

# CONDENSED LICENSING RULES

## CARD ROOM SUPPLEMENTAL APPLICATION

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**WAC 230-03-040 Signing the application.** The applicant signs the application under oath and under penalty of perjury under the laws of the state of Washington. This oath affirms that the information on the application and any accompanying materials is accurate and complete.

- (1) The person signing the application must be:
  - (a) The highest ranking officer of a charitable, nonprofit, or profit-seeking corporation, or limited liability company seeking licensure; or
  - (b) The owner of a sole proprietorship seeking licensure; or
  - (c) All partners of a partnership or general partner of a limited partnership seeking licensure.
- (2) The person seeking an individual license and a designated officer of the organization for which the person will work must both sign the application.

**WAC 230-03-050 Additional information required from applicants for licensing.** (1) Applicants must give us details or copies of the following information on or attached to their application:

- (a) The name of the resident agent as required by state law, and the agent's business and home address; and
- (b) Internal Revenue Service tax exemption letter, if one is necessary; and
- (c) All lease or rental agreements, whether oral or written, between the applicant and the owner of the site where the applicant will conduct gambling activity; and
- (d) Any franchise agreements or other agreements, whether written or oral, between the applicant and distributors or manufacturers of equipment or between the applicant and any other person whose agreements relate to gambling activities or gambling equipment; and
- (e) All proposed financing, consulting, and management agreements or contracts between applicant and any gambling service supplier; and
- (f) Enough personal information to ensure each substantial interest holder is qualified to hold a license or participate in an authorized gambling activity; and
- (g) For commercial applicants: Articles of incorporation, limited liability corporation formation, partnership agreement, and other documents which set out the applicant's business structure; and
- (h) For charitable and nonprofit organization applicants: Articles of incorporation and bylaws; or, if not a corporation, a copy of any bylaws and other documents which set out the organizational structure and purposes of the organization.

(2) Applicants must also give us any other information we request within thirty days of the request or within any other time frame we provide.

**WAC 230-03-055 Reporting changes to application.** You must notify us if any information required on the application changes or becomes inaccurate in any way within ten days of the change.

**WAC 230-03-210 Applying for a gambling service supplier license.** (1) You must apply for a gambling service supplier license if you perform any of the following gambling-related services for compensation:

- (a) Consulting or advisory services regarding gambling activities; or
- (b) Gambling management services; or
- (c) Financing for more than one licensee for purchases or leases of gambling equipment or financing for providing infrastructure or facilities, or equipment that supports gambling operations:
  - (i) Once you have financed more than one licensee, you must be a licensed gambling service supplier until all loans with licensees or previous licensees are paid.
  - (ii) Once you have been a licensed gambling service supplier, you must be licensed as a gambling service supplier again before financing purchases or leases for any licensee; or
- (d) Acting as a lending agent, or loan servicer, or placement agent; or
- (e) Providing the assembly of components for gambling equipment under a contract with a licensed manufacturer or entering into an ongoing financial arrangement for gambling related software with a licensed manufacturer; or
- (f) Installing, integrating, maintaining, or servicing digital surveillance systems that allow direct access to the operating system; or
- (g) Training individuals to conduct authorized gambling activities; or
- (h) Providing any other service or activity where influence may be exerted over any gambling activity licensed by the commission; or
- (i) Performing the testing and certification of tribal lottery systems in meeting requirements specified in the tribal-state compact.

(2) You do not need a gambling service supplier license if you are:

- (a) A bank, mutual savings bank, or credit union regulated by the department of financial institutions or any federally regulated commercial lending institution; or
- (b) A university or college regulated by the Washington state board of community and technical colleges and the higher education coordinating board that trains individuals to conduct authorized gambling activities; or
- (c) An attorney, accountant, or governmental affairs consultant whose primary business is providing professional services that are unrelated to the management or operation of gambling activities; or
- (d) A person who only provides nonmanagement-related recordkeeping services for punch board and pull-tab operators, when the combined total gross billings from such services do not exceed twenty-five thousand dollars during any calendar year; or
- (e) A person who provides names, images, artwork or associated copyrights, or trademarks, or patent use, or

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other features that do not affect the results or outcome of the game, for use in gambling equipment; or

- (f) Regulated lending institutions.

### **WAC 230-06-046 Additional requirements for licensed business premises of class E, F, and house-banked card rooms.**

(1) The licensed business premises of class E, F, and house-banked card rooms may not be adjacent to each other if each licensed business premises:

- (a) Shares inside public access between the two licensed business premises; or
- (b) Has employee access between the two licensed business premises visible to the public; or
- (c) Shares windows or similar structures that allow customers to see into the other licensed business premises.

(2) Subsection (1) of this section does not apply to class E, F, and house-banked card room physical locations that have any of the features listed in subsection (1) of this section and were licensed on the effective date of this rule.

(3) Adjacent card rooms must post signs at each entrance that is accessible by the public to clearly notify customers of the licensed business premises' identity.

