through clear and convincing evidence that the applicant and any of the persons required to be licensed in accordance with this part are in fact duly qualified;

(B) Has violated any of the provisions of this part;

(C) Has failed to provide information or documentation requested in writing by the Arkansas Racing Commission in a timely manner, which shall not exceed (30) business days from the date of request by the Arkansas Racing Commission without reasonable justification and an extension granted by the Arkansas Racing Commission;

(2) The Arkansas Racing Commission shall deny an EGS testing laboratory license to any applicant who does not satisfy the standards for entity licensing in this part.

(j) Qualification requirements — EGS testing laboratory license.

(1) The Arkansas Racing Commission shall not issue an EGS testing laboratory

license to any entity unless the applicant has established the individual qualifications of each one of the following entities or persons if applicable:

(A) The entity;

(B) The holding company or companies of the entity;

(C) Every owner of the entity who has, directly or indirectly, any interest in or is the owner of more than five percent (5%) of the entity;

(D) Every owner of a holding company of the entity which the Arkansas Racing Commission deems necessary to promote the purposes of this part;

(E) Any director of the entity, except such director who, in the opinion of the Arkansas Racing Commission, is not significantly involved in or related with the administration of the entity;

(F) Every officer of the entity who is significantly involved in or who has authority over the manner in which the business dealing with the activities of franchise holder and any officer who the Arkansas Racing Commission considers necessary to protect the good character, honesty, and integrity of the entity;

(G) Any officer of the holding company of the entity who the Arkansas Racing Commission considers necessary to protect the good character, honesty, and integrity of the entity;

(H) Any employee who supervises the regional or local office which employs the sales representatives who shall solicit business from or negotiate directly with an EGS manufacturer;

(I) Any employee who shall function as a sales representative or who shall be regularly dedicated to soliciting business from any EGS manufacturer in the State of Arkansas; and

(J) Any other person connected to an entity who the Arkansas Racing Commission considers should be licensed.

(2) This part does not apply to an institutional investor (as defined by the Securities Exchange Act of 1934, as amended, 15 U.S.C. § 78a et seq.) that acquires or will acquire ten percent (10%) or less of the equity securities of an applicant or licensee that is a publicly traded corporation if those holdings were purchased for investment

purposes only and the institutional investor files with the Arkansas Racing Commission a certified statement that it has no intention of influencing or affecting directly or indirectly, the affairs of the licensee, the investor will be permitted to vote on matters put to the vote of the outstanding security holders.

(3) In order to establish the individual qualifications, the persons specified in subdivisions (a)(1) – (a)(2) of this section shall complete an Arkansas Racing Commission business entity disclosure.

(4) In order to establish the individual qualifications, the persons specified in subsections (a)(3) – (a)(10) shall complete an Arkansas Racing Commission personal history disclosure form of persons related with EGS testing laboratory license.

(k) Qualifying as a person related with an EGS testing laboratory license.

(1) Any natural person who is required to be licensed, because of his or her relationship with an EGS testing laboratory license applicant, shall provide to the Arkansas Racing Commission the information, documentation, and assurances necessary to establish through clear and convincing evidence:

(A) His or her relationship with the entity;

(B)(i) That he or she is twenty-one (21) years of age.

(ii) This only applies to those employees who service gaming machines or work on the gaming floor who have access to the machines;

(C) That he or she is of good character and reputation, in addition to being honest and having integrity; and

(D) That he or she has not been convicted including nolo contendere and withheld adjudication by any state or federal court in the county for:

(i) Committing, intending to commit, or conspiring to commit a crime of moral turpitude, illegal appropriation of funds or robbery, or any violation of a law related to games of chance or skill, or a crime which is contrary to the declared policy of the Arkansas Racing Commission with respect to the gaming industry; or

(ii) Committing, intending to commit, or conspiring to commit a crime which is a felony in the State of Arkansas or a misdemeanor in another jurisdiction which would be a felony if committed in the State of Arkansas.

(2) Not satisfying any one (1) of the requirements established in subsection (a) of this section shall be sufficient reason for the Arkansas Racing Commission to deny an EGS testing laboratory license.

(3) The Arkansas Racing Commission shall deny any person required to qualify in conjunction with an EGS testing laboratory license that does not satisfy the standards set forth within this part.

(l) Investigations — Supplementary approval of change.

(1) The Arkansas Racing Commission or its representatives may, at its discretion, conduct any investigation with respect to an applicant or any person related with an applicant who it deems pertinent, either at the time of the initial application or at any subsequent time.

(2) It shall be the continuous duty of any applicant or holder of an EGS testing laboratory license to fully cooperate with the Arkansas Racing Commission or its representatives during any investigation and provide any supplementary information that the Arkansas Racing Commission or its representatives request.

(3)(A) It shall be the duty of any applicant or holder of an EGS testing laboratory license to notify the Arkansas Racing Commission within ten (10) business days of any proposed changes in the ownership of the applicant or licensee.

(B) If the applicant or holder of an EGS testing laboratory license is publicly traded company, it does not have to report changes in ownership unless the change represents five percent (5%) or more of the total shares issued and outstanding or ten percent (10%) or more of the total shares issued and outstanding if the change is the result of an institutional investor.

(C) In such cases, the licensee shall provide the Arkansas Racing Commission with copies of the most recent notice filed with the Securities and Exchange Commission.

(D) All proposed new owners shall submit to the Arkansas Racing Commission or its representatives an initial EGS testing laboratory license application, which must be approved by the Arkansas Racing Commission.

(E) Any failure to comply with this rule shall be grounds for revocation of

an existing license or denial of an application for a license.

(m) Suspension, Denial of Renewal, or Revocation of an EGS testing laboratory license.

(1) Any of the following reasons shall be considered sufficient cause for the suspension, denial of renewal, or revocation of an EGS testing laboratory license:

(A) Violation of any provision of this part;

(B) Conduct which would disqualify the applicant or any other person required to be licensed by the Arkansas Racing Commission;

(C) Failure to comply with any applicable law, state rule, federal regulation, or county or municipal ordinance; or

(D) A material misstatement made in the application for the EGS testing laboratory license.

(2) Notwithstanding the provisions of subsection (a) of this section, any other cause that the Arkansas Racing Commission deems reasonable shall be considered sufficient cause for the suspension, denial of renewal, or revocation of an EGS testing laboratory license.

(n) Business entity disclosure for EGS testing laboratory applicant forms. Arkansas Racing Commission business entity disclosure form shall be completed in the format provided by the Arkansas Racing Commission.

(o) Personal history disclosure form. The Arkansas Racing Commission may require an Arkansas Racing Commission personal history disclosure form from all those natural persons required under 23 CAR § 355-309, to fill out the same.

(p) Obligation for payment of fees — No refund fees paid.

(1) Any obligation for payment of fees arising from this part shall be paid in full to the Arkansas Racing Commission, even when the entity withdraws its application for a EGS testing laboratory license or the license is denied.

(2) No amounts paid for EGS testing laboratory license fees shall be refundable.

(3) Any failure to pay fees when due shall result in a late fee penalty established by the Arkansas Racing Commission, denial, or revocation of a license.

(q) Subcontractors.

(1) A licensed EGS testing laboratory shall not perform any testing services for a franchise holder by using subcontractors and independent contractors.

(2) All testing must be performed by employees of the licensed testing labs, unless specifically approved by the Arkansas Racing Commission.

(r) Testing laboratory fees.

(1) The manufacturer shall be solely responsible for the payment of any fees imposed by the independent testing laboratory for its services.

(2) The fees to be charged shall be determined solely between the manufacturer and the independent testing laboratory.

(s) Additional requirements for independent testing laboratories.

(1) All documents, data, reports, and correspondence prepared, furnished, or completed by the independent testing laboratory for or on behalf of the Arkansas Racing Commission shall be retained until its disposal is approved in writing by the Arkansas Racing Commission.

(2) The independent testing laboratory shall provide the Arkansas Racing Commission with step-by-step verification procedures for each tool, device, or mechanism used to assign the unique identification codes or signatures.

(3)(A) The independent testing laboratory shall provide to the Arkansas Racing Commission, at no charge, in quantities determined by the Arkansas Racing Commission, any verification tool, device, or mechanism that is required for Arkansas Racing Commission agents to verify the code or signature of any approved critical program storage media.

(B) The independent testing laboratory may charge the supplier for expenses associated with such verification tools.

(4) The independent testing laboratory shall develop and maintain a database, acceptable to the Arkansas Racing Commission, of all gaming equipment certified by the independent testing laboratory for the State of Arkansas.

(5) The database and report or reports must be current as of the end of the previous business day, and in an Arkansas Racing Commission-approved format.

(6)(A) The independent testing laboratory shall provide, free of charge to the Arkansas Racing Commission, technical and regulatory compliance support.

(B) The independent testing laboratory shall provide responses and follow-up as directed by the Arkansas Racing Commission.

(C) In instances where the independent testing laboratory providing the support is also conducting the testing for the device, the time allocated for support will be considered part of the testing process and the independent testing laboratory may bill the manufacturer for the cost of the technical support.

(D) In instances where the independent testing laboratory providing the support is not conducting the testing for the device, the Arkansas Racing Commission may require the manufacturer of the device to reimburse the independent testing laboratory at the rate the independent testing laboratory charges manufacturers for such support.

(7)(A) The independent testing laboratory shall provide, free of charge to the Arkansas Racing Commission, additional consulting services for Arkansas Racing Commission personnel on an as-needed basis.

(B) Such additional services at a minimum shall include, but not be limited to providing training to Arkansas Racing Commission employees on:

- (i) Gaming equipment testing;
- (ii) New technology; and
- (iii) Auditing procedures.

Authority. Arkansas Code § 23-113-302.

Subpart 4. Employee Licenses

23 CAR § 355-401. Key employee and general employee license.

(a)(1) Except in cases of emergency and/or unavoidable temporary incidental entry, no person may work or provide services to the EGS operations of a franchise holder in the State of Arkansas unless the person has a current key employee license or

a general employee license issued by the Arkansas Racing Commission, as provided in this part.

(2) The key or general license requirements apply to persons who have direct access to the EGS gaming terminals, surveillance, or computer systems.

(b)(1) Employees who perform duties in the racing industry of the franchise holder must have a racing license.

(2) In the event the employee is assigned to work in both the racing and EGS areas, the employee must obtain both a general employee license and a racing license.

(c) Key employee and general employee licenses are issued annually.

(d) Qualifications for a key employee or general employee license must meet the same qualifications as stated in 23 CAR § 355-310 qualifying as a person related with a service industry license.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-402. Initial application for an employee license.

(a) Every initial application for an employee license shall include:

(1) A duly completed original and a photocopy of the Arkansas Racing Commission personal history disclosure form in accordance with 23 CAR § 355-317;

(2) The documents to identify applicant, as provided in 23 CAR § 355-415;

(3) A photo identification card shall be submitted by the applicant to the commission with the filing of the license application, which will be stapled to the commission personal history disclosure form in addition to submission of fingerprinting of the applicant by commission staff or their designees, which will be submitted for state and federal regulatory inquiry purposes for criminal and financial background checks; and

(4) The fees to be paid as provided in 23 CAR § 355-416 including late fees for late filings.

(b) Each initial application shall be filed at or mailed to the commission at the address of the commission as provided on the application itself.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-403. Persons or entities who must obtain a key employee license.

(a) Except as otherwise approved by the Arkansas Racing Commission, any person or entity who:

(1) Carries out or will carry out, or has or will have any of the functions mentioned in 23 CAR § 355-404 shall obtain a key employee license; or

(2) Carries out functions specified in 23 CAR § 355-405 shall obtain a general employee license before commencing work with a franchise holder.

(b) The lists contained in 23 CAR §§ 355-404 – 355-405 are not all-inclusive but illustrative.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-404. Key employee job functions.

Any person or entity who is going to be employed by the franchise holder in a position which includes any of the following responsibilities or powers, independently of the title, shall obtain a key employee license where they have authority to develop or administer policy or long-range plans or to make discretionary decisions related to the operation of the franchise holder, they shall be considered a key employee licensee and shall include, but not be limited to, any person or entity who:

(1) Functions as an officer of the franchise holder;

(2) Functions as a facility manager for a franchise holder or director;

(3) Functions as EGS gaming department manager;

(4) Functions as director of surveillance;

(5) Functions as director of security;

(6) Functions as controller;

(7) Functions as an audit department executive;

(8) Functions as the manager of the MIS (Management Information Systems) department or of any information system of a similar nature;

(9) Manages a marketing department;

(10) Functions as assistant manager;

(11) Manages the EGS gaming administrative operations;

(12) Functions as a general manager;

(13) Functions as chief financial officer of the franchise holder; and

(14)(A) Any other person who has the ability to direct, control, or manage the operations or who has discretionary authority over the franchise holder's decision-making.

(B) Notwithstanding the above, individuals working exclusively for pari-mutuel operations in horse or greyhound racing would not be covered by this part.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-405. General employee job functions.

(a) Any natural person who is going to be employed by the franchise holder in a position which includes any of the following responsibilities related to the operations of the franchise holder, or whose responsibilities predominantly involve the maintenance or the operation of EGS gaming activities or equipment and assets associated with the same, or who is required to work regularly in restricted EGS areas shall obtain a general employee license.

(b) Said persons shall include, but not be limited to, any person who:

- (1) Conducts surveillance investigations and operations in an EGS gaming area;
- (2) Repairs and maintains EGS gaming equipment, including but not limited to, EGS and bill acceptors;
- (3) Assists in the operation of EGS and bill acceptors, including but not limited to, persons who participate in the payment of jackpots, or who supervise said persons;
- (4) Processes currency, and patrons' checks or cash equivalents in the EGS

gaming area;

(5) Repairs or maintains the surveillance system equipment as an employee of the surveillance department of the franchise holder;

(6) Provides physical security in an EGS gaming area;

(7) Controls or maintains the EGS inventory, including replacement parts, equipment, and tools used to maintain of the same;

(8) Has responsibilities associated with the installation, maintenance, or operation of computer hardware for the franchise holder's computer system; and

(9) Does not perform the job functions of a key employee as outlined within 23 CAR § 355-404.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-406. Scope and applicability of employee licensing of natural persons.

(a) In determining whether a natural person who provides services to franchise holders is an employee of the franchise holder for purposes of this part, it shall be presumed that such person is an employee if the services provided by that person are characterized by any of the following factors, these being indicative that an employment relationship exists:

(1) The natural person will, for a period of time unrelated to any specific project or for an indefinite period of time, directly supervise one (1) or more employees of the franchise holder;

(2) The franchise holder will withhold local and federal taxes or make regular deductions for social security or other deductions required by law from the payments made to the natural person;

(3) The natural person will be given the opportunity to participate in any benefit plan offered by the franchise holder to its employees, including, but not limited to:

(A) Health insurance plans;

(B) Life insurance plans; or

(C) Pension plans; or

(4) The natural person has an employee license application pending with the Arkansas Racing Commission or will submit such an application during the time the services are being rendered to the franchise holder, and the cost of the license has been or will be paid for or reimbursed by the franchise holder.

(b) The commission may, after considering the factors in subsection (a) of this section and any other applicable information, require that the natural person obtain an employee license before providing or continuing to provide any service to a franchise holder even if an agreement to the contrary exists between the franchise holder and the natural person.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-407. General criteria for granting of a key employee license.

(a) Each applicant for an employee license shall provide the Arkansas Racing Commission with the necessary information, documentation, and guarantees which establish through clear and convincing evidence that the applicant:

(1) Is older than twenty-one (21) years of age;

(2) Is a citizen of the United States of America or is authorized in accordance with the applicable federal laws or regulations to work in the United States of America;

(3) Possesses good character and reputation, in addition to being honest and having integrity; and

(4) Has no physical or mental condition that prohibits the applicant from performing the essential functions of his or her job for which there is no reasonable accommodation.

(b) Failure to comply with one (1) of the criteria established in subsection (a) of this section may be sufficient cause for the commission to deny an application for an employee license.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-408. Personal information required for a key employee license.

Every applicant for a key employee license who will work in a managerial or supervision position for a franchise holder of the type described in 23 CAR § 355-404 shall submit:

(1) Any affiliation of applicant with a franchise holder, or with companies controlling the franchise holder, and the position he or she occupies with the same, or his or her interest in said entity; and

(2) Any affiliation of applicant with a service industry entity, or with companies controlling the service industry entity, and the position that he or she occupies, or his or her interest in said entity.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-409. Processing of the initial application for a key employee license.

(a)(1) The Arkansas Racing Commission shall determine if the initial application complies with all the requirements provided in this part and if any deficiency is found, it shall notify the applicant of the deficiency or deficiencies within twenty (20) days following the filing of the initial application with the commission.

(2) The commission shall not evaluate an incomplete initial application.

(b)(1) Once the commission has determined that the initial application filed is complete, the commission shall:

(A) Accept the application and initiate the procedure for considering the same;

(B)(i) Notify in writing the applicant or his or her representative, if any, that the application has been accepted for consideration.

(ii) Said notice shall also include:

(a) The date of said acceptance;

(b) The file number of the application; and

(c) A caution to the applicant that the fact that the application has been accepted for consideration does not mean that the applicant has complied with the requirements of this part to issue the license;

(C) Analyze and evaluate the information offered in the application and any other information necessary to determine if the requested license should be granted;

(D) Make a decision with respect to the requested license; and

(E) Notify the applicant of its decision.

(2) If the decision consists of a denial of the license, the commission shall inform the applicant the reason or reasons for the denial and of his or her right to request a reconsideration of the decision of the commission following the adjudicative procedures provided in 23 CAR § 355-401 et seq. of this part.

(3) For purposes of this part, a denial of a license application shall be considered a final order of the commission, after the adjudication process.

(c) The commission, at any time, may request from an applicant for an employee license any other information it may deem necessary in order to make a decision with respect to the application.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-410. Duration of the employee license.

(a) Every employee license shall be issued by the Arkansas Racing Commission for a period of up to one (1) year.

(b) Notwithstanding the provisions of subsection (a) of this section, the commission may, as it deems necessary:

(1) Issue any license for a shorter period of time; and

(2) At any time, void an employee license for reasonable cause.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-411. Date of filing for renewal of a key or general employee license.

(a) Any holder of an employee license shall renew his or her license by filing with the Arkansas Racing Commission an application for renewal of his or her employee license.

(b) The completed renewal application shall be filed with the commission no later than sixty (60) days prior to expiration of the license.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-412. Application for renewal of a key or general employee license.

(a) The application for renewal of an employee license shall include:

(1) A duly completed original and a photocopy of the Arkansas Racing Commission personal history disclosure form which shall contain all the information which has changed since the date of the initial employee license application or of the last renewal;

(2) The documents which identify the applicant, as provided in 23 CAR § 355-415;

(3) Photographs of the applicant taken by the commission or its representatives, which shall be stapled to the commission personal history disclosure form, and the submission of fingerprints of the applicant, which shall be taken by the commission or their designee and submitted to state and federal authorities for relevant checks; and

(4) The fees to be paid as provided in 23 CAR § 355-416.

(b) Any renewal application shall be filed with or mailed to the commission to the address of the commission, as provided on the application.

(c) Any person who fails to submit a completed renewal application in accordance with this section or in accordance with the provisions of 23 CAR § 355-413(a) shall be considered as not having filed a renewal application with the commission and the license shall be cancelled on the expiration date.

(d) Any person whose current employee license is cancelled in accordance with this section may, before the date of expiration of the current license, or at any time after the expiration, apply for an employee license, provided that the application, for all purposes of this part, shall be considered an initial employee license application and shall comply with 23 CAR §§ 355-408 – 355-409.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-413. Processing of the application for renewal of key or general employee license.

(a)(1) The Arkansas Racing Commission shall determine if the renewal application filed complies with all the requirements provided in this part and if any deficiency is found, it shall notify the applicant of the deficiency or deficiencies within twenty (20) days following the filing of the renewal application with the commission, provided that the commission may, at its discretion and depending on the magnitude of the deficiency or deficiencies grant an opportunity for the applicant to cure any deficiency within the period and under the conditions determined by the commission at said time.

(2) Any application where a deficiency has been cured in accordance with the above shall be deemed to have been filed within the period required by this part.

(b) Upon receipt of an application for renewal of an employee license duly completed and filed within the period required by this part, the commission or its representatives shall carry out the investigation it deems necessary.

(c) The commission shall make a decision with respect to each completed license renewal application which has been submitted.

(d)(1) The commission shall notify the applicant of the decision made.

(2) If the decision consists of a denial of the renewal of the license, the

commission shall inform the applicant of the reason or reasons for the denial and of his or her right to request a reconsideration of the decision of the commission following the adjudicative procedures provided in 23 CAR § 355-409(b)(1)(E).

(3) For purposes of this part, a denial of a license application shall be considered a final order of the commission, after the adjudication process.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-414. Responsibility for establishing qualifications and to disclose and cooperate.

