

Multi-Casino Bad Beat Payout System

Accounting and Internal Controls

Rules of the Games

Persons Doing Business With Casino Licensees

Temporary Amendments: N.J.A.C. 19:45-1.8, 1.10 and 2.1; 19:47-14.19;  
and 19:51-1.2A

Temporary New Rule: N.J.A.C. 19:45-1.39D

Authority: N.J.S.A. 5:12-63, 69, 70, 99 and 100

The temporary rules follow:

### **Summary**

A casino licensee is currently permitted to offer a “bad beat payout” in the authorized game of poker. See N.J.A.C. 19:47-14.19. The temporary rule amendments and new rule permit two or more casino licensees to offer a multi-casino bad beat payout in the authorized game of poker pursuant to a “multi-casino bad beat payout system” (“bad beat system.”) See temporary N.J.A.C. 19:45-1.39D(a). Similar in many ways to a multi-casino progressive slot jackpot authorized by N.J.A.C. 19:45-1.39A, a multi-casino bad beat payout would likely be larger and probably increase in size more quickly than a bad beat payout offered by a single casino licensee.

A bad beat system shall be administered by the participating casino licensees in accordance with the terms of a written “multi-casino bad beat payout system agreement” (“bad beat system agreement”) approved in advance by the Commission and executed by each participating casino licensee. See temporary N.J.A.C. 19:45-1.39D(b). The bad beat system agreement must describe the role, authority and responsibilities of each participating casino licensee in the conduct of the bad beat system, the manner in which the funds for all bad beat payouts and any fees or costs associated with the operation of the bad beat system will be maintained, accounted for and paid, and the participating casino licensee or licensees that are responsible for generating and maintaining all records and

reports. See temporary N.J.A.C. 19:45-1.39D(c)1 through 3 and 19:45-1.8(c)5xiv.

Each casino licensee that is a party to a bad beat system agreement is jointly and severally liable for the payment of all multi-casino bad beat payouts and for any acts, omissions and violations committed by any participating casino licensee in connection with a multi-casino bad beat payout or the operation of the bad beat system. See temporary N.J.A.C. 19:45-1.39D(d). The names of all casino licensees participating in a bad beat system and the name and address of the host casino for the bad beat system must be posted in each participating casino. See temporary N.J.A.C. 19:47-14.19(b)3v.

A bad beat system requires a central computer that immediately and simultaneously notifies all participating casinos and their patrons of a pending bad beat payout and a confirmed bad beat payout. See temporary N.J.A.C. 19:45-1.39D(e)4i and temporary N.J.A.C. 19:47-14.19(f)2. It must document for each bad beat payout the date, time, amount, winning and losing hands, casino location, and the name of each casino employee verifying and authorizing the payout. See temporary N.J.A.C. 19:45-1.39D(e)4ii. A bad beat system must also prescribe the rules to be followed if players at two or more participating casinos claim the same bad beat payout. See N.J.A.C. 19:45-1.39D(e)4iii.

In the event the system cannot immediately provide notification of a pending bad beat payout and a confirmed bad beat payout, notice must be provided by other means approved by the Commission, but only for the pending bad beat payout; no further multi-casino bad beat payouts could be offered at the participating casinos until the computer becomes operational again. See temporary N.J.A.C. 19:47-14.19(f)2.

A bad beat system computer shall be located in a restricted area of a participating casino hotel, and be under the sole possession and physical control of appropriately licensed employees of a casino licensee

designated as the “system host” in the system agreement. See temporary N.J.A.C. 19:45-1.39D(g). Continuous clandestine CCTV surveillance coverage shall be maintained for both the bad beat computer system (see temporary N.J.A.C. 19:45-1.39D(g)3 and 19:45-1.10b1xi) and each gaming table offering a multi-casino bad beat payout (see temporary N.J.A.C. 19:45-1.10(d)1iii). Manufacturers, suppliers, distributors, servicers and repairers of bad beat systems are required to file for non-gaming related casino service industry enterprise licensure. See temporary N.J.A.C. 19:45-51-1.2A(b)10.

Although a bad beat system computer is used in the “conduct or monitoring of casino operations,” it is exempted from the definition of a “casino computer system” in N.J.A.C. 19:45-2.1 and the technical requirements for a casino computer system. Like a multi-casino progressive slot system computer, which is also exempted from the definition of a “casino computer system” in N.J.A.C. 19:45-2.1, specific technical requirements to ensure the integrity and security of a bad beat computer system are listed elsewhere in the rules ( see temporary N.J.A.C. 19:45-1.39D(e), (g) and (h)).