### **WAC 230-06-080 Report changes to application information and submit updated documents and information.**

(1) Licensees must notify us in writing if any information filed with the application changes in any way within thirty days of the change.

(2) Licensees must submit to us any new or updated documents and information, including the following:

- (a) Articles of incorporation or bylaws, or any other documents which set out the organizational structure and purposes; and
- (b) All oral or written contracts and agreements which relate to gambling activities or alter the organizational structure of the licensee's organization or business activities in Washington; and
- (c) All cash or asset contributions, draws from lines of credit, and loans (except those from recognized financial institutions) during any calendar year which by themselves or totaled together are more than ten thousand dollars. Cash or asset contributions do not include donations to licensed charitable or nonprofit organizations; and
- (d) Internal Revenue Service tax deductible status of contributions for charitable and nonprofit organizations.

### **WAC 230-06-085 Report criminal actions filed.**

(1) Licensees must report to us in writing within thirty days all criminal actions filed against the licensee, any manager of the licensed gambling activity, the business organization, or any person holding a substantial interest in the business organization.

(2) We must receive a copy of the final written decision or settlement within thirty days after the case is resolved.

### **WAC 230-06-090 Report administrative and civil actions filed.**

(1) All licensees must report to us in writing within thirty days all administrative actions filed against them by other gambling regulatory agencies, including those from other countries and Indian tribes.

(2) Licensed organizations must report to us in writing within thirty days all civil and administrative actions that are filed by or against any manager of the licensed gambling activity, the business organization, or any person holding a substantial interest in the business organization. Actions include, but are not limited to:

- (a) Divorces; and
- (b) Bankruptcy; and
- (c) Tax liens; and
- (d) Business dissolutions.

(3) The report must consist of a complete copy of the original documents filed. Licensees must notify the commission of the final disposition of the case and include a copy of the final documents filed including, but not limited to, settlement agreements.

(4) For cases involving patent infringement on gambling equipment, licensees must send only the final written decision or settlement.

(5) We must receive a copy of the final written decision or settlement within thirty days after the case is resolved.

### **WAC 230-15-270 Surveillance when operating both Class F and house-banked card games.**

If licensees are conducting both Class F and house-banked card games, they must meet the surveillance requirements for house-banked card games.

### **WAC 230-15-275 Surveillance requirements for Class F card games.**

(1) Class F licensees must use a closed circuit television system (CCTV) to record critical activities when:

- (a) Operating player-supported jackpots; or
  - (b) Assessing fees on amounts wagered (rake method).
- (2) Class F licensees must have a CCTV that views:
- (a) All gambling at each table including, at least, the:
    - (i) Cards; and
    - (ii) Wagers; and
    - (iii) Chip tray; and
    - (iv) Drop box openings; and
    - (v) Table number; and
    - (vi) Players; and
    - (vii) Dealers; and
  - (b) When the count is being conducted, at least, the:
    - (i) Count table; and
    - (ii) Floor; and
    - (iii) Drop boxes; and
    - (iv) Drop box storage shelves/cabinets.

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**WAC 230-15-335 Internal controls.** Class F licensees must establish internal controls that ensure gambling activities are closely controlled and operated fairly.

- (1) The internal controls must require, at a minimum:
  - (a) Trained personnel; and
  - (b) Segregation of duties for all employees involved in the operation; and
  - (c) Fee collection and funds safeguarding procedures; and
  - (d) Playing card and chip inventory.
- (2) Licensees must inform their card room employees of the internal controls related to the employees' respective areas of responsibility.
- (3) Licensees and all card room employees must follow the internal controls at all times.

**WAC 230-15-340 Minimum number of licensed employees required.** (1) Class F card game licensees must have at least one floor supervisor for each gambling area. Each supervisor may supervise up to seven tables. We must approve the arrangement of tables in the internal controls.

(2) Licensees must have two licensed card room employees in the card room at all times player-supported jackpots are in play or licensees are using the rake type of fee collection. One of the employees must be a floor supervisor.

**WAC 230-15-365 Getting approval for player-supported jackpots.**

- (1) Class F or house-banked licensees must not operate a player-supported jackpot (PSJ) before we approve it in writing.
  - (2) To get a PSJ approved, licensees must make a written request, including, at least:
    - (a) A detailed description of the card game associated with the PSJ; and
    - (b) All rules of play; and
    - (c) All internal control procedures associated with the PSJ and accounting for funds and prizes; and
    - (d) The name of the prize fund custodian.
  - (3) Licensees must get our written approval before making any changes to the PSJ.

**WAC 230-15-425 Internal controls.** (1) House-banked card game licensees must:

- (a) Adopt internal controls in the format we require; and
- (b) Ensure that all games are closely controlled and operated in accordance with gambling laws, our rules, and the house-banked card game licensee's internal controls (ICs); and
- (c) Follow all ICs at all times; and
- (d) Have all ICs available to us at all times at the licensed business premises; and
- (e) Have the ICs available to card room employees for their individual functions; and

(f) Ensure that card room employees are knowledgeable in all accounting and internal control procedures for their individual functions and ensure that employees follow the ICs.