(a) Each applicant shall be responsible for providing the information, documentation, and assurances required for establishing through clear and convincing evidence that his or her qualifications meet the requirements of this part.

(b)(1) It shall be the continuing responsibility of every applicant or holder of an employee license to provide all the information, documentation, and assurances that may be required by the Arkansas Racing Commission pertaining to the qualifications, and to cooperate with the commission.

(2) Any refusal or failure of an applicant to comply with a formal request for information, evidence, or testimony from the commission shall be sufficient cause for a denial or revocation of the license.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-415. Identification of the applicant.

Every applicant for an employee license shall establish his or her identity with reasonable certainty by providing the necessary identification credentials.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-416. Fees payable.

(a) The fees payable for the initial or renewal application for employee license shall be determined by the Arkansas Racing Commission.

(b) Applications for an initial license and every third year after initial license will be required to pay to the commission a fee to cover the costs related to obtaining background investigations and reports.

(c) Applications for an initial license and every third year after initial license will be required to pay to the commission a fee to cover the costs related to obtaining background investigations and reports.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-417. Employees working without an employee license.

No employee with an expired license shall work in a position or shall exercise functions for which such license is required, with the understanding that if such employee is found working without a current and valid license, the employee, as well as the franchise holder or person or entity employing the employee shall be subject to sanctions as established by the Arkansas Racing Commission.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-418. Payment of fees, regulatory sanctions — No refunds of payments.

(a)(1) No application shall be accepted for filing or processed by the Arkansas Racing Commission except upon full payment of all required:

- (A) Fees;
- (B) Civil penalties; or
- (C) Regulatory sanctions.

(2) Any portion of a fee which is incurred or determined after the filing of the application or any civil penalty imposed by the commission shall be payable upon demand to the commission.

(b) Any payment of monetary obligation arising from this part shall be paid in full even when the person withdraws his or her employee licensing application.

(c) No amounts required to be paid to the commission for licensure, civil penalties, or regulatory sanctions shall be refunded.

(d) Any fees, civil penalties, or regulatory sanctions not paid by the due date shall be subject to penalty in an amount to be determined by the commission.

Authority. Arkansas Code §§ 23-110-204, 23-113-302.

23 CAR § 355-419. Miscellaneous administrative charges.

(a) Any lost key employee license shall be replaced by the Arkansas Racing Commission at a cost to be determined by the commission.

(b) Any change to the employee license requested by the employee which was not caused by an omission or negligence of the commission shall carry a charge to be determined by the commission.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-420. Change of position or place of work.

(a) Any natural person who carries out any of the functions described in 23 CAR § 355-405 or one which is similar in nature to said functions, and for any reasons the person's functions change to any of the functions which are described in 23 CAR § 355-403 or one that is similar in nature to these, shall file a new application with the Arkansas Racing Commission in accordance with the provisions of 23 CAR § 355-412 within the twenty (20) days following the change of the person's position.

(b)(1) A license setting forth more than one (1) position may be issued to any licensed employee by the commission upon application by the licensed employee or the franchise holder.

(2) Said request would be reviewed by the commission to ensure that their dual license status would not be deemed an incompatible function.

(3) The review will be conducted in a timely manner and the commission's decision shall be provided to the applicant in writing.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-421. Carrying of licenses and credentials.

(a) Any person to whom the Arkansas Racing Commission has issued an employee license must carry on his or her person, or wear in a visible and conspicuous manner, the employee license at all times when on the premises of the franchise holder.

(b) No franchise holder shall permit a person to work in its licensed premises without said person carrying his or her employee license as provided in subsection (a) of this section.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-422. Authority of commission — Licensing.

Nothing provided in this part shall be interpreted as limiting authority and powers of the Arkansas Racing Commission to at any time:

(1) Investigate the qualifications of any holder of an employee license; and

(2) Suspend, revoke, or refuse to issue a license to any person who:

(A) Failed to disclose or misstated information or otherwise attempted to mislead the commission with respect to any material fact contained in the application for license as a gaming employee;

(B) Violated commission rules, or has been suspended or had a license revoked by another gaming jurisdiction;

(C)(i) Has been convicted of a felony in the last ten (10) years.

(ii) Persons with felony convictions that are more than ten (10) years ago may be licensed at the discretion of the commission;

(D) Has been identified in the published reports of any federal or state legislative or executive body as being a member or associate of organized crime, or as

being of notorious and unsavory reputation;

(E) Is on probation, parole, or remains in the constructive custody of any federal, state, or municipal law enforcement authority;

(F) Had license as a gaming employee revoked or committed any act which is a ground for the revocation of license as a gaming employee or would have been a ground for revoking license as a gaming employee if the applicant had then been registered as a gaming employee;

(G) Has been employed in the last two (2) years by the accounting firm that has conducted the annual independent audit on behalf of a franchise holder or the EGS Section; or

(H) Has been employed by the EGS Section within the last two (2) years.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-423. Transitory provisions.

(a) Any person who, on the effective date of this part, who in accordance with the provisions of this part would need an employee license, shall file an initial application within the thirty (30) days following the effective date of this part.

(b) All persons to whom this part would apply shall comply with all the provisions of this part from the effective date of this part.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-424. Sanctions.

(a) The Arkansas Racing Commission may initiate regulatory enforcement actions against any person licensed under this part.

(b) Any person who willfully fails to report, pay, or truthfully account for and pay any license application fee, investigative fee or any other fees imposed by this part, or willfully attempts in any manner to evade or defeat any such fee or payment thereof shall be subject to suspension or revocation of their license and shall be liable for the

imposition of a penalty, as determined by the commission.

(c) Any person who, without obtaining the requisite license as provided for by this part works or is employed in a position whose duties would require licensing under the provision of this part shall be liable for the imposition of sanctions and subject to a fine of not more than one thousand dollars (\$1,000), suspension or revocation of license or both.

(d) In addition to any monetary sanction, the commission shall, after appropriate hearing and factual determinations, have the authority to impose the following sanctions upon any person licensed pursuant to this part:

(1) Revoke the license of any person convicted of any criminal offense for which disqualification as set forth in 23 CAR § 355-401 et seq. would result;

(2) Suspend the license of any person pending a hearing and determination in any case in which license revocation could result;

(3) Suspend or revoke the license for violation of any provisions of this part relating to franchise holders;

(4) Assess sanctions as may be necessary to punish misconduct and to deter future violations, which such penalties may not exceed five thousand dollars (\$5,000) in the case of any individual licensee, and in the case of the franchise holder, the penalty may not exceed ten thousand dollars (\$10,000) for each violation; and

(5) Issue warning letters and letters of reprimand or censure, which letters shall be made a permanent part of the file of each licensee so sanctioned.

(e)(1) In considering appropriate sanctions in a particular case the commission shall consider:

(A) The risk to the public and to the integrity of franchise holders created by the conduct of the person facing sanctions;

(B) The seriousness of the conduct and whether the conduct was purposeful and with knowledge that it was in contravention of this part;

(C) Any justification or excuse for such conduct;

(D) The prior history of the licensee with respect to compliance with this part;

(E) The corrective action taken by the licensee to prevent future misconduct of a like nature from occurring; and

(F)(i) In the case of a civil penalty, the amount of the penalty in relation to the severity of the misconduct.

(ii) The commission may impose any schedule or terms of payment of such penalty, as it may deem appropriate.

(2)(A) It shall be no defense to any regulatory enforcement or disciplinary action before the commission that the applicant or licensee inadvertently, unintentionally, or unknowingly violated a provision of this part.

(B) Such factors shall only go to the degree of the civil penalty to be imposed by the commission.

(f)(1) A violation of any provision of this part, which is an offense of a continuing nature, shall be deemed to be a separate offense on each day during which it occurs.

(2) Nothing herein shall be deemed to preclude the commission from enforcing multiple violations within the same day of those provisions of the rules which establish offenses consisting of separate and distinct acts.

Authority. Arkansas Code §§ 23-110-204, 23-113-302.

Subpart 5. Privilege Fees

23 CAR § 355-501. Payment requirements.

(a) Franchise holders conducting wagering on electronic games of skill under this subpart shall pay the following fees for the privilege of conducting the wagering:

(1) An amount equal to eighteen percent (18%) of the net wagering revenues from electronic games of skill shall be paid by the franchise holder to the Secretary of the Department of Finance and Administration for deposit in the State Treasury as general revenues;

(2) An amount equal to one-half of one percent (0.5%) of the net wagering revenues from electronic games of skill shall be paid by the franchise holder to the

county in which the franchise holder is operating the electronic games of skill; and

(3) An amount equal to one and one-half percent (1.5%) of the net wagering revenues from electronic games of skill shall be paid by the franchise holder to the city or town in which the franchise holder is operating the electronic games of skill.

(b)(1) The privilege fees shall be reported under oath and paid on a monthly basis on or before the twentieth day of each month to the Secretary of the Department of Finance and Administration.

(2) Reporting forms will be prescribed and furnished by the secretary and shall show the total net wagering revenues from electronic games of skill during the preceding calendar month.

(c) The privilege fees levied by this section are in lieu of any state or local gross receipts, sales, or other similar taxes, and to this end the Arkansas Gross Receipts Act of 1941, Arkansas Code § 26-52-101 et seq., shall not be applicable to gross receipts derived by franchise holders from wagering on electronic games of skill.

(d)(1) The privilege fee payable to the Secretary of the Department of Finance and Administration under subdivision (a)(1) of this section shall be administered by the secretary pursuant to the Arkansas Tax Procedure Act, Arkansas Code § 26-18-101 et seq.

(2) However, regulatory authority over licensing and other matters under this part not relating to the administration, payment, and collection of the privilege fee shall remain with the Arkansas Racing Commission.

Authority. Arkansas Code §§ 23-113-302, 23-113-501.

23 CAR § 355-502. Distribution of privilege fees, license fees, etc.

(a) All privilege fees received by the Secretary of the Department of Finance and Administration required by this part shall be deposited in the State Treasury as general revenues.

(b) All permit or license fees, penalties, and fines received by the Arkansas Racing Commission under this part shall be deposited in the State Treasury as general

revenues.

Authority. Arkansas Code § 23-113-302.

Subpart 6. Exclusions

23 CAR § 355-601. Exclusions — Inimicals, cheats, career criminals — Definitions.

The following words and terms, when used in this subpart, shall have the following meanings unless the context clearly indicates otherwise:

(1) "Candidate" means any person whose name is included on the exclusion list;

(2) "Career or professional offender" means any person whose behavior is pursued in an occupational manner or context for the purpose of economic gain, utilizing methods that constitute violations of the laws of the State of Arkansas;

(3) "Cheat" means any person whose act or acts in any jurisdiction would constitute any criminal offense relating to gaming play;

(4) "Excluded person" means any person who has been placed upon the list of excluded persons by order of the Arkansas Racing Commission and is required to be ejected from a gaming facility;

(5) "Inimical" means adverse, unfriendly, or hostile to the integrity of gaming;

(6) "List of excluded persons" means a list of names of persons who are required to be excluded or ejected from the franchise holder's premises; and

(7) "Occupational manner or context" means the systematic planning, administration, management, or execution of an activity for financial gain.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-602. Maintenance and distribution of list.

(a) The Arkansas Racing Commission shall maintain a list of persons to be excluded

from a franchise holder's premises.

(b)(1) The list shall be distributed to every franchise holder in the State of Arkansas on at least a quarterly basis via email or United States Postal Service.

(2) Each franchise holder shall acknowledge receipt thereof by notifying the commission via email or correspondence.

(c) The following information and data shall be provided for each excluded person:

(1) The full name and aliases of the person to be excluded;

(2) A description of the person's physical appearance, including:

(A) Height;

(B) Weight;

(C) Type build;

(D) Color of hair and eyes; and

(E) Other physical characteristics which might assist in the identification of the person;

(3) Date of birth;

(4) The effective date of the order of exclusion; and

(5) A photograph, if obtainable, and the date of the photo or a photo taken by the franchise holder's surveillance department.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-603. Criteria for exclusion.

The exclusion list may include any person who meets the following criteria:

(1) A career or professional offender whose presence in a franchise holder's premises would be contrary to the interests of the State of Arkansas;

(2) An associate of a career offender or professional offender whose association is such that his or her presence in a franchise holder's premises would be inimical to the interest of the State of Arkansas;

(3) Any person whose presence in a franchise holder's premises would be inimical to the interest of the State of Arkansas, including, but not limited to:

- (A) Cheats;
- (B) Persons whose privileges for an employee license have been revoked;
- (C) Persons who pose a threat to the safety of patrons or employees of the franchise holder; and
- (D) Persons with a documented history of conduct involving undue disruption of a franchise holder's operations.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-604. Procedure for entry of names.

(a) The Arkansas Racing Commission shall, on its own initiative, or upon referral by the franchise holder, investigate or review any individual who would appear to be an appropriate candidate for placement on the exclusion list.

(b) An agent or other representative of the commission may conduct the investigation and place any candidate for exclusion on the list and notify that person.

(c) The commission administrator or designee shall, within thirty (30) days of placement thereon, affirm the decision of the commission representative to place an individual on the exclusion list, or the person's name shall be removed from the list.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-605. Duty of franchise holder — Excluded persons.

(a) A franchise holder shall exclude or eject any person that has been placed on the exclusion list.

(b) If an excluded person enters, attempts to enter, or is in a franchise holder premises and is recognized by the franchise holder personnel, the franchise holder personnel shall immediately notify the Arkansas Racing Commission.

(c) It shall be a continuing duty of the franchise holder to inform the commission of the names of persons it believes are appropriate candidates for placement on the exclusion list.

(d) Each franchise holder shall have the right to exclude undesirable individuals from its premises, and without limiting the generality of the forgoing, each franchise holder may have the person whose name appears on the exclusion list removed from the franchise holder's premises or may press trespass charges against the individual.

(e)(1) Any excluded person who has engaged in gaming activity at a franchise holder's premises prior to detection and whose gaming has resulted in a win by the excluded patron, shall forfeit all winnings immediately upon detection of the excluded person by the franchise holder or the commission.

(2) A franchise holder shall not reimburse the excluded person for any losses incurred while the excluded person engaged in gaming activity.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-606. Removal from the exclusion list.

(a) An excluded person may petition the Arkansas Racing Commission to remove his or her name from the exclusion list.

(b) The petition for removal shall state with specificity the grounds believed by the petitioner to constitute good cause for the removal from the list.

(c)(1) The commission or designee may decide the petition on the basis of the documents submitted or grant the petitioner a hearing.

(2) A hearing shall be granted only upon a finding that there is new evidence which is material and necessary, or that circumstances have changed since the placement of the excluded person on the list.

(3) All exclusion decisions may be appealed to the commission.

Authority. Arkansas Code § 23-113-302.

Subpart 7. Underage Patrons or Employees

23 CAR § 355-701. Obligation of franchise holder — Underage.

A franchise holder, or any agent or employee thereof, shall not:

(1) Allow a person who has not attained twenty-one (21) years of age to play any EGS;

(2) Allow a person who has not attained twenty-one (21) years of age access to the designated EGS gaming area of a franchise holder during the hours of operation;
or

(3) Allow a person who has not attained twenty-one (21) years of age to be employed in any position allowing or requiring access to the designated EGS gaming area of a franchise holder.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-702. Remitting forfeited funds from underage gaming.

Franchise holder each quarter shall report and remit to the EGS Section of the Arkansas Racing Commission all winnings withheld from patrons who are determined to be less than twenty-one (21) years of age.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-703. Sanctions on franchise holder for underage gaming.

Any person to whom a license has been issued pursuant to the provisions of Acts 2005, No. 1151, or this part, who is found by the Arkansas Racing Commission to have intentionally allowed a person less than twenty-one (21) years of age to play or operate an EGS, shall be subject to sanction including the implementation of a fine, suspension, or revocation at the discretion of the commission.

Authority. Arkansas Code § 23-113-302.

Subpart 8. Hours of Operation and Commission Offices

23 CAR § 355-801. Days and hours of operation.

(a)(1) Days and hours of operation shall be determined by the franchise and approved by the Arkansas Racing Commission.

(2) Changes to approved days and hours of operation shall be submitted to the commission for approval prior to implementation.

(b) EGS gaming areas may be opened every day during the year, excluding Easter and Christmas, during such operating hours as the commission may approve.

(c)(1) The gaming day (which may differ from hours of operation) for a franchise holder shall be the twenty-four-hour period which commences on the current calendar day at 6:00 a.m. and terminates at 5:59 a.m. the following calendar day.

(2) The franchise holder may choose to begin and end their gaming day at hours other than those specified in this section.

(3) Hours of operation may differ from the gaming day.

(d)(1) No gaming day shall be longer than twenty-four (24) hours.

(2) However, each franchise holder may establish hours of operation for EGS which differ from its hours of operation for pari-mutuel wagering on horse or greyhound racing.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-802. Commission office space at each licensed facility.

(a) There shall be, for the exclusive use of the Arkansas Racing Commission agents, office space at each franchise holder's licensed premises for monitoring and recording purposes.

(b) The designation of the EGS office shall be approved by the commission.

Authority. Arkansas Code § 23-113-302.

Subpart 9. Accounting and Internal Controls

23 CAR § 355-901. Accounting and security records.

(a) Each franchise holder shall maintain complete, accurate, and legible records of all transactions pertaining to the revenues and costs for each establishment.

(b)(1) General accounting records shall be maintained on a double entry system of accounting with transactions recorded on the accrual basis.

(2) Detailed, supporting, subsidiary records sufficient to meet the requirements of subsection (c) of this section shall also be maintained in accordance with the requirements of this section.

(3) The franchise holder will submit to the Arkansas Racing Commission for its approval a chart of accounts and accounting classification in order to ensure consistency, comparability, and effective disclosure of financial information.

(4) The chart of accounts shall provide the classifications necessary to prepare the standard financial statements required by 23 CAR § 355-905.

(5) The prescribed chart of accounts shall be the minimum level of detail to be maintained for each accounting classification by the franchise holder.

(6)(A) The franchise holder shall not use other than the prescribed chart of accounts but may, with the permission of the commission, expand the level of detail for some or all accounting classifications and/or alter the account numbering system.

(B) In such instances, the franchise holder shall provide to the commission, upon request, a cross-reference from the prescribed chart of accounts.

(c) The detailed, supporting, and subsidiary records shall include, but not necessarily be limited to:

(1) Records supporting the accumulation of the costs and number of persons, by category of service, for regulated complimentary services;

(2) Records of all investments, advances, loans, and receivable balances due to the establishment;

(3) Records related to investments in property and equipment;

(4) Records which identify the gross wagering revenue, payout, win amounts, and percentages will be reported daily, and theoretical win amounts and percentages, and differences between theoretical and actual win amounts and percentages, for each

EGS periodically, as requested by the commission;

(5) Records of all loans and other amounts payable by the establishment; and

(6) Records provided for in the system of internal accounting controls submitted to the commission.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-902. Franchise holder's system of internal controls to be submitted to the commission.

(a)(1)(A) Each franchise holder shall submit to the Arkansas Racing Commission a narrative description of its system of internal procedures and administrative and accounting controls (internal controls), or modifications to previously approved internal controls, at least thirty (30) days before the franchise holder's EGS operations are to commence, unless otherwise directed by the commission.

(B) Each submission shall be accompanied by a certification by the franchise holder's chief financial officer or equivalent that the submitted internal controls are:

(i) Adequate;

(ii) Effective;

(iii) Establish a consistent overall system of internal controls; and

(iv) Conform to generally accepted accounting principles.

(2)(A) The initial submission shall be accompanied by a report of an independent certified public accountant licensed to practice in Arkansas or other state acceptable by the commission, stating that the submitted system conforms in all respects to the standards of internal control set forth in the commission's rules or in what respects the system does not conform.

(B) Except as otherwise provided in this section, a franchise holder may, upon submission to the commission of a narrative description of a change in its system of internal controls and the two (2) original signed certifications described above, implement the change on the sixteenth calendar day following the completed

submission.

(C) Any submission received by the commission after 3:00 p.m. shall be considered to have been submitted on the next business day.

(D) Each submission by a licensee or applicant shall include, as applicable and without limitation, the following:

(i) Administrative controls which include, without limitation, the procedures and records that are concerned with the decision making processes leading to management's authorization of transactions;

(ii) Accounting controls which have as their primary objectives the safeguarding of assets and the reliability of financial records and are consequently designed to provide reasonable assurance that:

(a) Transactions are executed in accordance with management's general and specific authorization;

(b) Transactions are recorded to permit preparation of financial statements in conformity with generally accepted accounting principles and 23 CAR § 355-905, and to maintain accountability for assets; and

(c) Access to assets is permitted only in accordance with management authorization;

(iii) The recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

(iv)(a) A list of persons assigned to the repairing and maintenance of EGS and bill acceptors, participating in the filling of payout reserve containers, and payment of jackpots or any other job duty involving the operation of the EGS.