Several temporary amendments adopted by the Commission apply to a bad beat payout offered by either a bad beat system or an individual casino licensee. First, prior to implementing any change to the rules governing a bad beat payout, a notice advising patrons of the change must be posted in any casino in which the bad beat payout is offered. However, the qualifying hand requirements for a bad beat payout may not be increased until that bad beat payout has been won. See temporary N.J.A.C. 19:47-14.19(m).

Second, either a bad beat system or an individual casino licensee may offer a secondary bad beat payout that is awarded to a lesser qualifying bad beat hand. A secondary bad beat payout may be funded by a prescribed contribution from each pot at a participating poker table, or by a portion of the primary bad beat payout. See temporary N.J.A.C.

19:47-14.19(i)1 and 2. If a bad beat system or an individual casino licensee opts for the latter arrangement, it must prescribe the rules to be followed if a round of play results in both a higher and a lower qualifying hand. Each casino licensee must also post signage approved by the Commission indicating that the secondary bad beat payout is funded from the primary bad beat payout, and shall be deducted from the amount of the primary bad beat jackpot if won. See temporary N.J.A.C. 19:47-14.19(i)2i through iii.

Third, temporary N.J.A.C. 19:47-14.19(j) requires the bad beat system or individual casino licensee to prescribe the rules to be followed if more than one player at a table has a qualifying bad beat payout hand.

Finally, a bad beat system or individual casino licensee may, in its discretion, use a percentage of the daily bad beat payout contributions obtained from each poker table to fund a portion of the next bad beat payout ("reset amount"). If a reset fund is established by a bad beat system or individual casino licensee, the percentage of the daily contributions used to fund the reset amount must be set forth in the internal control submission of the casino licensee and must also be posted in each poker room of the casino licensee. See temporary N.J.A.C. 19:47-14.19(l) and temporary N.J.A.C. 19:47-14.19(b)3iv.

**Full text** of the temporary adoption follows (additions indicated in boldface **thus**; deletions indicated in boldface brackets [thus]):

19:45-1.8 Retention, storage and destruction of books, records and documents

(a) – (b) (No change.)

(c) All original books, records and documents shall be retained by a casino licensee in accordance with the following schedules. 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 multi-part forms.

1. - 4. (No change.)

5. The following original books, records and documents shall be retained by a casino licensee for a minimum of one year:

i. - xiii. (No change.)

**xiv. Any document, log or report involved in the offering, conduct or payment of a multi-casino bad beat payout pursuant to N.J.A.C. 19:45-1.39D;**

Recodify xiv. -xv. as **xv. - xvi.** (No change in existing text.)

6. - 11. (No change.)

(d) - (i) (No change.)

19:45-1.10 Closed circuit television system; surveillance department control; surveillance department restrictions

(a) (No change.)

(b) The CCTV system shall be approved by the Commission in consultation with the Division and shall include, but need not be limited to, the following:

1. Light sensitive cameras, with lenses of sufficient magnification to allow the operator to read information on gaming chips, playing cards, dice, tiles, slot machine reel symbols and slot machine credit meters, and with 360 degree pan, tilt and zoom capabilities without camera stops or, until such time as they are replaced by cameras without camera stops, with camera stops as currently operating on the casino floor or in inventory as August 15, 2005, to effectively and clandestinely monitor in detail and from various vantage points, the following:

i. - x. (No change.)

xi. Equipment designated by the Commission in conjunction with the operation of an electronic transfer credit system pursuant to N.J.A.C.

19:45-1.37A, a gaming voucher system pursuant to N.J.A.C. 19:45-1.55, a **multi-casino bad beat payout system pursuant to N.J.A.C. 19:45-1.39D**, and a slot monitoring system approved to conduct manual slot payouts pursuant to N.J.A.C. 19:45-1.40F;

xii. - xiii. (No change.)

2. - 7. (No change.)

(c) (No change.)

(d) In addition to any other requirements imposed by this section, a casino licensee's CCTV system shall be required to record, during the times and in the manner indicated below, all transmissions from cameras used to observe the following locations, persons or transactions:

1. All activity at each table open for gaming that [has]:

i. **Has** a posted minimum wager of \$100.00 or more[, is];

ii. **Is** connected to a progressive payout meter displaying a potential payout of \$35,000 or more[, or offers];

iii. **Offers** the fire bet in the game of craps; **or**

iv. **Offers a multi-casino bad beat payout;**

2. - 10. (No change.)