(2) Licensed card room employees must follow the internal control procedures for their individual functions.

**WAC 230-15-430 Internal control requirements.**

**General accountability requirements.**

(1) House-banked card game licensees must have a system of internal controls including, at least:

(a) **Accounting controls** - Include the licensee's plan, procedures, and records concerned with the safeguarding of assets and the reliability of financial records. Licensees must design these controls to provide reasonable assurance that:

- (i) Transactions are executed with management's general and specific authorization; and
- (ii) Transactions are recorded so that financial statements are prepared in conformity with generally accepted accounting principles (GAAP), and so that accountability for assets is maintained; and
- (iii) Access to assets is permitted only with management's authorization; and
- (iv) Records are compared with existing assets at least annually and appropriate action is taken within five working days to correct any differences; and

(b) **Administrative controls** - Include, at least, the licensee's plan, procedures, and records outlining decision-making processes that lead to authorization of transactions. These must provide for:

- (i) Competent personnel with an understanding of internal control procedures; and
- (ii) Segregation of incompatible functions so that no employee is in a position to commit and conceal errors or wrongdoings in the normal course of his or her duties.

**Designating a general manager.**

(2) The owner, partners, or board of directors for the licensee must designate an individual with overall responsibility for the business, called the "general manager." The general manager may also perform the duties of a gambling operations department manager; and

**Establish separate departments or functions.**

(3) Licensees must establish separate departments or functions which must be independent from each other. At a minimum, these must include:

- (a) Surveillance;
- (b) Security;
- (c) Gambling; and
- (d) Accounting.

**Surveillance department requirements.**

(4) The surveillance department manager must ensure that surveillance employees follow all requirements of the surveillance WACs, including, at least:

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(a) Closely and clandestinely observing the operation of the card games, the cashier's cage, and count room; and

(b) Recording video and audio of the activities in the count room; and

(c) Monitoring for cheating, theft, embezzlement, and other illegal activities on the licensed premises; and

(d) Recording video of unusual or suspected illegal activities; and

(e) Notifying appropriate supervisors and us, within three working days, when they detect cheating, theft, embezzlement, or other illegal activities related to gambling; and

(f) Giving our agents or law enforcement personnel immediate access to the surveillance room; and

(g) Ensuring that each dealer is evaluated to determine if he or she follows all required dealer procedures set out in the house-banked card game licensee's approved internal controls; and

(h) Documenting procedures about how winning wagers, jackpots, or bonus pay outs will be verified; and

(i) Ensuring that all surveillance employees have demonstrated a knowledge of:

(i) Operating surveillance systems; and

(ii) Rules of play and procedures for the games being played; and

(iii) Overall procedures relating to the duties of all employees of the house-banked card room, including dealers, shift managers, floor supervisors, cage cashiers and count team members.

### **Security department requirements.**

(5) The security department manager must ensure that security employees control:

(a) Transfer of cash and chips to and from the gambling tables, cage, and count room; and

(b) Dealing shoes and new and used cards, when not in use or when held in evidence; and

(c) Disposing of or destroying used cards and dealing shoes, and observing accounting department employees when they destroy damaged chips when removed from service.

### **Gambling operations department requirements.**

(6) The gambling operations department manager, or general manager, is responsible for house-banked card games and must ensure that:

(a) Dealers operate card games at assigned gambling tables; and

(b) Cards and dealing shoes are properly accounted for when in use on the gambling floor; and

(c) There is adequate supervision on the business premises.

### **Accounting department requirements.**

(7) The accounting department must be supervised by a person who reports directly to the general manager. The accounting department must, at least:

(a) Implement and monitor accounting controls; and

(b) Control processes in the count room and cashier's cage; and

(c) Supervise the count room personnel and cashier's cage personnel; and

(d) Control the inventory of unused forms; and

(e) Reconcile the used and unused forms; and

(f) Prepare, control, and store records and data we require; and

(g) Oversee, with the help of the security department, the destruction of damaged chips removed from service.

**WAC 230-15-440 Modifying internal controls and changing card games offered.** (1) House-banked card game licensees must submit proposed changes to their internal controls in writing to us and receive our written approval before making any changes.

(2) Licensees may change the card games they offer by submitting the change to their internal controls in writing and getting an initial verbal or written approval from us. Staff reviews and verifies the changes on their next visit to the card room.

**WAC 230-15-460 Supervision requirements for house-banked card rooms.** (1) House-banked card game licensees must have at least one floor supervisor for each gambling area. Each supervisor may supervise up to seven tables. We must approve the arrangement of tables in the internal controls.

(2) Licensees must have two levels of supervision present on the business premises if more than ten tables are open. Poker tables operated in a separate gambling area are not included in the calculation of levels of supervision.

(3) A card room employee may act as a dealer and a supervisor during the same shift as long as he or she does not sign forms as both the dealer and the supervisor.