(b) This information does not have to be submitted to the commission however, it must be available for auditing by the EGS Section.

(c) Nothing in this section shall be construed to limit a franchise holder from utilizing personnel in addition to those described herein nor shall anything in this section be construed to limit the discretion of the commission to order the utilization of additional personnel by the franchise holder necessary for the proper

conduct and effective supervision of gaming in an establishment;

(v) Records regarding franchise holder ownership;

(vi) Procedures for patron signature files used for identifying a person or validity of a signature, if applicable;

(vii)(a) Maintain internal controls for the authorization and issuance of complimentary services and items, including cash and noncash gifts.

(b) Such internal controls shall include without limitation the procedures by which the franchise holder delegates to its employees the authority to approve the issuance of complimentary services and items for EGS patrons and the procedures by which conditions or limits, if any, which may apply to such authority are established and modified, including limits based on relationships between the authorizer and recipient, and shall further include effective provisions for audit purposes;

(viii) Procedures on overall reconciliation of all documents including jackpot payout slips, ticket redemption terminal fills, receipts generated by cashiers, change persons and attendants, along with the conforming soft count room receipt; and

(ix) Develop a plan that defines handling of the receipt of chips from the manufacturer, inventory of chips at the franchise holder, and the destruction of the chips by the franchise holder, where applicable.

(b)(1) The commission shall review a submission made pursuant to subsection (a) of this section and information made available to the commission pursuant to 23 CAR § 355-903(a) and determine whether the internal controls conform to the requirements of the commission and provide adequate and effective controls for the operations of the franchise holder.

(2) No applicant for a license shall commence wagering on EGS until the franchise holder's system of internal controls is approved by the commission.

(c) If, during its review of a franchise holder's internal controls the commission determines that a procedure in the internal controls contains a substantial and material insufficiency likely to have a direct and materially adverse impact on the integrity of gaming or the control of gross revenue, the commission, by written notice to the

franchise holder, shall:

(1) Specify the precise nature of the insufficiency and when possible, an acceptable alternative procedure;

(2) Schedule a hearing before the commission no later than fifteen (15) calendar days after the date of such written notice to determine whether the internal controls are insufficient; and

(3) Direct that any internal controls in issue not be implemented until approved by the commission.

(d) Examples of procedures that the commission may, under appropriate circumstances, determine to contain a substantial and material insufficiency likely to have a direct and materially adverse impact on the integrity of gaming or the control of gross revenue shall include without limitation, the following:

(1) Procedures that fail to provide an adequate audit trail that would permit the review of the franchise holder's EGS operations or the reconstruction of gross revenue of transactions;

(2) Procedures that fail to provide for the segregation of incompatible functions so that no employee is in a position both to commit an error or to perpetrate a fraud and to conceal the error or fraud in the normal course of his or her duties;

(3) Procedures that do not include forms or other materials referenced in the submission or required by the rules that are essential elements of the internal controls and prevent a meaningful review of the submission;

(4) Procedures that would implement accounting procedures not yet authorized by the rules of the commission; and

(5) Procedures that are dependent upon the use of equipment or related devices or software not yet approved by the commission, unless such procedures are required as part of an authorized test of the equipment or related device or software.

(e) If a franchise holder is notified pursuant to subsection (c) of this section that a particular internal control procedure contains a substantial and material insufficiency and that a hearing on the procedure has been scheduled before the commission on a specific date, the twenty-day review period for any revision to those internal control

procedures after receipt of the commission's notice shall not commence unless the revision is accompanied by the two (2) certifications required in subsection (a) of this section.

(f)(1) A current version of the internal controls of a franchise holder shall be maintained in, or made available through secure computer access to, the accounting department and surveillance department of the franchise holder.

(2) The franchise holder shall also maintain a copy of any superseded changes to its internal control procedures and the two (2) certifications required for each change for a minimum of five (5) years in a location approved by the commission.

(3) Each page of the internal controls shall indicate, as applicable, the date on which it was submitted to the commission and the date on which it was either approved by the commission or implemented pursuant to subsection (a) of this section or immediate changes to internal controls which shall include the date on which it was filed internally and implemented by the franchise holder.

(4) Notwithstanding any other provision of this section to the contrary, the two (2) certifications otherwise required by subsection (a) of this section shall not be required for changes to the jobs compendium of a franchise holder other than the licensed categories, job codes, job functions, reporting lines (including but not limited to new positions and deleted positions), or job titles as provided within the organizational structure.

(g)(1) Nothing contained herein would preclude any franchise holder from implementing procedures which constitute an acceptable alternative to the specific standards set forth herein.

(2) Any such alternative procedure would have to be submitted to the commission in accordance with the procedures set forth in this section and would have to be reviewed and approved by the commission.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-903. Franchise holder's system of internal controls not

required to be submitted to the commission.

(a) Each franchise holder offering gaming operations shall make available to the Arkansas Racing Commission for inspection and approval, which are not required to be submitted to the commission, as applicable and without limitation, the following:

(1)(A) An organizational structure which is designed to preserve the integrity of the franchise holder.

(B) This information does not have to be submitted to the commission however, must be available for auditing by the EGS Section;

(2)(A) The design, construction, location, and security of the:

- (i) Count room;
- (ii) Currency vault;
- (iii) Cashier booths; and
- (iv) Cashier cages.

(B) This information does not have to be submitted to the commission however, must be available for auditing by the EGS Section;

(3)(A) The names of persons possessing access to the currency bank and security keys and those that are authorized to access the alarm system.

(B) This information does not have to be submitted to the commission.

(C) However, it must be available for auditing by the EGS Section;

(4)(A) Removal, transportation, and count of cash storage boxes including the signature procedures.

(B) This information does not have to be submitted to the commission.

(C) However, it must be available for auditing by the EGS Section;

(5)(A) The franchise holder's surveillance system plan, including the surveillance system location or locations.

(B) This information does not have to be submitted to the commission.

(C) However, it must be available for auditing by the EGS Section;

(6)(A) Policies and procedures that allow and track those individuals who request to be excluded from the facility that are voluntarily agreeing to be excluded from all EGS gaming activities and to be prohibited from collecting any winnings or

recovering any losses at all eligible facilities.

(B) This information does not have to be submitted to the commission.

(C) However, it must be available for auditing by the EGS Section;

(b) This information will be assessed by the commission in conjunction with the submitted system of internal controls, as outlined within 23 CAR § 355-902 to ensure the franchise holder is operating with adequate and effective controls.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-904. Records regarding ownership.

(a) In addition to other records and information required by this part, each franchise holder shall maintain the following records regarding the equity structure and owners.

(b) If a corporation:

(1) A certified copy of articles of incorporation and any amendments thereto;

(2) A copy of bylaws and amendments thereto;

(3) A current list of officers and directors;

(4) Minutes of all meetings of stockholders and directors;

(5) A current list of all stockholders and stockholders of affiliates, including their names and the names of beneficial owners of shares held in street or other names where any beneficial owner has a beneficial interest in two percent (2%) or more of the outstanding shares of any class, addresses, and the number of shares held by each and the date acquired; and

(6) A complete record of all transfers of stock.

(c) All records regarding ownership shall be located on the premises of the establishment, unless a specific exemption is allowed to the franchise holder by the Arkansas Racing Commission.

(d) Each franchise holder or applicant shall, upon request by the commission, provide a list of all record holders of any or all classes of publicly traded securities issued by any holding company or by any other affiliated entity which is required to

qualify as a financial source.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-905. Standard financial and statistical reports.

(a)(1) Each franchise holder, unless specifically exempted by the Arkansas Racing Commission, shall file annual reports of financial and statistical data as required by the commission.

(2) The data may be used by the commission to evaluate the financial position and operating performance of individual franchise holders and compile information regarding the performance and trends of the industry in the State of Arkansas.

(b) The commission shall periodically prescribe a set of standard reporting forms and instructions to be used by each franchise holder in filing the reports.

(c)(1) Each report to the EGS Section shall be received or postmarked no later than the required filing date unless specific approval for an extension is granted to the franchise holder.

(2) Requests for a filing extension must be submitted to the EGS Section in writing prior to the required filing date.

(3) Annual reports shall be due not later than March 31 for greyhound franchise holders and June 1 for thoroughbred franchise holders of the following year.

(d) Franchise holders shall report to the commission essential details of any loans, borrowings, significant installment contracts with a value of over twenty-five thousand dollars (\$25,000) per year, guarantees, leases, or capital contributions at least annually.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-906. Annual audit and other reports.

(a) Each franchise holder, unless specifically exempted by the Arkansas Racing Commission, shall, at its own expense, cause its annual financial statements to be audited in accordance with generally accepted auditing standards by an independent

certified public accountant licensed to practice in the State of Arkansas.

(b) The annual financial statements shall be prepared for the current year and shall present financial position and results of operations in conformity with generally accepted accounting principles.

(c)(1) The financial statements required by this section shall include a footnote reconciling and explaining any differences between the financial statements included in the franchise holder's annual report, filed in conformity with 23 CAR § 355-905 of this part, and the audited financial statements.

(2) Such footnote shall, at a minimum, disclose the effect of such adjustments on:

- (A) Revenues from the EGS;
- (B) Revenues net of complimentary services;
- (C) Total costs and expenses;
- (D) Income before extraordinary items; and
- (E) Net income.

(d) Two (2) copies of the annual audited financial statements, together with the report thereon of the franchise holder's independent certified public accountant, shall be filed with the Arkansas Racing Commission, not later than June 1 following the end of the calendar year.

(e) Each franchise holder shall require its independent certified public accountant to render the following additional reports:

(1)(A) Report on material weaknesses in internal accounting control.

(B) Whenever in the opinion of the independent certified public accountant there exists no material weaknesses in internal accounting control, the report shall so state;

(2) Whenever, in the opinion of the independent certified public accountant, the franchise holder has materially deviated from the system of internal accounting control approved by the Arkansas Racing Commission or the accounts, records, and control procedures examined are not maintained by the franchise holder in accordance with this part, the report shall enumerate such deviations and such areas of the system

no longer considered effective, and shall make recommendations regarding improvements in the system of internal accounting control; and

(3)(A) The franchise holder shall prepare a written response to the independent certified public accountant's reports required by subdivisions (e)(1) and (e)(2) of this section.

(B) The response shall indicate, in detail, the corrective actions taken.

(C) Such response shall be submitted to the Arkansas Racing Commission within ninety (90) days from receipt of the independent certified public accountant's reports.

(f) Two (2) copies of the reports required by subsection (e) of this section, and two (2) copies of any other reports on internal accounting control, administrative controls, or other matters relative to the franchise holder's accounting or operating procedures rendered by the franchise holder's independent certified public accountant, shall be filed with the Arkansas Racing Commission by the franchise holder by June 1 following the end of the calendar year or upon receipt, whichever is earlier.

(g) If the franchise holder or any of its affiliates is publicly held, the Arkansas Racing Commission may require the affiliate to submit five (5) copies to the Arkansas Racing Commission of any report, including but not limited to forms S-1, 8-K, 10-Q, and 10-K, proxy or information statements, and all registration statements required to be filed by such franchise holder or affiliates with the Securities and Exchange Commission or other domestic or foreign securities regulatory agency, at the time of filing with such agency.

(h)(1) If an independent certified public accountant who was previously engaged as the principal accountant to audit the franchise holder's financial statements resigns or is dismissed as the franchise holder's principal accountant, or another independent certified public accountant is engaged as principal accountant, the franchise holder shall file a report with the Arkansas Racing Commission within ten (10) days following the end of the month in which such event occurs, setting forth the following:

(A) The date of such resignation, dismissal, or engagement;

(B)(i) Whether in connection with the audits of the two (2) most recent

years preceding such resignation, dismissal, or engagement there were any disagreements with the former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of the former accountant would have caused him or her to make reference in connection with his or her report to the subject matter of the disagreement, including a description of each such disagreement.

(ii) The disagreements to be reported include those resolved and those not resolved; and

(C)(i) Whether the principal accountant's report on the financial statements for any of the past two (2) years contained an adverse opinion or a disclaimer of opinion or was qualified.

(ii) The nature of such adverse opinion, disclaimer of opinion, or qualification shall be described.

(2)(A) The franchise holder shall request the former accountant to furnish to the franchise holder a letter addressed to the Arkansas Racing Commission, stating whether he or she agrees with the statements made by the franchise holder in response to subdivision (h)(1)(A) of this section.

(B) Such letter shall be filed with the Arkansas Racing Commission as an exhibit to the report required by subdivision (h)(1)(A) of this section.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-907. Retention, storage, and destruction of books, records, and documents.

(a) All original books, records, and documents pertaining to the franchise holder's operations shall be:

- (1) Prepared and maintained in a complete, accurate, and legible form;
- (2) Retained on site or at another secure location approved for the time period specified in subsection (c) of this section;
- (3) Held immediately available for inspection by agents of the Arkansas Racing

Commission during all hours of operation;

(4) Organized and indexed in such a manner so as to provide immediate accessibility to agents of the commission; and

(5) Destroyed only after:

(A) Expiration of the minimum retention period specified in subsection (c) of this section, except that the commission may, upon the written petition of any franchise holder and for good cause shown, permit such destruction at an earlier date;

(B) Written notice has been received by the commission; and

(C) In conformance with Arkansas Code § 19-4-1108, the records, as outlined within subsection (b) of this section, of the franchises must be kept a minimum of three (3) years after the review and filing of audits by the Legislative Joint Auditing Committee of the records of the Racing Division and the gaming section, however, they may not be destroyed without concurrence from the commission's gaming section.

(b)(1) For the purposes of this section, "books, records, and documents" shall be defined as any book, record, or document pertaining to, prepared in, or generated by the operation of the franchise holder including, but not limited to, all:

(A) Forms;

(B) Reports;

(C) Accounting records;

(D) Ledgers;

(E) Subsidiary records;

(F) Computer generated data;

(G) Internal audit records;

(H) Correspondence; and

(I) Personnel records.

(2) This definition shall apply without regard to the medium through which the record is generated or maintained, for example:

(A) Paper;

(B) Magnetic media; or

(C) Encoded disk.

(c)(1) All original books, records, and documents shall be retained by a franchise holder in accordance with the following schedules.

(2) For purposes of this subsection, "original books, records, or documents" shall not include copies of originals, except for copies which contain original comments or notations or parts of multipart forms.

(3) The following original books, records, and documents shall be retained indefinitely unless destruction is requested by the franchise holder and approved by the commission:

(A) Corporate records required by 23 CAR § 355-902;

(B) Records of corporate investigations and due diligence procedures;

(C) Current employee personnel files; and

(D) A record of any original book, record, or document destroyed identifying the particular book, record, or document, the period of retention, and the date of destruction.

(4) All other original books, records, and documents shall be retained by a franchise holder for a minimum of five (5) years unless destruction is requested by the franchise holder and approved by the commission.

Authority. Arkansas Code § 23-113-302.

Subpart 10. Security of the Franchise Holder

23 CAR § 355-1001. Surveillance system control and restrictions.

(a)(1) Each franchise holder shall install, maintain, and continuously operate an on-site surveillance system at the franchise holder.

(2) The purpose of the surveillance system is to assist the franchise holder and the Arkansas Racing Commission in safeguarding the franchise holder's assets, in deterring, detecting, and prosecuting criminal acts, and in maintaining public confidence and trust that licensed EGS gaming activity is conducted honestly and free of criminal elements and activity.

(b) The surveillance system plan shall be available for inspection and approval by the commission at the franchise holder's facility.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1002. Security and surveillance logs.

(a)(1) The franchise holder shall maintain a surveillance log or logs approved by the Arkansas Racing Commission.

(2) The log or logs shall be maintained by surveillance room personnel in the surveillance room.

(3) The commission staff and other staff authorized by the commission shall have access at all times to the log or logs.

(4) A log or logs entry shall be made in the surveillance log or logs of each surveillance activity.

(5) The following information shall be recorded in the surveillance log or logs:

(A) The names of all persons entering or exiting the surveillance room;

(B) A summary, including the date and time each surveillance activity commenced and terminated;

(C) A record of any equipment or camera malfunctions;

(D) A description of the activity observed or performed; and

(E) Any additional information as required by the commission or its agents.

(b)(1) A franchise holder shall maintain a security log of any and all unusual occurrences for which the assignment of a security department employee is made.

(2) Each incident, without regard to materiality, shall be assigned a sequential number and an entry made in the log or logs containing, at a minimum, the following information:

(A) The assignment number;

(B) The date of the incident;

(C) The time of the incident;

- (D) The location of the incident;
- (E) The nature of the incident;
- (F) The person or persons involved in the incident; and
- (G) The security department employee or employees assigned.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1003. Storage and retrieval of surveillance recordings.

(a)(1) All surveillance recordings shall be retained for at least seven (7) days, unless this part provides otherwise, and shall be listed on a log by surveillance personnel with the date, times, and identification of the person monitoring or changing the tape or other recording medium in a recorder.

(2) Original surveillance recordings will be released to the Arkansas Racing Commission upon demand.

(b)(1) Any surveillance recording of illegal or suspected illegal activity shall, upon completion of the tape or other recording medium, be removed from the recorder and etched or otherwise labeled in a manner as approved by the commission with date, time, and identity of surveillance personnel.

(2) The recordings shall be placed in a separate, secure area and notification given to the commission or commission agent.

(c) All surveillance recordings relating to the following shall be retained in a secure area approved by the commission for at least fifteen (15) days and shall be listed on a log maintained by surveillance personnel:

- (1) All count room areas;
- (2) The vault area;
- (3) All credit and fill slip confirmation recordings; and
- (4) Any areas with cashiers or where the patrons go to cash out vouchers.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1004. Maintenance and testing.

(a) The franchise holder shall be responsible to ensure that any malfunction of surveillance equipment shall be immediately repaired or replaced with a working unit.

(b)(1) If immediate replacement is not possible, alternative live monitoring must be provided by the franchise holder's personnel.

(2) Otherwise, gaming in the unmonitored area or areas of the franchise holder must immediately cease.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1005. Surveillance system compliance.

The franchise holder shall have a continuing duty to review its surveillance system plan to ensure the surveillance system plan remains in compliance with provisions of the Arkansas Racing Commission rules.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1006. Weapons.

No weapons shall be permitted on the franchise holder's licensed premises except by licensed security officers of the franchise holder and police officers.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1007. Cashiers' cage — Satellite cages.

(a) Each establishment shall have on, or immediately adjacent to, the gaming floor a physical structure known as a cashiers' cage (cage) to house the cashiers and to serve as the central location.

(b) The cage shall be designed and constructed to provide maximum security for the materials housed therein and the activities performed therein.

(c)(1) Each establishment may also have one (1) or more satellite cages separate

and apart from the cashiers' cage, but in or adjacent to an EGS facility, established to maximize security, efficient operations, or patron convenience and comfort, and designed and constructed in accordance with subsection (b) of this section.

(2) Subject to Arkansas Racing Commission approval, a satellite cage may perform any or all of the functions of the cashiers' cage.

(3) The functions which are conducted in a satellite cage shall be subject to the applicable accounting controls set forth in this part.

(d) Whenever the rules of the commission or the approved internal controls of a franchise holder require or authorize documents to be transported from the cashiers' cage to a satellite cage, or from a satellite cage to the cashiers' cage or another satellite cage, the franchise holder shall, unless the rule or approved internal control specifically provides otherwise, transport the documents through the use of a pneumatic tube system or a security department representative.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1008. Accounting controls for the cashier's cage and satellite cages.

The internal controls submitted and subsequently approved by the Arkansas Racing Commission must include the accounting controls to protect the cashier's cage and satellite cage assets.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1009. Bill acceptors in electronic games of skill.

(a) Each bill acceptor in an EGS facility shall have contained in it a secure tamper-resistant container approved by the Arkansas Racing Commission known as a cash storage box or cash box in which shall be deposited all cash, gaming tickets, and coupons inserted into the bill acceptor.