(e) - (m) (No change.)

**19:45-1.39D Bad beat payout interconnected in more than one casino; multi-casino bad beat payout system**

**(a) With the prior approval of the Commission, two or more casino licensees may jointly offer a bad beat payout in accordance with N.J.A.C. 19:47-14.19 that is interconnected in more than one casino (a "multi-casino bad beat payout") and is operated by a multi-casino bad beat payout system ("bad beat system"); provided however, that the applicable rules for the multi-casino bad beat payout shall be the same at all participating casinos.**

**(b) A bad beat system shall be administered by the participating casino licensees in accordance with the terms of a written multi-casino bad beat payout system agreement (“bad beat system agreement”) which has been approved in advance by the Commission and has been executed by each participating casino licensee.**

**(c) A bad beat system agreement shall specifically identify and describe the role, authority and responsibilities of each participating casino licensee in the conduct of the system, including without limitation:**

**1. A description of the process by which decisions that affect the rules and conduct of the multi-casino bad beat payout and the operation of the bad beat system are approved by the participating casino licensees and are implemented by each casino licensee;**

**2. The manner in which the funds for all multi-casino bad beat payouts and any fees or costs associated with the operation of the bad beat system will be maintained, accounted for and paid; and**

**3. The participating casino licensee or licensees responsible for generating and maintaining all records and reports of the bad beat system, as required by the rules of the Commission.**

**(d) Each and every casino licensee that is a party to a bad beat system agreement shall:**

- 1. Post in each of its poker rooms:
  - i. The bad beat payout information required by N.J.A.C. 19:45-14.19(b); and**
  - ii. The names of all casino licensees participating in that system, and the name and address of the host casino for the system; and****

**2. Be jointly and severally liable for the payment of all multi-casino bad beat payouts and for any acts, omissions and violations committed by any participating casino licensee in connection with a multi-casino bad beat payout or the operation of the bad beat system, regardless of whether they had knowledge of such act, omission or violation, and notwithstanding any contractual provision to the contrary.**

**(e) The casino licensees seeking approval to participate in a bad beat system shall submit for prior Commission approval a system of accounting and internal controls specifying the manner in which the participating casino licensees will satisfy the bad beat payout requirements and procedures in N.J.A.C. 19:47-14.19 and the additional requirements for the operation of a bad beat system, including, at a minimum, procedures for ensuring:**

**1. The physical and logical security of the central computer or server and any related hardware, software or other devices;**

**2. The integrity and security of all sensitive data and software, and which, at a minimum, ensure that all data sent through a transmission is completely and accurately received, and that data sent from each participating casino licensee can be separately identified as such;**

**3. Limited access to the computer system and the sensitive data and software in (e)1 and 2 above, by appropriately licensed personnel, in a manner approved by the Commission;**

**4. Proper operation of all equipment and software associated with the bad beat system; such equipment and software shall, at a minimum, have the capability and responsibility for:**

**i. Notifying all participating casinos and their patrons immediately and simultaneously of a pending multi-casino bad beat payout and a confirmed multi-casino bad beat payout, in a**

**manner approved by the Commission; provided, however, that, if such notice cannot be immediately provided by means of the bad beat system, notice shall be provided by such other means approved by the Commission, but only for the pending bad beat payout in question, and no further multi-casino bad beat payouts shall be offered at the participating casinos through that bad beat system until the system becomes operational again;**

**ii. Documenting for each multi-casino bad beat payout the date, time, amount, winning and losing hands, casino location, and the name of each casino employee verifying and authorizing the payout; and**

**iii. Addressing the claims of players at two or more casinos participating in a bad beat system who are claiming the same bad beat payout; and**

**5. Secure installation and modification of the computer system that controls, records and displays the amount of the multi-casino bad beat payout, which installation and modifications shall occur only after advance written notice to the Commission.**

**(f) With the prior approval of the Commission, a casino licensee may designate one or more casino key employees to represent the interests of the casino licensee in the operation and control of a bad beat system.**

**(g) Each bad beat system shall be monitored, controlled and operated from a location approved by the Commission, and which location shall:**

**1. Be in a restricted area on the premises of a casino hotel;**

**2. Be under the sole physical possession and control of, and maintained and operated by, appropriately licensed employees of a casino licensee designated as the “system host” in the agreement for that bad beat system; provided that nothing herein**

shall preclude appropriately licensed employees of a participating casino licensee which is not the system host, from performing any daily data entry or other duties required for the proper calculation, reporting and recording of a bad beat jackpot;