(b) In addition, each cash storage box shall:

- (1) Have a lock securing the contents of the cash storage box;
- (2) Have an opening through which currency, gaming tickets, and coupons can be inserted into the cash storage box;
- (3) Have a mechanical arrangement or device that prohibits removal of currency, gaming tickets, and coupons from the EGS opening whenever the cash storage box is removed from the bill acceptor;
- (4)(A) Be fully enclosed, except for such openings as may be required for the operation of the bill acceptor or the cash storage box.
 - (B) Provided, however, that the location and size of such openings shall not affect the security of the cash storage box, its contents, or the bill acceptor, and shall be approved by the commission; and
- (5)(A) Have an asset number that is imprinted, affixed, or impressed on the outside of the cash storage box which corresponds to the asset number of the EGS to which the bill acceptor has been attached.
 - (B) In lieu of the asset number, a franchise holder may develop and maintain, with prior commission approval, a system for assigning a unique identification number to its cash storage boxes, which system ensures that each cash storage box can readily be identified, either manually or by computer, when in use with, attached to, and removed from a particular bill acceptor.
 - (C) Each such unique identification number shall be permanently imprinted, affixed, or impressed on the outside of each cash storage box that does not otherwise bear an asset number.
 - (D) The asset number or unique identification number must be conspicuous and clearly visible to persons involved in removing or replacing the cash storage box in the bill acceptor and through the franchise holder's closed circuit camera coverage system.
 - (E) The size and location of the asset number or unique identification number are subject to prior approval by the commission.
 - (F) Notwithstanding the foregoing, emergency cash storage boxes may be maintained without such numbers, provided the word "emergency" is permanently

imprinted, affixed, or impressed thereon, and when put into use, are temporarily marked with the asset number of the EGS to which the bill acceptor is attached.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1010. Jackpot payouts in the form of an annuity.

(a) For purposes of this section, the phrase annuity jackpot refers to any EGS jackpot offered by a franchise holder or multilicense progressive system pursuant to which a patron wins the right to receive cash payments at specified intervals in the future.

(b) No annuity jackpot shall be permitted unless it provides for the payment of fixed amounts at fixed intervals which must clearly be stated to the player.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1011. Removal of drop and cash containers — Unsecured currency — Meter readings.

(a) For each EGS and attached bill acceptor on the gaming floor, the cash storage box shall be removed at a time designated by the franchise holder and accepted by the Arkansas Racing Commission.

(b) However, a franchise holder may, with prior commission approval, establish a less frequent schedule for the removal of cash storage boxes from those EGS connected to an approved EGS gaming ticket system.

(c) No cash storage box shall be emptied or removed from its compartment at other than the times specified on such schedule except with the express notification to the commission.

(d) Prior to emptying or removing any cash storage box, a franchise holder shall notify security and the surveillance department of the transportation route that will be utilized.

Authority. Arkansas Code § 23-113-302.

Subpart 11. Prohibited Transactions

23 CAR § 355-1101. SARC and FinCEN.

A franchise holder shall not exchange cash for cash with or on behalf of a patron in any transaction in which the amount of the exchange is more than three thousand dollars (\$3,000).

Authority. Arkansas Code § 23-113-302.

Subpart 12. Suspicious Activity Reporting

23 CAR § 355-1201. SARC and FinCEN.

Each franchise holder shall follow all federal law regarding SARC and FinCEN.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "SARC" means Suspicious Activity Report by Casinos.

"FinCEN" means the Financial Crimes Enforcement Network of the Department of Treasury.

23 CAR § 355-1202. Confidentiality of reports — Limitation of liability.

(a) No franchise holder, and no director, officer, employee, or agent of any franchise holder, who reports a suspicious transaction under this part, may notify any person involved in the transaction that the transaction has been reported, unless required to do so by applicable law or rules.

(b) Thus, any person subpoenaed or otherwise requested to disclose a SARC or the information contained in a SARC, except where such disclosure is requested by FinCEN

or another appropriate law enforcement or regulatory agency, shall decline to produce the SARC or to provide any information that would disclose that a SARC has been prepared or filed, citing the requirements of Title 31 of the United States Code and shall notify FinCEN of any such request and its response thereto.

(c) A franchise holder, and any director, officer, employee, or agent of such franchise holder, that makes a report pursuant to this section, whether such report is required by this section or made voluntarily, shall be protected from liability for any disclosure contained in, or for failure to disclose the fact of, such report, or both, to the extent provided by Title 31 of the United States Code or other applicable law.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "SARC" means Suspicious Activity Report by Casinos.

"FinCEN" means the Financial Crimes Enforcement Network of the Department of Treasury.

23 CAR § 355-1203. Currency transactions and suspicious transactions compliance programs.

(a) Each franchise holder shall develop and implement a written program reasonably designed to ensure and monitor compliance with the requirements set forth in this section.

(b) At a minimum, each compliance program shall provide for:

- (1) A system of internal controls to ensure ongoing compliance;
- (2) Internal and/or external independent testing for compliance;
- (3) Training of franchise holder personnel, including training in the identification of unusual or suspicious transactions, to the extent that the reporting of such transactions is required by applicable law or regulation, or by the franchise holder's own administrative and compliance policies;
- (4) An individual or individuals to ensure day-to-day compliance;

(5) Procedures for using all available information to determine:

(A) When required by this section, the name, address, social security number, and other information, and verification of same, of a person;

(B) When required by this section, the occurrence of unusual or suspicious transactions; and

(C) Whether any record must be made and retained.

(c) For franchise holder's that have automated data processing systems, the use of automated programs to aid in ensuring compliance is permissible.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1204. Notification to the EGS Section.

In addition to any SARC activity, the franchise holder will notify the EGS Section of:

(1)(A) Any variance of one thousand dollars (\$1,000) upon reconciliation at any teller cage, bank, or redemption kiosk.

(B) The notification shall include at which the variance took place and the name of the employee responsible for the variance; and

(2) Any facts which the franchise holder has reasonable grounds to believe indicate a violation of law, or minimum internal control standard requirements committed by the franchise holder, its employee, or others.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "SARC" means Suspicious Activity Report by Casinos.

Subpart 13. EGS Technical Specifications

23 CAR § 355-1301. Compliance with rules.

(a)(1) All electronic equipment used for EGS gaming must be scientifically tested and certified in accordance with this part by an approved independent testing

laboratory which is demonstrably competent and qualified.

(2) All equipment sent to the test laboratory for the purpose of testing and certifying the EGS gaming equipment must be in accordance with the test laboratory's submission requirements.

(b)(1) All control chips, EPROMS, flash drives, CD-ROM, etc. containing game control information will be shipped directly by the manufacturing to the EGS Section for testing and verification prior to them being installed at the gaming facility.

(2) Chips, EPROMS, flash drives, CD-ROM, etc. are to be received no less than five (5) days before the gaming device is received at the gaming facility.

(c) All gaming devices will be shipped to the gaming facility in an inoperable fashion and will not include game control chips, EPROMS, flash drives, CD-ROM, etc.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "EPROM" means erasable programmable read-only memory.

"CD-ROM" means compact disk read-only memory.

23 CAR § 355-1302. Software verification.

(a) In general, all components involved in EGS gaming that have an effect on the integrity of the operation (hereinafter, critical files) must utilize control program storage media that can be verified via a third-party verification procedure.

(b) This would include EGS, all systems addressed herein, and all associated equipment whether it is internal to the EGS or a component of the system.

(c) The third-party verification may be embedded within the game software provided the requirements in subdivision (e)(3) of this section are met or the component shall have an interface port for a third-party device to authenticate the media.

(d) This integrity check will provide a means for field testing the software to identify and validate the program.

(e)(1) Unless otherwise defined, control program storage media must have the ability to authenticate all critical files including, but not limited to:

- (A) Executables;
- (B) Data;
- (C) Operating system files; and
- (D) Other files;

(2)(A) The third-party method utilized must employ a secure hashing algorithm (e.g. MD5 or SHA1) or equivalent.

(B) The algorithm shall use a key or seed of sufficient length and complexity.

(C) The manufacturer should be prepared to demonstrate the algorithm choice to the test laboratory for approval.

(D) This would include downloadable software.

(3)(A) The third-party verification process shall not include any process or security software provided by the operating system manufacturer.

(B) A secondary checking method may use commercially available software by the operating system manufacturer.

(C) The third-party verification tool maybe embedded within the program provided:

(i) The test laboratory shall evaluate and approve the method as required within subdivision (e)(2) of this section; and

(ii) The test laboratory is supplied with the tools needed to extract the program from the component to have the ability to perform forensic examinations should the EGS or system yield an invalid signature, at the request of the Arkansas Racing Commission or its personnel.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1303. Physical security and player safety requirements for EGS.

(a) The EGS shall be robust enough to withstand forced illegal entry, unless such entry causes an error condition, and which does not affect the subsequent play or any other play, prize, or aspect of the game.

(b) The following rules shall apply to the EGS access areas:

(1) All external doors and logic compartment doors shall be locked and monitored by door access sensors, which shall have the ability to detect and immediately report the door opened event to the EGS by way of an error;

(2) It shall not be possible to insert a device into the EGS that will disable a door open sensor when the machine's door is closed, without leaving evidence of tampering; and

(3) The sensor system shall register a door as being open when the door is moved from its fully closed and locked position.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1304. Player safety.

Electrical and mechanical parts and design principles of the EGS may not subject a player to any physical hazards.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1305. Environmental effects on game integrity.

(a) The laboratory will perform certain tests to determine whether or not outside influences affect EGS game fairness to the player or create cheating opportunities.

(b) Electrical testing shall be performed by a test laboratory that specializes in that type of testing for health or safety matters.

(c) Electrical testing is the responsibility of the manufacturer, purchaser, and operator of the equipment.

(d) An EGS shall be able to withstand the following tests, resuming game play without operator intervention:

(1)(A) Random number generator.

(B) The random number generator and random selection process shall be impervious to influences from outside the device;

(2)(A) Electro-magnetic interference.

(B) EGS gaming devices shall not create electronic noise that would affect the integrity or fairness of neighboring machines or associated equipment;

(3)(A) Electro-static interference.

(B) Protection against static discharges requires that the machine's conductive cabinets be earthed in such a way that static discharge energy shall not damage or inhibit the normal operation of the electronics or other components within the EGS gaming device.

(C) EGS gaming devices may exhibit temporary disruption when subjected to a significant electro-static discharge greater than human body discharge, but they shall exhibit a capacity to recover and complete any interrupted play without loss or corruption of any control or data information associated with the gaming device.

(D) The tests will be conducted with a severity level of a minimum of twenty-seven kilovolts (27KV) air discharge;

(4)(A) Radio frequency interference (RFI).

(B) EGS gaming devices shall not divert from normal operation by the application of RFI at a frequency range from twenty-seven megahertz (27 MHz) to one thousand megahertz (1000 MHz) with a field strength of three (3) volts per meter;

(5)(A) Magnetic interference.

(B) EGS gaming devices shall not be adversely affected by magnetic interference;

(6)(A) Liquid spills.

(B) Liquid spills applied to the outside of an EGS shall not affect the normal operation of the machine, the integrity of the material or information stored inside the cabinet, or the safety of the players operating the equipment.

(C) If liquids are spilled into a bill acceptor, the only degradation permitted is for the acceptor to reject all inputs or generate an error condition; and

(7)(A) Temperature and humidity.

(B) Gaming devices can be expected to operate in a variety of extreme environments.

(C) In the event that the designed operational parameters of an EGS are exceeded, the machine, if incapable of continued proper operation, shall perform an orderly shutdown without loss of game status, accounting, and security event data.

(D) The manufacturer should supply any documentation if the device has had temperature and humidity testing against any recognized standard.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1306. EGS identification.

An EGS shall have a not easily removable, without leaving evidence of tampering, identification badge, permanently affixed to the exterior of the cabinet by the manufacturer, and this badge shall include the following information:

- (1) The manufacturer;
- (2) A unique serial number;
- (3) The EGS model number; and
- (4) The date of manufacture.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1307. Tower light.

(a) The EGS must have a light located conspicuously on top of the EGS that automatically illuminates when a player is redeeming credits that the EGS cannot automatically pay, or an error condition has occurred, or a call attendant condition has been initiated by the player.

(b) This requirement may be substituted for an audible alarm for bar-top style games where multiple terminals share a common tower light.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1308. On/off switch.

(a) An on/off switch that controls the electrical current shall be located in a place which is readily accessible within the interior of the machine so that power cannot be disconnected from outside of the machine using the on/off switch.

(b) The on/off positions of the switch shall be labeled.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1309. Logic compartment.

(a) The logic compartment is a locked cabinet area with its own locked door that is separate from any external door lock.

(b) The logic compartment or compartments are area or areas within an EGS that house or houses critical electronic components (components that have the potential to significantly influence the operation of the EGS), which would include:

(1) CPUs and other electronic components involved in the operation and calculation or display of game play (e.g., game controller electronics and components housing the game or system firmware program storage media); and

(2) Communication controller electronics, and components housing the communication control program that is used for communicating financial data, program information, and security events to the online accounting and monitoring, ticket validation, and any other system used that would affect the integrity of EGS gaming.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CPU" means central processing unit.

23 CAR § 355-1310. Currency compartments.

(a) All currency compartments shall be locked separately from the main cabinet

area.

(b) Currency compartments must also meet the following rules:

(1) Shall be fitted with sensors that will allow the EGS to immediately communicate the currency door open event or when the storage container has been removed;

(2) Access to the currency storage area (bill stacker) is to be through two (2) levels of locks (the relevant outer door plus one (1) other door or lock) before the receptacle or currency can be removed; and

(3) The bill stacker device shall have a stacker full sensor.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1311. Cabinet wiring.

(a) The EGS shall be designed so that power and data cables into and out of the EGS can be routed so that they are not accessible to the general public.

(b) This is for game integrity reasons only, not for health and safety.

(c) Security-related wires and cables that are routed into a logic compartment shall not be able to be easily removed.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1312. Power surges.

(a) The EGS shall not be adversely affected, other than resets, by surges or dips of plus twenty percent (20%) of the supply voltage.

(b) It is acceptable for the equipment to reset provided no damage to the equipment or loss or corruption of data occurs.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1313. Microprocessor controlled.

EGS must be controlled by one (1) or more microprocessors or the equivalent in such a manner that the game is controlled by the microprocessor.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1314. Ticket printers.

(a) For printer games, the printer shall be located in a locked area of the EGS (e.g., require opening of the main door to access), with the exception of a logic area or the drop box.

(b) This requirement ensures that changing the paper does not require access to the drop (cash) or logic areas containing critical electronic components.

(c) Ticket printers shall be interfaced in such a way as to allow the EGS control program to interpret and act when:

- (1) The ticket printer is out of paper or low on paper;
- (2) There is a printer jam or failure; or
- (3) The printer is disconnected.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1315. Printed circuit board identification.

Each printed circuit board (PCB) shall be identifiable by some sort of name, or number, and revision level and:

(1) The top assembly revision level of the PCB shall be identifiable (if track cuts and/or patch wires are added to the PCB, then a new revision number or level shall be assigned to the assembly);

(2) Manufacturers shall ensure that circuit board assemblies used in their EGS conform functionally to the documentation and the certified versions of those PCBs that were evaluated and certified by the test laboratory;

(3) All patch wires and track cuts shall be documented in a service bulletin and shall be submitted to an independent test laboratory for verification (this does not

prohibit required repairs in the field); and

(4)(A) Switches or jumpers which may alter specific EGS configuration settings, paytables, game denomination, or payout percentages must be housed within a logic compartment.

(B) This includes:

- (i) Top award changes, including progressives;
- (ii) Selectable blackjack settings; or
- (iii) Any other option that would affect the payout percentage.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1316. Mechanical devices used for displaying game outcomes.

If the game has mechanical or electro-mechanical devices, which are used for displaying game outcomes, the following rules shall be observed:

(1)(A) Electro-mechanically controlled display devices (e.g., reels or wheels) shall have a sufficiently closed loop of control so as to enable the software to detect a malfunction, or an attempt to interfere with the correct operation of that device.

(B) This requirement is designed to ensure that if a reel or wheel is not in the position it is supposed to be in, an error condition will be generated;

(2) Mechanical assemblies (e.g., reels or wheels) shall have some mechanism that ensures the correct mounting of the assembly's artwork, if applicable;

(3) Displays shall be constructed in such a way that winning symbol combinations match up with pay lines or other indicators; and

(4) A mechanical assembly shall be so designed that it is not obstructed by any other components.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1317. Video monitors/touchscreens.

Games that have video monitors must meet the following rules, as applicable:

(1) Touch screens (if applicable) shall be accurate, and once calibrated, shall maintain that accuracy for at least the manufacturer's recommended maintenance period;

(2) A touch screen (if applicable) should be able to be recalibrated by venue staff without access to the EGS cabinet other than opening the main door; and

(3) There shall be no hidden or undocumented buttons/touch points (if applicable) anywhere on the screen, except as provided for by the game rules that affect game play.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1318. Bill acceptors.

(a) All acceptance devices shall be able to detect the entry of valid bills, coupons, ticket vouchers, or other approved notes, and provide a method, utilizing a bidirectional communication protocol, to enable the EGS software to interpret and act appropriately upon a valid or invalid input.

(b) The acceptance device or devices shall be electronically-based and in a highly accurate manner, ensure that only valid bills of legal tender are accepted.

(c) The bill input system shall be constructed in a manner that protects against:

(1) Vandalism;

(2) Abuse; or

(3) Fraudulent activity.

(d)(1) In addition, bill acceptance device or devices shall only register credits when:

(A) The bill or other note has passed the point where it is accepted and stacked; and

(B) The bill or other note is irrevocably stacked.

(2) If a power failure occurs during acceptance of a bill or other note the bill validator shall give proper credits or return the note, notwithstanding that there may be

a small window of time where power may fail and credit may not be given (in this case the window shall be less than one (1) second).

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1319. Factory set bill acceptors.

If bill acceptors are designed to be factory set only, it shall not be possible to access or conduct maintenance or adjustments to those bill acceptors in the field, other than:

- (1) The selection of bills, coupons, ticket vouchers, or other approved notes and their limits;
- (2) Changing of the certified control program;
- (3)(A) Adjustment of the tolerance level for accepting bills or notes of varying quality should not be allowed externally to the machine.
 - (B) Adjustments of the tolerance level should only be allowed with adequate levels of security in place.
 - (C) This can be accomplished through:
 - (i) Lock and key;
 - (ii) Physical switch settings; or
 - (iii) Other accepted methods approved on a case-by-case basis;
- (4) Maintenance, adjustment, and repair per approved factory procedures; or
- (5) Options that set the direction or orientation of acceptance.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1320. Payglass or video display.

(a)(1) Payglasses or video displays shall be clearly identified and shall accurately state the rules of the game and the award that will be paid to the player when the player obtains a specific win.

- (2) The payglasses or video displays shall clearly indicate whether awards are

designated in credits, currency, or some other unit.

(3) The denomination being played shall be clearly displayed.

(b)(1) The EGS gaming device shall reflect any change in award value, which may occur in the course of play.

(2) This may be accomplished with a digital display in a conspicuous location of the EGS gaming device, and the game must clearly indicate as such.

(c) All payable information should be able to be accessed by a player prior to them committing to a bet.

(d) Payglances or video displays shall not be certified if the information is inaccurate or may cause confusion.

(e) The reasonable player standard shall be used for evaluation:

(1)(A) Upcoming wins.

(B) The game shall not advertise upcoming wins, for example three (3) times pay coming soon;

(2)(A) Extended feature information.

(B) Each game which offers an extended feature (i.e., free games, respins, bonus payable during the next 'x' games, etc.) must display the number of feature games that are remaining, during each game; and

(3)(A) Multiple decks or cards.

(B) Any games which utilize multiple decks of cards should alert the player as to the number of card decks in play.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1321. Information to be displayed.

(a) An EGS shall display, or shall have displayed on the glass, the following information to the player at all times the machine is available for player input:

(1) The player's current credit balance;

(2)(A) The current bet amount.

(B) This is only during the base game or if the player can add to the bet

during the game;

(3) All possible winning outcomes, or be available as a menu item or on the help menu;

(4) Win amounts for each possible winning outcome, or be available as a menu or help screen item;

(5) The amount won for the last completed game (until the next game starts or betting options are modified); and

(6) The player options selected (e.g., bet amount, lines played) for the last completed game (until the next game starts or a new selection is made).

(b) The denomination being played shall be clearly displayed.

(c) A disclaimer regarding malfunctions void all pays shall also be clearly displayed.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1322. Games with multiple win lines.

(a) Each individual line to be played shall be clearly indicated by the EGS so that the player is in no doubt as to which lines are being bet on.

(b)(1) In addition, the winning playline or playlines shall be clearly discernable to the player.

(2)(A) E.g., on a video game it may be accomplished by drawing a line over the symbols on the playline or playlines and/or the flashing of winning symbols and line selection box.

(B) Where there are wins on multiple lines, each winning playline may be indicated in turn.

(C) This would not apply to games that use mechanical reels.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1323. Multiple games offered for play at one EGS.

The following rules apply to EGS that offer more than one (1) game to be played:

(1) The methodology employed by a player to select and discard a particular game for play on a multigame EGS shall be clearly explained to the player on the EGS, and be easily followed;

(2) The EGS shall be able to clearly inform the player of all games, their rules and/or the paytables before the player must commit to playing them;

(3) The player shall at all times be made aware of which game has been selected for play and is being played, as applicable;

(4)(A) The player shall not be forced to play a game just by selecting that game.

(B) The player shall be able to return to the main menu;

(5) It should not be possible to start a new game before the current play is completed and all relevant meters have been updated (including bonus features, double up, and other options of the game) unless the action to start a new game terminates the current play in an orderly manner;

(6)(A) The set of games offered to the player for selection, or the payable, can be changed only by a secure certified method which includes turning on and off games available for play through a video screen interface.

(B) The rules outlined in the configuration settings of this part shall govern the RAM clear control requirements for these types of selections.

(C) However, for games that keep the previous payable's (the payable just turned off) data in memory, a RAM clear is not required; and

(7) No changes to the set of games offered to the player for selection, or to the payable, are permitted while there are credits on the player's credit meter or while a game is in progress.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "RAM" means random access memory.

23 CAR § 355-1324. Merchandise prizes in lieu of cash awards.

Games offering merchandise prizes shall display the amount of merchandise prize clearly to the player on the EGS that is offering the prize.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1325. Percentage payout.

Each EGS shall pay out a minimum of eighty-three percent (83%) during the expected lifetime of the game as required by Arkansas Code § 23-113-201(e).

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1326. Odds.

(a) The highest single advertised payout on each gaming device shall occur, statistically, at least once in one hundred thousand (100,000,000) games.

(b) This does not apply to multiple awards won together on the same game play where the aggregate prize is not advertised.

(c) This odds rule shall not apply to games which make it possible for a player to win the highest win multiple times through the use of free games.

(d) This rule does apply to each wager that wins the maximum award.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1327. Credit redemption.

Available credits may be collected from the EGS by the player pressing the 'COLLECT' button at any time other than during:

- (1) A game being played;
- (2) Audit mode;
- (3) Any door open;
- (4) Test mode;

- (5) A credit meter or win meter incrementation, unless the entire amount is placed on the meters when the collect button is pressed; or
- (6) A payout or memory error condition.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1328. Credit meter.

- (a) The credit meter shall be maintained in credits or cash value.
- (b)(1) In addition, it must meet the following, where applicable.
 - (2) Progressives may be added to the credit meter if either:
 - (A) The credit meter is maintained in the local currency amount;
 - (B) The progressive meter is incremented to whole credit amounts; or
 - (C) The prize in the local currency amount is converted to credits on transfer to the player's credit meter in a manner that does not mislead the player (i.e., make unqualified statement "wins meter amount" and then rounds down on conversion) or cause accounting imbalances.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1329. Cancel credit.

If credits are collected, and the total credit value is greater than or equal to a specific limit (e.g., printer limit for printer games, etc.), the game shall lock up until the credits have been paid, and the handpay is cleared by an attendant.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1330. Taxation reporting limits.

The game shall be capable of entering a lock-up condition if the sum of awards from a single game is equal to the taxation limit and which requires an attendant to clear.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1331. Game cycle.

(a) A game is considered completed when the final transfer to the player's credit meter takes place (in case of a win), or when all credits wagered or won that have not been transferred to the credit meter, are lost.

(b) The following are all considered to be part of a single game:

- (1) Games that trigger a free game feature and any subsequent free games;
- (2) Second screen bonus feature or features;
- (3) Games with player choice (e.g., draw poker or blackjack);
- (4) Games where the rules permit wagering of additional credits (e.g., blackjack insurance); and
- (5) Double-up features.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1332. Player assistance or auto hold features.

An electronic game of skill may have player assistance or auto hold features provided that the features may be disabled using a secure method.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1333. Ticket issuance.

(a)(1) Cash tickets can be generated at an EGS through an internal document printer.

(2) Additionally, cashier/change booth issuance is permitted, if supported by the validation system.

(b) Payment by ticket printer as a method of credit redemption is only permissible when the EGS gaming device is linked to a computerized ticket validation system, which

allows validation of the printed ticket.

(c)(1) Validation approval or information shall come from the ticket validation system in order to validate tickets.

(2) Tickets may be validated at any location, as long as it meets the standards in this section.

(3) Provisions must be made if communication is lost, and validation information cannot be sent to the central system, thereby requiring the manufacturer to have an alternate method of payment.

(4) The validation system must be able to identify duplicate tickets to prevent fraud by reprinting and redeeming a ticket that was previously issued by the EGS gaming device.

(d) A ticket shall contain the following printed information at a minimum, some of which may also be part of the validation number or barcode:

- (1) Franchise holder name/site identifier;
- (2) Machine number (or cashier/change booth location number, if ticket creation, outside the EGS is supported);
- (3) Date and time (twenty-four (24) hour format);
- (4) Alpha and numeric dollar amount of the ticket;
- (5) Ticket sequence number;
- (6) Validation number;
- (7) Bar code or any machine readable code representing the validation number;
- (8) Type of transaction or other method or differentiating ticket types (assuming multiple ticket types are available); and
- (9) Indication of an expiration period from date of issue, or date and time the ticket will expire (twenty-four (24) hour format which is understood by the local date/time format).

(e) If the taxation limit is reached on any single play the ticket/voucher must not be able to be redeemed at any place other than through human interaction (not on another machine or at a self-serve kiosk).

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1334. Online ticket redemption.

(a) Tickets may be inserted in any EGS gaming device participating in the validation system providing that no credits are issued to the EGS gaming device prior to confirmation of ticket validity.

(b) The patron may also redeem a ticket at a cashier/change booth or other approved validation terminal.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1335. Randomness requirements.

(a) Where the authorized game or system uses a random number generator (RNG) to make selections, such RNG and the selections shall:

- (1) Be statistically independent;
- (2) Conform to the desired random distribution;
- (3) Pass various recognized statistical tests;
- (4) Be unpredictable;

(5)(A) Be cycled continuously in the background between games and during game play at a speed that cannot be timed by the player.

(B) It is understood that at some time during the game, the RNG may not be cycled when interrupts may be suspended however, this exception shall be kept to a minimum;

(6)(A) Randomly determine the first seed by an uncontrolled event.

(B) After every game there shall be a random change in the RNG process (new seed, random timer, delay, etc.).

(C) This will verify the RNG does not start at the same value, every time.

(D) It is permissible not to use a random seed.

(E) However, the manufacturer must ensure that games will not

synchronize;

(7) If a random number with a range shorter than that provided by the RNG is required for some purpose within the EGS, the method of rescaling, (i.e., converting the number to the lower range), is to be designed in such a way that all numbers within the lower range are equally probable;

(8) If a particular random number selected is outside the range of equal distribution of rescaling values, it is permissible to discard that random number and select the next in sequence, or some other acceptable method, for the purpose of rescaling;

(9)(A) Unless otherwise denoted on the payglass, where the EGS plays a game that is recognizable such as poker, blackjack, etc., the same probabilities associated with the live game shall be evident in the simulated game.

(B) For example, the odds of drawing a specific card or cards in poker shall be the same in the live game as if a physical deck of cards were being used.

(C) Card games also must meet the following:

(i) Cards once removed from the deck shall not be returned to the deck except as provided by the rules of the game depicted;

(ii) As cards are removed from the deck they shall be immediately used as directed by the rules of the game (i.e., the cards are not to be discarded due to adaptive behavior by the EGS);

(iii) At the start of each game/hand, it is recommended that the first hand of cards shall be drawn from a randomly-shuffled deck; and

(iv) The replacement cards shall not be drawn until needed;

(10)(A) Where used, games that use the laws of physics to generate the outcome of the game (mechanical-based RNG games) must meet the randomness requirements of this document with the exception of the regulations stated above that are applicable only to electronic RNGs.

(B) Mechanical-based RNG games must be constructed of materials to prevent decomposition of any component over time (e.g., a ball shall not disintegrate).

(C) The laboratory reserves the right to require replacement parts after a

predetermined amount of time for the game to comply with this rule and the device or devices may require periodic inspections to ensure the integrity of the components of the device;

(11) The properties of physical items used to choose the selection shall not be altered, and the player shall not have the ability to physically interact or come into physical contact or manipulate the machine physically with the mechanical portion of the game;

(12) Each possible permutation or combination of game elements that produces winning or losing game outcomes shall be available for random selection at the initiation of each play, unless otherwise denoted by the game;

(13) An EGS shall use appropriate communication protocols to protect the RNG and random selection process from influence by associated equipment, which may be communicating with the EGS;

(14)(A) All combinations and outcomes shall be available.

(B) Each possible permutation or combination of game elements that produces winning or losing game outcomes shall be available for random selection at the initiation of each play, unless otherwise denoted by the game rules;

(15)(A) No near miss.

(B) After selection of the game outcome, the EGS gaming device shall not make a variable secondary decision, which affects the result shown to the player or gives the impression that the player is getting close to a win, or in any way gives a false impression that the chance to win is improved by another play;

(16)(A) For instance, the random number generator chooses an outcome that the game will be a loser.

(B) The game shall not substitute a particular type of loser to show to the player; and

(17)(A) No corruption from associated equipment.

(B) An EGS shall use appropriate communication protocols to protect the random number generator and random selection process from influence by associated equipment, which may be communicating with the gaming device.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1336. Financial, security, and game play auditing.

The financial, security, and game auditing information that is maintained by the EGS memory must only be available to authorized personnel.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1337. Electronic accounting and occurrence meters.

(a) Electronic accounting meters shall be at least seven (7) digits in length.

(b) If the meter is being used in dollars and cents, at least nine (9) digits must be used for the dollar amount.

(c) The meter must roll over to zero upon the next occurrence any time the meter is seven (7) digits or higher and after nine million nine hundred and ninety-nine thousand nine hundred ninety-nine (9,999,999) has been reached (or any other value that is logical).

(d) Occurrence meters shall be at least three (3) digits in length and roll over to zero upon the next occurrence any time the meter is higher than the maximum number of digits for that meter.

(e) The required electronic meters are as follows (accounting meters are designated with an asterisk '*'):

(1) The amounts wagered* (or cash in) meter shall cumulatively count the total amounts wagered during game play, except credits that are won during the game that are subsequently risked in a double-up mode;

(2)(A) The amounts won* (or credit out) meter shall cumulatively count all amounts won by the player at the end of the game that were not paid by an attendant, including amounts paid by a ticket printer.

(B) This meter must not increment for bills inserted and cashed out (used as a change machine);

(3) The drop* meter shall maintain a cumulative credit value of all bills and tickets/coupons inserted into the bill acceptor for play;

(4) The handpays* meter shall reflect the cumulative amounts paid by an attendant for progressive and nonprogressive wins;

(5) The games-played meter shall display the cumulative number of games played since the last RAM clear;

(6) A cabinet door meter shall display the number of times the front cabinet door was opened since the last RAM clear;

(7) The drop door meter shall display the number of times the drop door and the bill acceptor door was opened since the last RAM clear;

(8) The cancelled credit* meter shall reflect the cumulative amounts paid by an attendant that are in excess of the credit limit and residual credits that are collected;

(9) **Note.** Printer games do not require a cancelled credit meter unless a printer limit option exists on the game; and

(10) The progressive occurrence meter shall count the number of times each progressive meter is activated.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "RAM" means random access memory.

23 CAR § 355-1338. Multigame game specific meters.

(a) In addition to the electronic accounting meters required above, each individual game available for play shall have at least amount bet and amount won meters in either credits or dollars.

(b) Even if a double-up game is lost, the initial win amount/credits bet amount shall be recorded in the game specific meters.

(c) Alternatively, there can be separate meters that account for the double-up information.

(d) Either way, the method of metering must be understood on the screen.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1339. Double-up meters.

(a) For each type double-up offered, there shall be two (2) meters to indicate the amount doubled and the amount won, which should increment every time a double-up occurs.

(b) If the EGS does not supply accounting for the double-up information, the feature must not be enabled for use.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1340. Cashless transaction log.

All EGS must have the capacity to display a complete transaction history for the most recent transaction with a cashless wagering system (this would include tickets, coupons, electronically transferred promotional and/or bonusing credits, etc.), and the previous thirty-four (34) transactions prior to the most recent transactions that incremented any of the accounting meters.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1341. Accountability of bills/tickets or other items accepted.

An EGS, which contains a bill acceptor device, shall maintain sufficient electronic metering to be able to report the following:

- (1) Total monetary value of all items accepted;
- (2) Total number of all items accepted; and
- (3) A breakdown of the bills accepted:

(A) For bills, the game shall report the number of bills accepted for each bill denomination; and

(B) For all other notes, the game shall have a separate meter that reports the number of notes accepted, not including bills.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1342. Bill acceptor recall.

An EGS that uses a bill acceptor shall retain in its memory and display the denomination of the last five (5) items accepted by the bill acceptor (including United States currency, ticket vouchers, coupons, etc.).

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1343. Number of last plays required.

(a) Information on at least the last ten (10) games is to always be retrievable on the operation of a suitable external key-switch, or another secure method that is not available to the player.

(b) Last play information shall provide all information required to fully reconstruct the last ten (10) plays.

(c) All values shall be displayed, including the:

- (1) Initial credits;
- (2) Credits bet;
- (3) Credits won; and
- (4) Credits paid.

(d)(1) If a progressive was awarded, it is sufficient to indicate the progressive was awarded and not display the value.

(2) This information should include the final game outcome, including all player choices, and bonus features.

(3) The results of double-up (if applicable) should also be included.

(e)(1) The last game recall shall reflect bonus rounds in their entirety.

(2) If a bonus round lasts 'x number of events,' each with separate outcomes,

each of the x events shall be displayed with its corresponding outcome if the outcome results in an award.

(3) The recall shall also reflect position-dependent events if the outcome results in an award.

(f) For games that may have infinite free games, there shall be a minimum of fifty (50) games recallable.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1344. Control program storage media.

(a) All program storage media (writable/nonwritable), including EPROMs, DVD, CD-ROM, compact flash, and any other type of program storage devices shall be clearly marked with sufficient information to identify the software and revision level of the information stored in the devices and shall only be accessible with access to the locked logic compartment, where applicable.

(b) In addition, if the program is copied to and executed from RAM, the game shall have a method to display the program storage media identification information, on demand.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "EPROMS" means erasable programmable read-only memory.

"CD-ROM" means compact disc read-only memory.

"RAM" means random access memory.

23 CAR § 355-1345. Write once (nonwritable) program storage.

For program storage media that are written to once (i.e., EPROM, CD), the following rules shall be met:

(1) CD-ROM-based program storage shall:

(A) Not be a rewritable disk; and

(B) The session shall be closed to prevent any further writing; and

(2) Non-EPROM specific (including CD-ROM) program storage shall meet the following rules:

(A)(i) The control program shall authenticate all critical files by employing a hashing algorithm which produces a message digest output of at least one hundred twenty-eight (128) bits at minimum, as certified by the test laboratory and agreed upon by the Arkansas Racing Commission.

(ii) The message digest or digests shall be stored on a memory device (ROM-based or other medium) within the EGS.

(iii) Message digests which reside on any other medium shall be encrypted, using a public/private key algorithm with a minimum of a five hundred twelve (512) bit key.

(iv) However, a seven hundred sixty-eight (768) bit key is recommended, or an equivalent encryption algorithm with similar security certified by the test laboratory and agreed upon by the commission; and

(B)(i) The EGS shall authenticate all critical files against the stored message digest or digests as required in subdivision (2)(A) of this section.

(ii) In the event of a failed authentication after the game has been powered up, the EGS should immediately enter an error condition with the appropriate tower light signal and record the details including time and date of the error in a log.

(iii) This error shall require operator intervention to clear.

(iv) The game shall display specific error information and shall not clear until either the file authenticates properly, following the operator intervention, or the medium is replaced or corrected, and the device's memory is cleared, the game is restarted, and all files authenticate correctly.

(v) The values in subdivision (2) of this section will constantly be reevaluated based on technology advancements and new security methods available.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "EPROMS" means erasable programmable read-only memory.

"CD-ROM" means compact disc read-only memory.

23 CAR § 355-1346. Writable program storage.

(a) This section does not apply to EGS that function as part of a game download system, as defined within 23 CAR § 355-1901 et seq.

(b)(1) This section applies to EGS where the control program is capable of being erased and reprogrammed without being removed from the EGS, bill acceptor or other equipment or related device, and such control program shall meet the following requirements.

(2) Critical data, files, and programs may only be reprogrammed provided that:

(A) A log of all information that is added, deleted, and modified be stored on the media;

(B) Verifies the validity of all data, files, and programs which reside on the media using the methods listed in the non-EPROM-specific requirements;

(C) Contains appropriate security to prevent unauthorized modifications;
and

(D) Does not allow execution of the updated program while the game is in play.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "EPROMS" means erasable programmable read-only memory.

23 CAR § 355-1347. Integrity of control programs.

(a) The control program shall ensure the integrity of all critical program

components that operate the EGS.

(b) The integrity checks must at a minimum occur during the execution of said components and the first time the files are loaded for use (even if only partially loaded), where applicable.

(c) RAM and PSD (program storage device) space that is not critical to machine security (e.g., video or sound ROM) are not required to be validated, although the test laboratory recommends a method be in place for the files to be tested for corruption.

(d) If any of the video or sound files contain payout amounts or other information needed by the player, the files or program storage must have a secure method of verification.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "RAM" means random access memory.

23 CAR § 355-1348. Critical memory defined.

(a) Critical memory storage shall be maintained by a methodology that enables errors to be identified and corrected in most circumstances.

(b) This methodology may involve:

- (1) Signatures;
- (2) Checksums;
- (3) Partial checksums;
- (4) Multiple copies;
- (5) Timestamps; and/or
- (6) Effective use of validity codes.

(c) Critical memory is used to store all data that is considered vital to the continued operation of the EGS.

(d) This includes, but is not limited to:

(1) All electronic meters required in electronic metering within the EGS, including last bill data and power up and door open metering;

- (2) Current credits;
- (3) EGS/game configuration data;
- (4) Information pertaining to the last ten (10) plays with the RNG outcome (including the current game, if incomplete); and
- (5) Software state (the last normal state the EGS software was in before interruption).

Authority. Arkansas Code § 23-113-302.

Codification Notes. "RNG" means random number generator.

23 CAR § 355-1349. Critical memory integrity.

(a) Comprehensive checks of critical memory shall be made during each EGS restart (e.g., power-up cycle).

(b)(1) The EGS control program shall be continuously monitored for possible corruption of critical memory.

(2) In addition, it is recommended that a trip redundancy check be implemented.

(c) Test methodology shall detect ninety-nine and ninety-nine hundredths percent (99.99%) of all possible failures.

(d) In addition, all critical memory (nonvolatile) shall:

(1)(A) Have the ability to retain data for a minimum of thirty (30) days after power is discontinued from the machine.

(B) If the method used is an off chip battery source, it shall recharge itself to its full potential in a maximum of twenty-four (24) hours.

(C) The shelf life shall be at least five (5) years.

(D) Random access memory that uses an off-chip back-up power source to retain its contents when the main's power is switched off shall have a detection system which will provide a method for software to interpret and act upon a low battery condition;

- (2) Only be cleared by accessing the locked logic area in which it's housed;
- (3) Result in a RAM error if the control program detects an unrecoverable memory error; and
- (4) The RAM should not be cleared automatically, but shall require a full RAM clear (RAM reset) performed by an authorized person.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "RAM" means random access memory.

23 CAR § 355-1350. RAM clear.

(a) Following the initiation of a RAM clear procedure (utilizing a certified RAM clear method), the game program (EGS control program) shall execute a routine, which initializes each and every bit in RAM to the default state.

(b) For games that allow for partial RAM clears, the methodology in doing so must be accurate and the game must validate the uncleared portions of RAM.

(c) The default reel position or game display after a RAM reset shall not be the top award on any selectable line.

(d)(1) The default game display, upon entering game play mode, shall also not be the top award.

(2) This applies to the base game only and not any secondary bonus devices.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "RAM" means random access memory.

23 CAR § 355-1351. Error conditions.

(a) EGSs shall be capable of detecting and displaying the following error conditions and illuminate the tower light for each or sound an audible alarm, unless otherwise noted.

(b) They shall be cleared either by an attendant (denoted by '*' – in these cases the EGS must cease play) or upon initiation of a new play sequence and be communicated to an on-line monitoring system:

- (1) Loss of communication with the central monitoring system;
- (2) RAM error*;
- (3) Low RAM battery, for batteries external to the RAM itself or low power source;
- (4) Currency-in jam*;
- (5) Program error or authentication mismatch*;
- (6) Door open (including bill acceptor)*;
- (7) Reel spin errors (if applicable), including a mis-index condition for rotating reels that affects the outcome of the game*:
 - (A) The specific reel number shall be identified in the error code;
 - (B) In the final positioning of the reel, if the position error exceeds one-half (1/2) of the width of the smallest symbol excluding blanks on the reel strip; and
 - (C) Microprocessor-controlled reels shall be monitored to detect malfunctions such as a reel which is jammed, or is not spinning freely, or any attempt to manipulate their final resting position;
- (8) Power reset;
- (9) Out-of-paper* or paper low;
- (10) Printer jam*;
- (11) Printer failure*; and
- (12) Printer disconnected* (it is permissible for the EGS to detect this error condition when the game tries to print).

(c)(1) For games that use error codes, a description of EGS error codes and their meanings shall be affixed inside the EGS.

- (2) This does not apply to video-based games.
- (3) However, video-based games shall display meaningful text as to the error conditions.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1352. Game interruption and resumption.

After a program interruption (e.g., power down), the software shall be able to recover to the state it was in immediately prior to the interruption occurring and:

(1)(A) If an EGS is powered down while in an error condition, then upon restoring power, the error message shall be displayed and the EGS shall remain locked-up.

(B) This is unless power-down is used as part of the error reset procedure, or if on power-up or door closure, the EGS checks for the error condition and detects that the error is no longer in existence;

(2) The program shall not be adversely affected by the simultaneous or sequential activation of the various inputs and outputs such as play buttons which might cause malfunctions or invalid results;

(3) Upon program resumption, the following procedures shall be performed as a minimum requirement:

(A) Any communications to an external device shall not begin until the program resumption routine, including self-tests, is completed successfully;

(B)(i) EGS control programs shall test themselves for possible corruption due to failure of the program storage media.

(ii) The authentication may use the checksum.

(iii) However, it is preferred that the cyclic redundancy check calculations are used as a minimum (at least sixteen (16) bit).

(iv) Other test methodologies shall be of a certified type;

(C) The integrity of all critical memory shall be checked; and

(D) Games utilizing microprocessor-controlled mechanical displays (e.g., reels or wheels), shall respin automatically to display the last valid game's result when the play mode is re-entered, and the reel positions have been altered;

(E)(i) The bill validator device shall perform a self-test at each power up.

(ii) In the event of a self-test failure the bill validator shall

automatically disable itself (i.e., enter bill reject state) until the error state has been cleared.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1353. Door open events.

(a) When the EGS main door is opened, the game shall:

- (1) Cease play;
- (2) Enter an error condition;
- (3) Display an appropriate error message;
- (4) Disable bill acceptance; and
- (5) Either:
 - (A) Sound an alarm;
 - (B) Illuminate the tower light; or
 - (C) Both.

(b) When the EGS main door is closed, the game shall return to its original state and display an appropriate error message, until the next game has ended.

(c) The software shall be able to detect any meter access to the following doors or secure areas:

- (1) All external doors;
- (2) Drop box door; and
- (3) Bill acceptor door.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1354. Bill acceptor error conditions.

(a) Each EGS and/or bill acceptor shall have the capability of detecting and displaying an error condition, for the conditions below.

(b) It is acceptable for the bill acceptor to disable or flash a light or lights to indicate the error has occurred, provided the information is communicated to the EGS

and the bill acceptor disables:

- (1) Bill stacker full;
- (2) Bill jams;
- (3)(A) Bill acceptor door open.

(B) Where a bill acceptor door is the belly glass door, a door open signal is sufficient; and

- (4) Bill stacker door open or bill stacker removed.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1355. Unable to upload credits onto cashless system.

Any credits on the EGS that are attempted to be transferred to the host system that is unsuccessful must:

- (1) Provide for an alternate payment method; or
- (2) Require the EGS to enter an error condition that requires a handpay by an attendant.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1356. Communication protocol.

(a) All EGS must accurately implement a generally accepted communication protocol that must be compatible with the systems used.

(b) EGS must, at a minimum, communicate with the facilities central monitoring system.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1357. EGS significant events.

(a) The following are the events that EGS must immediately report to the central monitoring system, in real-time.

(b) All accounting and occurrence meters and error conditions as defined within this part that are not listed below must also be communicated to the central monitoring system, although not in real-time unless requested by the system itself:

- (1) Power resets or power failure;
- (2) Handpay conditions (amount needs to be sent to the system):
 - (A) EGS jackpot (an award in excess of the single win limit of the EGS);
 - (B) Cancelled credit handpay; and
 - (C) Progressive jackpot (as per EGS jackpot, above);
- (3)(A) Door openings (any external door that accesses a critical area, on the EGS).

(B) Door switches (discrete inputs to the interface element) are acceptable if their operation does not result in redundant or confusing messaging;

(4) Bill acceptor errors (this subdivision should each be sent as a unique message, if supported by the communication protocol):

- (A) Stacker full (if supported); and
 - (B) Bill (item) jam;
- (5) EGS low RAM battery error;
- (6) Reel spin errors (if applicable with individual reel number identified);
- (7) Printer errors (if printer supported):
- (A) Printer empty/paper low; and
 - (B) Printer disconnect/failure; and

(8) The following priority events must be conveyed to the on-line monitoring system where a mechanism must exist for timely notification:

- (A) Loss of communication with interface element;
- (B) Loss of communication with EGS;
- (C) Memory corruption of the interface element, if storing critical information; and
- (D) RAM corruption of the EGS.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "RAM" means random access memory.

23 CAR § 355-1358. Ticketing requirements.

(a) EGS containing ticket printers must be communicating to a ticket validation system, which records the ticket information.

(b) Validation approval or information shall come from the ticket validation system in order to validate tickets.

(c) Provisions must be made if communication is lost, and validation information cannot be sent to the ticket validation system, thereby requiring the EGS or the franchise holder's operations to have an alternate method of payment.

(d) The ticket printer shall print on a ticket and must provide the ticket data to a ticket validation system that records the following information regarding each payout ticket printed:

(1) Value of credits in local monetary units in numerical form;

(2)(A) Time of day the ticket was printed in twenty-four-hour format showing hours and minutes.

(B) Printing of this information is not required, provided that storage of this information is in the database;

(3) Date, in any recognized format, indicating the day, month, and year;

(4) EGS number or machine number; and

(5) Unique validation number or barcode.

(6) If communications between a gaming device or a gaming device interface component may continue to issue tickets/vouchers provide that, printed on the instrument, there is an authentication code derived by a hash, or other secure encryption method of at least one hundred twenty-eight (128) bits, that will:

(A) Uniquely identify the wagering instrument;

(B) Verify that the redeeming system was also the issuing system; and

(C) Validate the amount of the voucher.

(7) For cases where a suitable authentication code is not printed on the

voucher, the system must print at most one (1) wagering instrument after the gaming device interface component to system communications have been lost.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1359. Machine diagnostics.

(a) It shall not be possible to change a configuration setting that causes an obstruction to the electronic accounting meters, affect the integrity of the EGS or communications with any of the associated systems, without a RAM clear.

(b) Notwithstanding, any such change must be done by a secure means, which includes access to the locked logic area.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "RAM" means random access memory.

23 CAR § 355-1360. Test mode.

If in a test mode the game shall clearly indicate that it is in a test mode, not normal play, and:

(1) Any test that incorporates credits entering or leaving the EGS shall be completed on resumption of normal operation;

(2) There shall not be any test mode that increments any of the electronic meters (test meters are permissible provided the meter indicates as such);

(3) Any credits on the EGS that were accrued during the test mode shall be cleared before the test mode is exited;

(4) The main cabinet door of the EGS may automatically place the EGS in a service or test-mode or may also be entered, via an appropriate instruction, from an attendant during an audit mode access; and

(5) When exiting from test mode, the game shall return to the original state it was in when the test mode was entered.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1361. Residual credits.

(a) If residual credits exist, a tickets/voucher shall be printed to remove the residual credits or return the credits to the player's credit meter for betting.

(b) If a residual credit removal game play feature exists, the residual credits bet shall be added to the amounts wagered or cash in matter.

(c) If a residual credits removal game play feature is won the credits won shall be either put back to the player's credit meter or automatically paid to the player by ticker/voucher and the value shall be added to the amounts won or credit out meter.

(d) If residual credits are removed in other means (cancelled credit, handpay, etc.) the appropriate meters shall reflect the residual credit removal.

(e) If residual credits removal play is available, it must meet all payback percentage and game recall requirements outlined within this document.

Authority. Arkansas Code § 23-113-302.

Subpart 14. General System Requirements

23 CAR § 355-1401. Generally.

(a) EGS gaming at pari-mutuel wagering facilities must at a minimum utilize an on-line monitoring system that maintains all financial and security data.

(b) The rules outlined within this subpart apply to all critical systems (systems that have an effect on the integrity of EGS gaming).

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1402. Phases of system testing.

All critical systems must endure the following phases of tests:

- (1) Phase I - Within the laboratory setting; and
- (2) Phase II - On-site following the initial install of the system to ensure proper configuration of the equipment and installation of the security applications.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1403. Interface elements.

(a) An interface element, where applicable, is any component within a system that is external to the operations of the EGS that assists in the collection and processing of data that is sent to a system.

(b) All critical interface elements shall:

- (1) Be installed in a secure area (which may be inside an EGS);
- (2) The interface elements setup/configuration menu or menus must not be available unless using an authorized access method;
- (3)(A) When not directly communicating with EGS meters, the interface element must maintain:
 - (i) Separate electronic meters of sufficient length to preclude the loss of information from meter rollovers; or
 - (ii) A means to identify multiple rollovers, as provided for in the connected EGS.
- (B) These electronic meters should be capable of being reviewed on demand at the interface element level via an authorized access method;
- (4)(A) The interface element must retain the required information after a power loss for a minimum of thirty (30) days.
 - (B) If this data is stored in volatile RAM, a battery backup must be installed within the interface element;
- (5)(A) If unable to communicate the required information to the on-line monitoring system, the interface element must provide a means to preserve all mandatory meter and significant event information until such time as it can be communicated to the on-line monitoring system.

(B) EGS operation may continue until critical data is overwritten and lost.

(C) There must be a method to check for corruption of the above data storage locations;

(6)(A) The interface element must allow for the association of a unique identification number to be used in conjunction with an EGS file on the on-line monitoring system.

(B) This identification number will be used by the on-line monitoring system to track all mandatory information of the associated EGS.

(C) Additionally, the on-line monitoring system should not allow for a duplicate EGS file entry of this identification number; and

(7)(A) An on-line monitoring system may possess a front end processor that gathers and relays all data from the connected data collectors to the associated database or databases.

(B) The data collectors, in turn, collect all data from connected EGS.

(C) Communication between components must be a defined communication protocol or protocols and function as indicated by the communication protocol or protocols.

(D) An online monitoring system must provide for the following:

(i) All critical data communication shall be protocol-based and/or incorporate an error detection and correction scheme to ensure an accuracy of ninety-nine percent (99%) or better of messages received; and

(ii)(a) All critical data communication that may affect revenue and is unsecured either in transmission or implementation shall employ encryption.

(b) The encryption algorithm shall employ variable keys or similar methodology to preserve secure communication.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "RAM" means random access memory.

23 CAR § 355-1404. System servers.

(a) System server or servers, networked system or systems, or distributed system or systems that direct the overall operation, and an associated database or databases that stores all entered and collected system information, is considered the server.

(b) In addition, the server shall maintain an internal clock that reflects the current time in twenty-four-hour format and data that shall be used to provide for the following:

- (1) Time stamping of significant events, 23 CAR § 355-1357;
- (2) Reference clock for reporting; and
- (3) Time stamping of configuration changes.

(c) If multiple clocks are supported, the on-line monitoring system shall have a facility whereby it is able to update those clocks in on-line monitoring system components where conflicting information could occur.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1405. Remote access requirements.

If supported, system or systems may utilize password controlled remote access, provided the following requirements are met:

- (1) A remote access user activity log is maintained depicting logon name, time/date, duration, activity while logged in;
- (2) No unauthorized remote user administration functionality (adding users, changing permissions, etc.);
- (3) No unauthorized access to database other than information retrieval using existing functions;
- (4) No unauthorized access to operating system; and
- (5) If remote access is to be continuous basis then a network filter (firewall) should be installed to protect access.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1406. Security access control.

(a) The on-line monitoring system must support either a hierarchical role structure whereby user and password define program or individual menu item access, or logon program/device security, based strictly on user and password or PIN.

(b) In addition, the online monitoring system shall not permit the alteration of any significant log information communicated from the EGS.

(c) Additionally, there should be a provision for system administrator notification and user lockout or audit trail entry after a set number of unsuccessful login attempts.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1407. Data alteration.

(a) The on-line monitoring system shall not permit the alteration of any accounting or significant event log information that was properly communicated from the EGS without supervised access controls.

(b) In the event financial data is changed, an audit log must be capable of being produced to document:

- (1) Data element altered;
- (2) Data element value prior to alteration;
- (3) Data element value after alteration;
- (4) Time and date of alteration; and
- (5) Personnel that performed alteration (user login).

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1408. System back-up.

(a) The system or systems shall have sufficient redundancy and modularity so that if any single component or part of a component fails, gaming can continue.

(b) There shall be redundant copies of each log file or system database, or both,

with open support for backups and restoration.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1409. Recovery requirements.

In the event of a catastrophic failure when the system or systems cannot be restarted in any other way, it shall be possible to reload the system from the last viable backup point and fully recover the contents of that backup, recommended to consist of at least the following information:

- (1) Significant events, 23 CAR § 355-1357;
- (2) Accounting information;
- (3) Auditing information; and
- (4) Specific site information such as device file, employee file, progressive set-up, etc.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1410. Downloading of interface element control programs.

(a) If supported, a system may utilize writable program storage technology to update interface element software if all of the following requirements are met:

(1)(A) Writable program storage functionality must be, at a minimum, password-protected, and should be at a supervisor level.

(B) The system can continue to locate and verify versions currently running but it cannot load code that is not currently running on the system without user intervention;

(2)(A) A nonalterable audit log must record the time/date of a writable program storage download and some provision must be made to associate this log with which version or versions of code was downloaded, and the user who initiated the download.

(B) A separate download audit log report would be ideal; and

(3)(A) All modifications to the download executable or other file or files must be submitted to the test laboratory for approval.

(B) The laboratory will assign signatures to any relevant executable code and file or files that should be verified by a regulator in the field.

(C) Additionally, all downloadable files must be available to a regulator to verify the signature; and

(4) The system must have the ability to verify the program on demand for regulatory audit purposes.

(b)(1) The above refers to loading of new system executable code only.

(2) Other program parameters may be updated as long as the process is securely controlled and subject to audit.

(3) The parameters will have to be reviewed on an individual basis.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1411. Self-monitoring of gaming system servers.

The systems must implement self-monitoring of all critical interface elements (e.g. central hosts, network devices, firewalls, links to third parties, etc.) and shall have the ability to effectively notify the system administrator of the condition, provided the condition is not catastrophic.

Authority. Arkansas Code § 23-113-302.

Subpart 15. Online Monitoring System Requirements

23 CAR § 355-1501. Online monitoring system.

(a) The online monitoring system shall communicate to all EGS for the purpose of gathering all financial data and security events.

(b) The online monitoring system may perform this sole function or may also incorporate other system functions that are addressed within this part.

(c) For systems that serve multiple purposes, each of the relevant sections herein shall apply.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1502. Required online monitoring system functionality.

At a minimum, an online monitoring system shall provide for the following security and auditing ability requirements:

(1)(A) An interrogation program that enables online comprehensive searching of the significant event log for the present and for the previous fourteen (14) days through archived data or restoration from backup where maintaining such data on a live database is deemed inappropriate.

(B) The interrogation program shall have the ability to perform a search based at least on the following:

- (i) Date and time range;
- (ii) Unique interface element/EGS identification number; and
- (iii) Significant event number/identifier;

(2)(A) An online monitoring system must have a master EGS file which is a database of every EGS in operation, including at minimum the following information for each entry:

- (i) Unique interface elements/location identification number;
- (ii) EGS identification number as assigned by the franchise holder;
- (iii) Denomination of the EGS (please note that the denomination may reflect an alternative value, in the case of a multidenomination game);
- (iv) Theoretical hold of the EGS; and
- (v) Control program or programs identification number within the EGS.

(B) If the online monitoring system retrieves any of these parameters directly from the EGS, sufficient controls must be in place to ensure accuracy of the information; and

(3)(A) Significant events, 23 CAR § 355-1357 are generated by an EGS and sent via the interface element to the online monitoring system utilizing an approved communication protocol.

(B) Each event must be stored in a database or databases, which includes the following:

- (i) Date and time which the event occurred;
- (ii) Identity of the EGS that generated the event;
- (iii) A unique number/code that defines the event; or
- (iv) A brief text that describes the event in the local language.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1503. Stored accounting meters.

(a) Metering information is generated on an EGS and collected by the interface element and sent to the online monitoring system via a communication protocol.

(b) This information may be either read directly from the EGS or relayed using a delta function.

(c) The online monitoring system must collect and store the following meter information from each EGS:

- (1) Total in (credits-in);
- (2) Total out (credits-out);
- (3) Total dropped (total value of all bills, tickets, and other approved notes in the cash box or drop);
- (4) Hand paid (handpays);
- (5) Cancelled credits (if supported on EGS);
- (6) Bills in (total monetary value of all bills accepted);
- (7) Individual bill meters (total number of each bill accepted per denomination);
- (8) Games-played;
- (9) Cabinet door (instance meter which may be based on online monitoring

system count of this event);

(10) Drop door or doors (instance meter which may be based on online monitoring system count of this event);

(11) Tickets in (total monetary value of all tickets accepted); and

(12) Tickets out (total monetary value of all tickets produced).

(d)(1) Please refer to the EGS software electronic accounting and occurrence metering requirements for more detailed descriptions of the above meters.

(2) While these electronic accounting meters should be communicated directly from the EGS to the online monitoring system, it is acceptable to use secondary online monitoring system calculations where appropriate.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1504. Required reports.

(a) Reports will be generated on a schedule determined by the Arkansas Racing Commission which typically consists of daily, monthly, yearly period, and life-to-date reports generated from stored database information.

(b) These reports, at minimum, will consist of the following:

(1) Net win/revenue report for each EGS;

(2) Drop comparison reports for each medium dropped (examples = tickets, bills) with dollar and percent variances for each medium and aggregate for each type;

(3) Metered versus actual jackpot comparison report with the dollar and percent variances for each and aggregate;

(4) Theoretical hold versus actual hold comparison with variances;

(5) Significant event log for each EGS; and

(6) Other reports, as required by individual jurisdictions.

(c) It is acceptable to combine reporting data where appropriate (e.g., revenue, theoretical/actual comparison).

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1505. Jackpot functionality.

An online monitoring system must have an application or facility that captures and processes every handpay message from each EGS and meet the following rules:

(1) Handpay messages must be created for single wins (jackpots), progressive jackpots, and accumulated credit cash outs (canceled credits), which result in handpays;

(2)(A) For every single win event that is equal to or greater than the applicable Internal Revenue Service tax reporting threshold, as established from time to time by the Internal Revenue Service, the online monitoring system user must be advised of the need for a W2G or 1042-S Form, as required by the Internal Revenue Service, which is to be processed, either via the online monitoring system or manually.

(B) This option must not be capable of being overridden.

(C) The keyed reset ability to return winnings from a taxable event to an EGS should require user intervention to void the original jackpot slip that is generated; and

(3) The following information is required for all jackpot slips generated with some/all fields to be completed by the online monitoring system:

(A) Numeric slip identifier (which increments per event);

(B) Date and time (shift if required);

(C) EGS number;

(D) Denomination;

(E) Amounts of:

(i) Jackpot;

(ii) Accumulated credit; and

(iii) Additional pay;

(F) W2G indication, if applicable;

(G) Additional payout, if applicable;

(H) Total before taxes and taxes withheld, if applicable;

(I) Amount to patron; and

(J) Total credits played and game outcome of award.

Authority. Arkansas Code § 23-113-302.

Subpart 16. Ticket Validation System Requirements

23 CAR § 355-1601. Generally.

(a) A ticket validation system may be entirely integrated into an online monitoring system or exist as an entirely separate entity.

(b) Payment by ticket printer as a method of credit redemption on an EGS is only permissible when the EGS is linked to an approved ticket validation system.

(c) Validation information shall be communicated from the system to the EGS using a secure communication protocol.

(d) This subpart concerns bidirectional ticket validation system-specific requirements where a ticket validation system that is independent of an online monitoring system would also require the security and integrity standards previously outlined within this document, would also apply.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1602. Loss of communication.

(a) If communications between a gaming device or a gaming device interface component and a system are lost, the gaming device or the gaming device interface component may continue to issue tickets/vouchers provided that, printed on the instrument, there is an authentication code derived by a hash, or other secure encryption method of at least one hundred twenty-eight (128) bits, that will:

- (1) Uniquely identify the wagering instrument;
- (2) Verify that the redeeming system was also the issuing system; and
- (3) Validate the amount of the voucher.

(b) For cases where a suitable authentication code is not printed on the voucher,

the system must print at most one (1) wagering instrument after the gaming device or gaming device interface component to system communications have been lost.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1603. Ticket issuance.

(a) A ticket can be generated at an EGS through an internal document printer, at a player's request, by redeeming all credits.

(b) Tickets that reflect partial credits may be issued automatically from an EGS.

(c) Additionally, cashier/change booth issuance is allowed if supported by the validation system.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1604. Ticket redemption.

(a) Tickets may be inserted in any EGS participating in the validation system providing that no credits are issued to the EGS prior to confirmation of ticket validity.

(b) The customer may also redeem a ticket at a validation terminal (i.e., cashier/change booth, redemption terminal, or other approved methods).

(c) All validation terminals shall be user- and password-controlled with the exception of a redemption terminal that does not require human interaction.

(d) Where the validation is to take place at a cashier/change booth, the cashier:

(1) Shall:

(A) Scan the bar code via an optical reader or equivalent; or

(B) Input the ticket validation number manually; and

(2)(A) May print a validation receipt, after the ticket is electronically validated, if applicable.

(B) The validation receipt, at a minimum, shall contain the following printed information:

(i) Machine number;

- (ii) Validation number;
- (iii) Date and time paid;
- (iv) Amount; and
- (v) Cashier/change booth identifier.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1605. Invalid ticket notification.

The ticket validation system must have the ability to identify duplicate tickets invalid tickets and notify the EGS to reject the ticket or advise the cashier that one (1) of the following conditions exists:

- (1) Ticket cannot be found on file (stale date, forgery, etc.);
- (2) Ticket has already been paid; or
- (3) Amount of ticket differs from amount on file (requirement can be met by display of ticket amount for confirmation by cashier during the redemption process).

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1606. Required reports.

(a) The following reports shall be generated at a minimum and reconciled with all validated/redeemed tickets:

- (1) Ticket issuance report;
- (2) Ticket redemption report;
- (3) Ticket liability report;
- (4) Ticket drop variance report;
- (5) Transaction detail report must be available from the validation system that shows all tickets generated by an EGS and all tickets redeemed by the validation terminal or other EGS; and
- (6) Cashier report, which is to detail individual tickets, the sum of the tickets paid by cashier/change booth or redemption terminal.

(b) The requirements for subdivisions (a)(2) and (a)(4) of this section are waived where two-part tickets exist for the EGS, and where the first part is dispensed as an original ticket to the patron and the second part remains attached to the printer mechanism as a copy (on a continuous roll) in the EGS.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1607. Security of ticket information.

(a) Once the validation information is stored in the database, the data may not be altered in any way.

(b) The validation system database must be encrypted or password-protected and should possess a nonalterable user audit trail to prevent unauthorized access.

(c) Further, the normal operation of any device that holds ticket information shall not have any options or methods that may compromise ticket information.

(d) Any device that holds ticket information in its memory shall not allow removing of the information unless it has first transferred that information to the database or other secured component or components of the validation system.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1608. Unredeemed tickets/vouchers.

(a) Beginning January 1, 2010 and continuing on each January 1 annually thereafter, all EGS tickets/vouchers that are more than one (1) year old as of such January 1 and have not been presented for payment otherwise redeemed prior to such January 1 shall become void at 12:01 a.m. on such January 1 of each year.

(b) All tickets/vouchers declared void under this part shall become part of the net win and thus net wagering revenues from electronic games of skill on such January 1 date for purposes of the Local Option Horse Racing and Greyhound Racing Electronic Games of Skill Act, Arkansas Code § 23-113-101 et seq.

Authority. Arkansas Code § 23-113-302.

Subpart 17. Cashless System Requirements

23 CAR § 355-1701. Generally.

(a) A cashless system may be entirely integrated into an online monitoring system or exist as an entirely separate entity.

(b) Cashless systems may include promotional, bonusing, or player account based systems.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1702. Error conditions.

The following sections outline the error conditions that apply to the cashless system, which must be monitored, and a message must be displayed to the patron at the host card reader for the following:

(1) Invalid PIN or player identification (can prompt for re-entry up to maximum allowed); and

(2) Account unknown.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1703. Transfer of transactions.

If a player initiates a cashless transaction and that transaction would exceed game configured limits (i.e. the credit limit, etc.) then this transaction may only be processed provided that the patron is clearly notified that he or she has received or deposited less than requested to avoid patron disputes.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1704. Security requirements.

(a) The communication process used by the EGS and the host system must be robust and stable enough to secure each cashless transaction such that a failure event or events can be identified and logged for subsequent audit and reconciliation.

(b) In addition, cashless systems must conform to the following security requirements:

(1) The numbers of users that have the requisite permission levels/login to adjust critical parameters are limited;

(2)(A) Only a logged, authorized employee shall have the ability to access all player information.

(B) Security of this information (including patron PIN codes or equivalent patron identification) must be maintained at all times; and

(3) Any adjustment to an account balance would require a supervisor's approval with all changes being logged and/or reported indicating who, what, when, and the item value before and after the change, with the reason.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1705. Prevention of unauthorized transactions.

The following minimal controls shall be implemented by the host system to ensure that games are prevented from responding to commands for crediting outside of properly authorized cashless transactions (hacking):

(1) The network hubs are secured (either in a locked/monitored room or area) and no access is allowed on any node without valid login and password;

(2) The number of stations where critical cashless applications or associated databases could be accessed is limited; and

(3) Procedures shall be in place on the system to identify and flag suspect player and employee accounts to prevent their unauthorized use to include:

(A) Having a maximum number of incorrect PIN entries before account lockout;

- (B) Flagging of hot accounts where cards have been stolen;
- (C) Invalidating accounts and transferring balances into a new account;

and

(D) Establishing limits for maximum cashless activity in and out as a global or individual variable to preclude money laundering.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1706. Diagnostic tests on a cashless EGS.

(a) Controls must be in place for any diagnostic functionality available at the device such that all activity must be reported to the system that would reflect the specific account or accounts and the individual or individuals tasked to perform these diagnostics.

(b) This would allow all cashless diagnostic activity that affect the EGS associated electronic meters to be audited by the EGS Section.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1707. Transaction auditing.

(a) The cashless system shall have the ability to produce logs for all pending and completed cashless transactions.

(b) These logs shall be capable of being filtered by:

- (1) Machine number;
- (2) Patron account; and
- (3) Time/date.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1708. Financial and player reports.

The system shall have the ability to produce the following financial and player

reports:

(1)(A) Patron account summary and detail reports.

(B) These reports shall be immediately available to a patron upon request.

(C) These reports shall include:

(i) Beginning and ending account balance; and

(ii) Transaction information depicting:

(a) EGS number;

(b) Amount; and

(c) Date/time;

(2)(A) Liability report.

(B) This report is to include:

(i) Previous days starting value of outstanding cashless liability;

(ii) Aggregate cashless in and out totals; and

(iii) Ending cashless liability;

(3)(A) Cashless meter reconciliation summary and detail reports.

(B) These reports will reconcile each participating EGS cashless meter or meters against the host system's cashless activity; and

(4)(A) Cashier summary and detail reports.

(B) These reports will include:

(i) Patron account;

(ii) Buy-ins and cash-out;

(iii) Amount of transaction; and

(iv) Date and time of transaction.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1709. Account balance.

Current account balance information should be available on demand from any participating EGS via the associated card reader (or equivalent) after confirmation of patron identity and be presented, in terms of currency, to the patron.

Authority. Arkansas Code § 23-113-302.

Subpart 18. Progressive System Requirements

23 CAR § 355-1801. Progressive system.

A progressive system is a computerized system linking EGS in one (1) or more licensed facilities within the State of Arkansas and offering one (1) or more common progressive payouts based on the amounts wagered.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1802. Progressive meter/display.

(a) A progressive meter/display can be one (1) or more progressive EGS that are linked, directly or indirectly, to a display (e.g., mechanical, electrical, or electronic device, including the video display, if applicable) that shows the payoff which increments at a set rate of progression as credits are wagered.

(b) For games that have progressives such as mystery jackpot, the payoff does not have to be displayed to the player, although there should be an indication as to this type of feature on the game.

(c) The following rules apply to all progressive meter displays:

(1) A progressive meter shall be visible to all players who are playing a device, which may potentially win the progressive amount if the progressive jackpot combination appears, except for mystery jackpots;

(2)(A) A player shall know that he or she is playing a progressive game and not have to play the max bet amount to find out.

(B) The above are parameters that are verified on-site prior to implementation;

(3)(A) The progressive meter shall display the current total of the progressive jackpot in the monetary value or credits (the monetary value may vary for multisite

progressive displays).

(B) Because the polling cycle does cause a delay, the jackpot meter need not precisely show the actual moneys in the progressive pool at each instance;

(4)(A) The use of odometer and other paced updating displays are allowed.

(B) The progressive meter shall display the winning value within thirty (30) seconds of the jackpot being recognized by the central system.

(C) In the case of the use of paced updating displays, the system jackpot meter shall display the winning value after the jackpot broadcast is received from the central system;

(5)(A) If the progressive meter or meters progresses to its maximum display amount, the meter shall freeze and remain at the maximum value until awarded to a player.

(B) This can be avoided by setting the jackpot limit in accordance with the digital limitations of the sign;

(6) If this rule prescribes multiple items of information to be displayed on an EGS or progressive meter, it is sufficient to have the information displayed in an alternating fashion;

(7) When a progressive jackpot is recorded on an electronic EGS which is attached to the progressive controller, the progressive controller shall allow for the following to occur on the device and/or progressive display:

(A) Display of the winning amount;

(B) Display of the electronic EGS identification that caused the progressive meter to activate if more than one (1) electronic EGS is attached to the controller;

(C) The progressive controller shall automatically reset to the reset amount and continue normal play; and

(D) The new progressive values that are current on the link;

(8) Any device that has a feature that doubles or triples, etc., any win shall have a sign that states the progressive award will not be doubled or tripled if won during the feature, if this is the intention; and

(9)(A) For progressives offering multiple levels of awards, the player must

always be paid the higher progressive amount if a particular combination is won that should trigger the higher paying award.

(B) This may occur when a winning combination may be evaluated as more than one (1) of the available payable combinations (i.e., a straight flush is a form of a flush and a royal flush is a form of a straight flush).

(C) Therefore, there may be situations where the progressive levels shall be swapped to ensure the player is being awarded the highest possible progressive value based on all combinations the outcome may be defined as.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1803. Progressive controllers.

(a) The requirements of this section are intended to apply equally to one (1) progressive EGS linked to a progressive controller or that is internally controlled, as well as several progressive EGS linked to one (1) progressive controller within one (1) track or multiple tracks.

(b) A progressive controller is all of the hardware and software that controls all communications among the devices that calculates the values of the progressives and displays the information within a progressive EGS link (if applicable, progressive EGS may be internally controlled) and the associated progressive meter.

(c) This equipment includes, but is not limited to, PC-based computers, wiring, and collection nodes, etc.

(d) The method by which system jackpot parameter values are modified or entered is to be secure.

(e) Progressive controllers shall:

(1)(A) During the normal mode of progressive EGS, the progressive controller shall continuously monitor each device on the link for credits bet and shall multiply the same by the rate of progression and denomination in order to determine the correct amounts to apply to the progressive jackpot.

(B) This shall be at least ninety-nine and ninety-nine hundredths percent

(99.99%) accurate;

(2)(A) The progressive controller or other approved progressive system component shall keep the following information in nonvolatile memory, which shall be displayed on demand.

(B) Additionally, meters shall be ninety-nine and ninety-nine hundredths percent (99.99%) accurate:

(i) The number of progressive jackpots won on each progressive level if the progressive display has more than one (1) winning amount;

(ii) The cumulative amounts paid on each progressive level if the progressive display has more than one (1) winning amount;

(iii) The maximum amount of the progressive payout for each level displayed;

(iv) The minimum amount of the progressive payout for each level displayed; and

(v) The rate of progression for each level displayed;

(3)(A) When a controller error occurs, it is preferred that it alternates the displays, or equivalent, between the current amount and an appropriate error message that is visible to all players, or can alert the franchise holder to the error condition.

(B) If the following events occur, the game that is using the progressive is to be disabled, and an error shall be displayed on the progressive meter, other approved progressive system component, or EGS:

(i) During a communication failure;

(ii) When there have been multiple communication errors;

(iii) When a controller checksum or signature has failure;

(iv) When a controller's RAM or PSD (program storage device) mismatch or failure occurs; and

(v) When the jackpot configuration is lost or is not set;

(4)(A) The progressive controller shall have a secure means of transferring a progressive jackpot and/or prizes to another progressive controller or other approved progressive system component.

(B) Transferring of progressive jackpots must meet the local internal control procedures;

(5)(A) There shall be a secure, two-way communication protocol between the main game processor board and progressive.

(B) In addition, the progressive system shall be able to:

(i) Send to the electronic EGS the amount that was won for metering purposes; and

(ii) Constantly update the progressive display as play on the link is continued;

(6)(A) Each external progressive controller used with a progressive EGS shall be housed in a secure environment allowing only authorized accessibility.

(B) Access to the controller must conform to the local internal control procedures;

(7) All progressive EGS (internal to the game) or any approved progressive system component (external to the game or games) shall display, upon request, the following information for each progressive prize offered (if applicable):

(A)(i) Current value.

(ii) Current prize amount;

(B)(i) Overflow.

(ii) Amount exceeding limit;

(C)(i) Hits.

(ii) Number of times this progressive was won;

(D)(i) Wins.

(ii) Total value of wins for this progressive or a history of the last twenty-five (25) progressive hits;

(E)(i) Base.

(ii) Starting value.

(iii) The initial amount of a progressive jackpot shall begin at or above an award for that particular EGS that makes the entire meter payout greater than the minimum percentage requirement, if one is set;

(F)(i) Limit.

(ii) Jackpot limit value.

(iii) If the jackpot is capped at a maximum limit, this standard does not require to add the overflow amounts to the next starting value and will be determined on a franchise holder basis;

(G)(i) Increment.

(ii) Percentage increment rate;

(H)(i) Secondary increment.

(ii) Percentage increment rate after limit is reached;

(I)(i) Hidden increment.

(ii) Percentage increment rate for the reserve pool (the next base amount shall be computed or posted to advise the player of this contribution);

(J)(i) Reset value.

(ii) The amount the progressive resets to after the progressive is won; and

(K) The participating EGS.

(f) Any change to the jackpot amount must conform to the local internal control procedures.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "RAM" means random access memory.

23 CAR § 355-1804. Linked EGS odds.

(a) Each device on the link shall have the same probability of winning the progressive, adjusted for the denomination played.

(b) For instance, the probability shall remain the same for multiple denomination games based on the monetary value of the wager (e.g., a two-credit, one-dollar game has the probability of one (1) in ten thousand (10,000) and a two-credit, two-dollar game on the same link has the probability one (1) in five thousand (5,000)).

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1805. Multisite progressive.

(a) Multisite progressive EGS are interconnected in more than one (1) franchise holder in Arkansas.

(b) The purpose of a multisite progressive system is to offer a common progressive jackpot (system jackpot) at all participating locations.

(c) Multisite progressive systems shall meet the following rules:

(1) Be certified in two (2) phases:

(A) Initial laboratory testing, where the laboratory will test the integrity of the EGS in conjunction with a progressive system in the laboratory setting with the equipment assembled; and

(B) On-site certification, where the progressive communications and set up are tested on the EGS gaming floor prior to implementation;

(2)(A) It is recommended that the method of communication be a nonshared, dedicated line or equivalent.

(B) Dial tone systems may be used as long as devices at the local site would not be able to be disabled from another outside line or manipulated by any other means.

(C) When the method of communication is a shared line, appropriate encryption and security must be in place to avoid corruption or compromise of data;

(3) Multisite systems shall ensure that security information and the amounts wagered information is communicated, at least once every sixty (60) seconds for terrestrial lines (dedicated phone lines), and a reasonable amount of time for radio frequency, from each participating device to the central monitoring system;

(4)(A) All multisite property systems shall utilize an encryption method that has been approved by the laboratory.

(B) Such encryption method shall include the use of different encryption keys or seeds so that encryption can be changed in a real-time fashion;

(5)(A) The on-line provision is to be able to monitor the meter readings and error events of each device regardless of any outside monitoring system.

(B) Therefore, the online security system requirement when EGSs are in play is not altered in any way;

(6)(A) The multisite central server shall be equipped with noninterruptible power supply that will allow the server to conduct an orderly shutdown if the power is lost.

(B) Should the system utilize hard disk peripherals, the server shall be capable of online data redundancy;

(7)(A) An EGS shall immediately disable itself and suspend play if communication is lost to the local collection unit and security hub.

(B) The EGS may resume play only when communication to the local hub is restored.

(C) If the communication is lost between the local hub and the server, the EGS may continue to play.

(D) However, once communications are re-established, the system-wide totals are to be updated.

(E) Notwithstanding this rule, if the communication is lost for more than twenty-four (24) hours the multisite EGS must be shut down;

(8) Any multisite system shall supply, as requested, the following reports:

(A)(i) Progressive summary.

(ii) A report indicating the amount of, and basis for, the current jackpot amount (the amount currently in play);

(B)(i) Aggregate report.

(ii) A report indicating the balancing of the system with regard to system wide totals; and

(C)(i) Payoff report.

(ii) A report that will clearly demonstrate the method of arriving at the payoff amount.

(iii) This will include the credits contributed beginning at the polling

cycle, immediately following the previous jackpot, and will include all credits contributed up to and including the polling cycle which includes the jackpot signal.

(iv) **Note.** Credits contributed to the system after the jackpot occurs in real-time, but during the same polling cycle, shall be deemed to have been contributed to the progressive amount prior to the jackpot.

(v) Credits contributed to the system subsequent to the jackpot message being received, as well as credits contributed to the system before the jackpot message is received by the system, but registered after the jackpot message is received at the system, will be deemed to have been contributed to the progressive amount of the next jackpot, if applicable;

(9)(A) All meter reading data shall be obtained in real time in an online, automated fashion.

(B) For progressive amount reconciliation purposes, the progressive system shall return the credit bet meter readings on all EGS attached to the system.

(C) The meter readings shall be identical to the meter information retained in the EGSs accounting meters;

(10) The multisite progressive system shall have the ability to monitor entry into the front door of the EGS and report it to the central system immediately;

(11)(A) If a jackpot is recognized in the middle of a system-wide poll cycle, the overhead display may contain a value less than the aggregated jackpot amount calculated by the central system.

(B) The credit values from the remaining portion of the poll cycle will be received by the central system but not the local site, in which case the jackpot amount paid will always be the higher of the two (2) reporting amounts;

(12)(A) Procedures shall be developed, implemented, and documented for the following.

(B) These reports shall adequately document the procedures, be generated and retained:

- (i) Reconciliation of meters and jackpot payouts;
- (ii) Collection drop of EGS funds;

(iii) Jackpot verification and payment procedures that include an Arkansas Racing Commission agent be present for independent prize verification and payment;

(iv) System maintenance;

(v) System accuracy;

(vi) System security;

(vii) System failures including:

(a) The local hub;

(b) The central site;

(c) Failures in communications; and

(d) Backup and recovery; and

(13) Internal controls that address the following occurrences are to be submitted by the vendor and approved by the commission:

(A) When multiple jackpots occur, where there is no definitive way of knowing which jackpot occurred first, they will be deemed to have occurred simultaneously; and

(B) If there is a communication failure, and a player wins the jackpot at a nonupdated site.

Authority. Arkansas Code § 23-113-302.

Subpart 19. Client-Server System Standards

23 CAR § 355-1901. Generally.

(a) A client-server system can be fragmentally defined as a server-base game system, a server-supported game system, or a hybrid of the two (2), all of which can be defined as the combination of a central server, client terminals, and all interface elements that function collectively for the purpose of linking the client terminal with the central server to perform a myriad of functions related to gaming, which may include, but are not limited to:

- (1) Downloading of game logic to the client terminals;
- (2) Central server random number generations; and
- (3) Thin client gaming configurations.

(b) The communication network may be totally contained within a single venue or over a wide area network whereby a server in one (1) location supports client terminals in multiple sites.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1902. Server-based game systems (SBGS) defined.

(a) SBGS is the combination of a server and client terminals in which the entire or integral portion of game content resides on the server.

(b) This system works collectively in a fashion in which the client terminal will not be capable of functioning when disconnected from the system.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "SBGS" means server-based game systems.

23 CAR § 355-1903. Server-supported game system (SSGS) defined.

(a) SSGS is the combination of a server and a client terminal or terminals which together allow the transfer of the entire control program and game content to the client terminal or terminals for the purpose of downloading control programs and other software resources to the client terminal on an intermittent basis.

(b) The client terminals connected to the system are capable of operating independently from the system once the downloading process has been completed.

(c) This configuration encompasses cases where the system may take control of peripheral devices or associated equipment typically considered part of a conventional client terminal such as a bill validator or a printer.

(d) In a system supported game, game outcome is determined by the client

terminals connected to the system and not by the system itself.

- (e) The client terminal is capable of functioning if disconnected from the system.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "SSGS" means server-supported game systems.

23 CAR § 355-1904. Communication protocol.

(a) Each component of a CSS must function as indicated by the communication protocol implemented.

(b) All protocols must use communication techniques that have proper error detection and/or recovery mechanisms, which are designed to prevent tempering.

(c) Information related, game outcome, financial transactions, and game recall information must be encrypted by a means approved by the Arkansas Racing Commission.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1905. Loss of communication.

(a) For a server-based game system, a client must be rendered unplayable if communication from the server or system portion of the client terminal is lost.

(b) If a game is in progress, either:

(1) The client terminal must have the capability to complete the game including accurate accounts of all records of the game; or

(2) A mechanism must be provided to recover to the point of the game when communication was lost.

(c) Alternatively, in a multiplayer environment, a loss of communication can result in aborting the game and refunding player's wagers.

(d) In the case of client terminals that have lost communication with the server, the CSS must provide a means, such as a handpay, for patrons to cash out credits indicated on the server-based client terminal at the time communication was lost.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1906. System security.

(a) In the even the CSS server is utilized in conjunction with other networks, all communication, including remote access, must pass through at least one (1) approved application-level firewall and must have a facility that allows for an alternate network path.

(b) If an alternate network path exists for redundancy purposes, it must also pass through at least one (1) application-level firewall.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1907. Firewall audit logs.

The firewall application must maintain an audit log of the following information and must disable all communication and generate an error event if the audit log becomes full:

- (1) All changes to configuration of the firewall;
- (2) All successful and unsuccessful connection attempts through the firewall;

and

- (3) The source and destination:
 - (A) IP addresses;
 - (B) Port numbers; and

(C) MAC address.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1908. Remote access.

(a) Remote access is defined as any access to the system outside of the trusted network.

(b) Remote access, where permitted, shall authenticate all computer systems based on the authorized settings of the CSS or firewall application that establishes a connection with the CSS.

(c) The security of remote access will be reviewed on a case-by-case basis, in conjunction with the current technology and approval from the Arkansas Racing Commission.

(d) The following are additional requirements:

(1) No unauthorized remote user administration functionality (adding users, changing permissions, etc.);

(2) No unauthorized access to any database other than information retrieval using existing functions; and

(3) No unauthorized access to the operating system.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1909. Remote access auditing.

The CSS server must maintain an activity log either automatically or have the ability to manually enter the logs depicting all remote access information that includes:

(1) The log on name;

(2) Time and date the connection was made;

(3) Duration of connection; and

(4) Activity while logged in, including the specific areas accessed and changes that were made.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1910. Wide area network communication.

Wide area network (WAN) communication within the CSS is permitted provided that the following criteria is met:

(1) The communication over the WAN are secured from intrusion, interference, and eavesdropping via techniques such as use of Virtual Private Network, encryption, authentication, etc.; and

(2)(A) Only functions documented in the communication protocol are used over the WAN.

(B) The protocol shall be provided to a third party testing laboratory and the Arkansas Racing Commission for evaluation.

(C) The protocol documentation may be in multiple parts, e.g., delivery mechanism and message formats, etc.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1911. CSS server requirements.

(a) This section covers the elements common to the back of the house operations of a CSS.

(b) The game server or servers may be located locally, within a single facility or may be remotely located outside of the facility such as over a Wide Area Network.

(c) In the case where a CSS server also performs tasks as required by other

systems, (i.e. online monitoring and control system, ticket validation system, etc.) those portions would have to be evaluated against the appropriate Arkansas rules.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1912. Multiple servers.

(a) A CSS may in fact be a collection of servers for load balancing, redundancy, or functionality reasons.

(b) For example, there might be two (2) or more game servers, a finance server, monitoring server, download server, etc.

(c) The system as a whole, which may be a collection of such servers, must meet the full requirements of this specification but not necessarily each server.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1913. Operations and server security.

(a) For a server-based game system and hybrid systems as applicable, the game server shall generate and transmit to the client terminals control, configuration, and information data, depending upon the actual implementation.

(b) Examples include:

(1) Credit movement;

(2) Random numbers;

(3) Game result components (e.g. balls, cards, or reel stop positions); and

(4) Actual game results or updates to the credit meter for winning games.

(c) For a system-supported game system and hybrid systems as applicable, the game server will not participate in the game determination process, i.e., the primary

functions will be that of downloading control programs and other software resources, or providing command and control instruction that may change the configuration of the software already loaded on the client terminal, on an intermittent basis.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1914. Intrusion protection.

All servers shall have sufficient physical/logical intrusion protection against unauthorized access.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1915. Configuration access requirements.

The CSS interface element setup/configuration menu or menus must not be available unless using an authorized access method that is secure.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1916. Server programming.

(a) There shall be no means available for an operator to conduct programming on the server in any configuration (e.g. the operator should not be able to perform SQL statements to modify the database).

(b) However, it is acceptable for a network administrator to perform authorized network infrastructure maintenance with the sufficient access rights that would include the use of SQL statements that were already resident on the system.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "SQL" means structured query language.

23 CAR § 355-1917. Virus protection.

It is recommended all servers and client devices should have adequate virus protection.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1918. Copy protection.

Copy protection to prevent unauthorized proliferation or modification of software, for servers or clients, may be implemented provided that the method of copy protection is fully documented and provided to the third party independent test laboratory and the Arkansas Racing Commission, which will verify that the protection works as described.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1919. System failure.

(a)(1) The CSS shall be designed to protect the integrity of pertinent data in the event of a failure.

(2) Audit logs, system databases, and any other pertinent data must be stored using reasonable protection methods.

(3) If hard disk drives are used as storage media, data integrity must be ensured in the event of a disk failure.

(b)(1) Acceptable methods include, but are not limited to, multiple hard drives in an acceptable RAID configuration, or mirroring data over two (2) or more hard drives.

(2) The method used must also provide open support for backups and restoration.

(3) Backup scheme implementation must occur at least once every day, although all methods will be reviewed on a case-by-case basis by the Arkansas Racing Commission.

Authority. Arkansas Code § 23-113-302.

Codification Notes. “CSS” means client-server system.

23 CAR § 355-1920. Recovery requirements.

(a) In the event of a catastrophic failure where the CSS cannot be restarted in any other way, it shall be possible to reload the database from the last viable backup point.

(b) This must fully recover the contents of that backup and shall consist of at least the significant events, auditing information, and specific site information such as game configuration, security accounts, etc.

Authority. Arkansas Code § 23-113-302.

Codification Notes. “CSS” means client-server system.

23 CAR § 355-1921. Self-monitoring.

(a) The CSS must implement self-monitoring of all critical interface elements (e.g. central hosts, network devices, firewalls, links to their parties, etc.) and shall have the ability to effectively notify the system administrator of the condition, provided the condition is not catastrophic.

(b) The CSS shall be able to perform this operation with a frequency of at least once in every twenty-four-hour period.

(c) The implementation of self-monitoring schemes will be reviewed on a case-by-case basis by the Arkansas Racing Commission and the test laboratory.

(d) Additionally, all critical interface elements will be reviewed on a case-per-case basis and may require further action by the system depending upon the severity of the failure.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1922. CSS software verification.

(a) Each integral component of the CSS must have a method to be verified via a third-party verification procedure.

(b) The client terminal and/or the applicable server side critical game components shall provide the ability to conduct an independent integrity check of the control programs, from a third-party outside source.

(c) The verification program used for the integrity check may be embedded within the game software or have an interface port that is used to authenticate the media with the verification program.

(d) The third-party verification process must not include any process or security software provided by the gaming manufacturer.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1923. Verification of devices that cannot be interrogated.

Program devices that cannot be interrogated, such as smart cards, may be used provided they are able to be verified by the following methodology:

(1) A challenge is sent by the peer device, such as a hashing see, to which the device must respond with a checksum of its entire program space using the challenge value; and

(2) The challenge mechanism and means of loading the software into the device is verified by an independent testing laboratory and approved by the Arkansas Racing Commission.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1924. Server recall requirements.

(a)(1) The server that supports a server-based game must be able to provide the following game history information.

(2) In the case of a hybrid system it is allowable for this information to be stored either on the server or at the client terminal as long as all information is accounted for.

(b)(1) A complete play history for at least the last ten (10) games for each client station connected to the server-based game.

(2) The last play information shall provide all information required to fully reconstruct the last ten (10) plays.

(c)(1) All values shall be displayed including the:

- (A) Initial credits available;
- (B) Credits bet;
- (C) Credits won; and
- (D) Credits paid.

(2) If a progressive was awarded it is sufficient to indicate the progressive was awarded and not display the value.

(d) Play history shall include the final game outcome including all player choices and any bonus features offered, the results of double-up (if applicable) and reflect position-dependent events if the outcome results in an award.

(e)(1) Play history shall reflect bonus features in their entirety.

(2) If a bonus round lasts for x number of events, each with separate outcomes, each of the x number of events shall be displayed with its corresponding outcome.

(3) For games that may have infinite free games there shall be a minimum of fifty (50) games recallable in the play history.

(f) If the play history is stored on the server, the capability to initiate game recall must be available at the client station for recall information specifically associated with the particular client station initiating the game recall.

(g)(1) The capacity to initiate game recall for any and all clients that make up the server-based gaming system must be available from the system or server portion of the SBGS.

(2) The requirement to display game recall applies to all game programs currently installed on the server portion of the server-based game.

(3) If the system is hybrid, then the game results shall be available from the server for all clients that make up the SBGS in report form as long as play history details as stated are available on the client terminal.

(h)(1) A complete transaction history for transactions with a cashless wagering system to include the most recent and the previous thirty-four (34) transactions prior to the most recent transaction for each client station that incremented any of the cashless in-or-out meters.

(2) The capability to initiate transaction history must be available at the client terminal for the transaction history specifically associated with the particular client terminal initiating the history information request.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "SBGS" means server-based gaming system.

23 CAR § 355-1925. Download data library.

The download data library refers to the formal storage of all approved data files that may be downloaded to client terminals including control and game software, peripheral firmware, configuration data, etc.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1926. Update of download data library.

(a) Where applicable, the CSS download data library shall only be written to, with secure access that is controlled by the Arkansas Racing Commission, in which case the

manufacturer and/or operator will be able to access the download data files.

(b) Or, the download data library shall only be written to use a method that is acceptable by an independent test laboratory and the commission.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1927. Download data library audit log.

Any changes that are made to the download data library, including the addition, changing, or deletion of game programs, must be stored in an unalterable audit log, which shall include:

- (1) Time and date of the access and/or event; and
- (2) Log in name and download data files:
 - (A) Added;
 - (B) Changed; or
 - (C) Deleted.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1928. Download activity audit log.

(a) Any record of activity between the server and the client that involves the downloading of program logic, the adjustment of client settings/configurations, or the activation of previously downloaded program logic, must be stored in an unalterable audit log.

(b) This log shall include the client terminal or terminals which the game program was downloaded to and, if applicable, the program replaced.

(c) In addition the log shall include the client terminal or terminals which the game program was activated on, the program it replaced, and changes to the client terminal configuration settings/configurations and what the changes were.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1929. Download of client terminal data files and control programs.

This will outline the requirements of the CSS when downloading software, games, and other configuration data to client terminals, if the server provides the functionality of downloading control programs and other software resources, whether for a:

- (1) Server-based game system;
- (2) System-supported game systems; or
- (3) Hybrid system.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1930. Authentication of control programs.

(a) The CSS shall authenticate all critical files including, but not limited to, executables, data, and other files which may affect the game outcome or the compliant operation of the CSS during the following:

- (1) Any processor reset (power-up, soft reset); and
- (2) The first time the files are loaded for use (even if only partially loaded).

(b)(1) The CSS shall employ an industry standard secure hashing algorithm (e.g. MD-5 or SHA-1).

(2) In the event of failed authentication, the player terminal should immediately enter an error condition with the appropriate audio and visual indicator.

- (3) The error shall require operator intervention.

(c) The CSS shall display specific error information and shall not clear until either the:

- (1) Fail authenticates properly, following the operator intervention; or
- (2) Medium is replaced or corrected, and the memory is cleared (if applicable), the component is restarted, and all files authenticated correctly.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1931. Control program.

(a) These minimum technical rules shall be met, where applicable, when downloading/activating control programs from the CSS Server to the client terminal.

(b)(1) The client terminal and/or the CSS server must have a method to monitor and report to the MCS all external door access during a foreground program download and/or activation process.

(2) If the CSS does not have the ability to monitor the door access during the foreground program download and/or activation process, an independent test laboratory's report shall indicate as such so that internal controls can be developed to ensure the security of the client terminal's security, primarily with regard to the cash compartments, where applicable.

(c) Below are the methods to store the current game data that is pertinent to the individual client terminal when updating the control program in an SSGS configuration:

(1)(A) Where applicable, the game data is uploaded and security stored on the CSS server and is maintained:

(i) For a minimum of twenty-four (24) hours and archived after that time; or

(ii) In a log or script file.

(B) If this method is used, the process in downloading the new control program to the client terminal must ensure that all critical areas of memory are overwritten by a default value;

(2) The game data is maintained at the client terminal; or

(3)(A) If the CSS is not capable of meeting the above rule, regulatory control may be required on the CSS server for new client terminal control program downloads.

(B) In addition, the alternate methods used will be reviewed by an

independent test laboratory and the Arkansas Racing Commission on a case-by-case basis.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

"SSGS" means system-supported game systems.

23 CAR § 355-1932. Control of client terminal configurations.

Client terminals used in a CSS environment that have alterable configurations that require regulatory control, as outlined within this part, may be waived provided that the rules within this subpart are met.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1933. Paytable — Denomination configuration changes.

(a) Client terminal control programs that offer multiple paytables and/or denominations that can be configured via the CSS server will not require regulatory control to change the paytable selected, provided the following rules to be met.

(b) All paytables that are available meet the theoretical payback percentage and odds requirements as stated in this part.

(c) The client terminal and/or CSS server maintains the amounts bet and amounts won meters within critical memory for each of the paytables that are available.

(d) The client terminal maintains the master accounting meters in dollars and cents of the lowest denomination available for the local currency.

(e) The game is in an idle state when the update occurs.

(f) The change will not cause inaccurate crediting or payment (i.e., games using

coin hoppers and coin acceptors with a fixed denomination).

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1934. Client terminal critical memory clear.

(a) The process of clearing memory on the client terminals via the CSS must utilize a secure method that would require regulatory controls.

(b) For systems that do not comply with this part, the Arkansas Racing Commission must approve the method used.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

23 CAR § 355-1935. Random number generator.

(a)(1) A CSS may be utilized for the generation of random values, which are subsequently communicated to the client terminal's control program that is required for the determination of game outcomes.

(2) The CSS server generation of random values shall not include the generation of finite pools of game outcomes.

(3) In the event the CSS has the ability to download random values to the client terminal, the random number generator shall function in accordance with the randomness requirements as outlined in this part.

(b)(1) Systems utilizing finite pools of game outcomes (i.e. electronic pull-tab system) shall dispense upon request from a client terminal as electronic ticket or game outcome.

(2) All finite games must be played without replacement.

(3) Once dispensed, such ticket or outcome must not be reused until the game

set is replenished.

(c)(1) The system shall utilize randomizing procedures in the creation of the game sets for electronic tickets or game outcomes.

(2) The randomizing procedure shall be in accordance with the RNG requirements stated in this part with the exception of mechanical based RNG games.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "CSS" means client-server system.

"RNG" means random number generator.

23 CAR § 355-1936. CSS client terminal.

(a) This terminal is used by the player to place wagers, play the game or games on offer, and win prizes (when applicable).

(b) The player terminal may receive game play information from the game server in the case of a system-based game system or make its own determination in the case of a system supported game system, and then displays the information to the player.

(c) Game play and other functionality may be separated in parts, where some components may be generated within or outside the player terminal (e.g., player terminals that function with a system).

(d) A client terminal shall be robust enough to resist forced illegal entry unless such entry causes an error condition, and which does not affect the subsequent play or any other play, prize, or aspect of the game.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-1937. Software activation.

Prior to execution of updated software, the client terminal must be in an idle state for a time frame determined by the Arkansas Racing Commission and the software is

successfully authenticated as defined within Arkansas rules.

Authority. Arkansas Code § 23-113-302.

Subpart 20. Redemption Terminal (Kiosk) Standards

23 CAR § 355-2001. Kiosks.

(a) Kiosks are only to be used for the purpose of accepting, validating, and providing payment for tickets inserted.

(b) Kiosks may incorporate other functions that would not have any effect on the integrity of gaming, with the exception of automated teller machine functionality.

(c) Kiosks must use a communication protocol that will not permit the kiosk to write directly to the system database and only process payments based on commands from the system.

(d) Redemption kiosks shall meet the EGS hardware requirements for security and player safety, as previously outlined.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-2002. Error conditions.

(a)(1) Kiosks must be capable of detecting and displaying the following error conditions.

(2) The error condition must illuminate the tower light or sound an audible alarm.

(3) This requirement may be substituted for a notification system that alerts staff of error conditions.

(4) The kiosk shall be able to recover to the state it was in immediately prior to any interruption that occurred, including during payment.

(b) Error conditions requiring attendant intervention are denoted by '*':

(1) Power loss or power reset;

(2) System and kiosk not communicating (this may be detected upon ticket insertion only);

(3) RAM error (critical memory)*;

(4) Low RAM battery (if battery external to the RAM itself used)*;

(5) Ticket voucher-in jam*;

(6) Door open (all external doors);

(7) Bill acceptor stacker full (this condition should cause the bill acceptor to disable itself to no longer accept anything);

(8) Bill acceptor door open;

(9) Bill stacker door open or bill stacker removed; and

(10) Printer errors (if internal printer is supported)*.

(c) If the redemption kiosk uses error codes instead of a text explanation of the error conditions, a description of error codes and their meanings must be affixed on the inside of the redemption kiosk.

(d) If any of the above error conditions occur during the acceptance and/or escrowing of a ticket voucher, the ticket voucher must be returned to the patron without a status change on the validation system or, once the error condition is cleared, proceed to pay the patron and have a status of 'Redeemed' on the system.

Authority. Arkansas Code § 23-113-302.

Codification Notes. "RAM" means random access memory.

23 CAR § 355-2003. Maximum redeemable value.

There shall be a maximum ticket value that can be paid by a kiosk or have available the ability to select the maximum amount.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-2004. Metering.

(a) Metering information is maintained in critical memory at the redemption kiosk.

(b) The redemption kiosk must maintain the following meters, which can be by denomination:

(1)(A) A total in meter that accumulates the total value of all bills and ticket vouchers accepted by the device.

(B) Separate in meters shall report the value of all tickets redeemed and the value of all bills redeemed; and

(2)(A) A total out meter or meters for payments issued by the machine.

(B) Separate out meters shall report the value of all tickets or other notes.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-2005. Clearing meters.

The redemption kiosk must not have a mechanism whereby an unauthorized user can cause the loss of stored accounting meter information.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-2006. Required logs.

(a) Logs must be maintained in critical memory or on a paper log (see subsection (b) of this section) housed within the redemption kiosk that consists of the following:

(1) Voucher in event log which must properly log the following information about the voucher redeemed:

(A) Date/time of redemption;

(B) Amount of voucher; and

(C) At least last four (4) digits of validation number; and

(2) The redemption kiosk must maintain at least thirty-five (35) events in the voucher in event log.

(b) **Note.** If the device utilizes a printer to record the information required within this section, the printer must be capable of monitoring any printer fault (i.e., printer

disconnected, paper jam, out of paper, etc.).

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-2007. Ticket acceptance.

(a) Tickets may only be accepted when the kiosk is communicating with the system.

(b) Tickets inserted into a kiosk must be rejected when the system link is down and payment shall only be made when the ticket is stacked within the bill stacker.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-2008. Wireless networks.

(a) This section shall address security precautions and minimum recommendations that govern wireless networks.

(b) **Wireless Ethernet connections.**

(1) Should a wireless Ethernet communication solution be adopted, then additional security precautions must be taken.

(2) The current wireless Ethernet technology (Wi-Fi) is vulnerable and should not be considered secure.

(3) If Wi-Fi is chosen as the communication method for your system, the following recommendations are to be considered minimum recommendations and not restrictions:

(A) The wireless access point must be physically positioned in the building so that it is not easily accessible by unauthorized individuals; and

(B)(i) Wireless network traffic must be secured with additional encryption to compensate for the weaknesses in Wi-Fi.

(ii) The keys used to encrypt the communication through the wireless network must be stored in a secure location.

Authority. Arkansas Code § 23-113-302.

23 CAR § 355-2009. Security considerations for WLAN used with a wired LAN.

The wired LAN (local area network) must be isolated from the wireless network through the layering of additional network security methods.

Authority. Arkansas Code § 23-113-302.