3. Have continuous clandestine CCTV coverage of the approved location, its equipment and its operation by the surveillance department of a casino licensee designated in the bad beat system agreement;

4. Be accessible only through a locked door; and

5. Have an Entry Log, which shall be:

i. Kept within the location;

ii. Signed by each person who enters the location,

with each entry containing, at a minimum, the following information:

(1) The date and time of entry;

(2) The entering person's name, his or her department and employer and, if applicable, his or her employee license number;

(3) The reason for entry;

(4) The name of the person authorizing the person's entry; and

(5) The date and time of exit.

(h) A bad beat system shall be equipped with the following, at a minimum, in order to address continuity:

1. Data redundancy capability approved by the Commission, such as disk mirroring, which writes a complete and duplicate copy of all data on the primary disk to a secondary disk as it occurs, to permit a complete and prompt recovery of all information in the event of any malfunction;

2. Environmental protection, such as an uninterruptible power supply, and fireproof and waterproof materials designed to

**protect critical hardware and software from a natural or manmade disaster; and**

**3. Backup capability approved by the Commission that enables the creation of periodic backup copies of files and data on a removable storage device (such as magnetic tape) which is then stored at a secure off-site location approved by the Commission, and which shall be separate from and in addition to the data redundancy devices required by (h)1 above.**

#### 19:45-2.1 Definitions

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

“Casino computer system” means all aspects of a computer system which the rules of the Commission either require or permit to be utilized by a casino licensee in the conduct or monitoring of casino operations including, but not limited to hardware, software and network interfaces; provided, however, that a casino computer system shall not be construed to include the following:

1. - 2. (No change.)

**3. A multi-casino bad beat payout system;**

Recodify 3. – 4. as **4. – 5.** (No change in existing text.)

...

19:47-14.19 Bad beat payout[s; posting of rules; contributions; counting and displaying of payout amount; procedures for implementation]

(a) A casino licensee may elect, in its discretion, to offer a payout for one or more pre-designated high value poker hands when such a hand is held by a player as a losing hand in a round of play (a “bad beat”). A bad beat payout shall be made from a separate fund created

from pot contributions required at tables where a bad beat payout is offered and shall be paid in accordance with the **following** procedures [established pursuant to this section].

(b) A casino licensee [shall post] **that offers a bad beat payout shall:**

**1. Post** at each poker table [that offers] **offering [a] the** bad beat payout a notice advising patrons of eligibility for such payout[. In addition to displaying];

**2. Display** the current amount of [any] **the** bad beat payout[, a casino licensee that offers a bad beat payout shall post its];

**3. Post the rules for the** bad beat payout [rules] in a conspicuous location [within] **in** its poker room which **rules**, at a minimum, shall address **and include:**

[1.] **i.** (No change in text.)

[2.] **ii.** The minimum pot amount required for a contribution to a bad beat payout; [and]

[3.] **iii.** Qualifying bad beat requirements and payouts[.];

**and**

**iv. The applicable percentage of bad beat contributions allocated to a reset fund pursuant to (1) below; and**

**4. Include a copy of the posted bad beat payout rules required by (b)3 above as an appendix to its Games Submission.**

(c) A casino licensee shall extract from each pot at a poker table designated for participation in a bad beat payout a prescribed contribution to the bad beat payout, which amount shall be collected in accordance with the casino licensee's bad beat payout rules as set forth in its Games Submission. Prior to distributing the pot to a winning patron and after the dealer has extracted the rake, the amount from each pot to be contributed to a bad beat payout shall be determined, segregated from the pot, and deposited into the bad beat payout box. Notwithstanding the foregoing and subject to [(i)] **(n)** below, a casino

licensee may, upon amending its bad beat payout rules, terminate collection of bad beat contributions at any time.

(d) – (e) (No change.)

(f) Each bad beat poker hand shall be verified by a poker shift supervisor prior to awarding the bad beat payout. Upon verification, the poker shift supervisor shall:

1. Post a sign or otherwise provide visible notice **to its patrons** that the applicable bad beat payout display amount is pending adjustment due to a bad beat payout; and

2. (No change.)

(g) – (h) (No change.)

**(i) A casino licensee may also offer a secondary bad beat payout that is awarded to a lesser qualifying bad beat hand, and which shall be funded by:**

1. **A prescribed contribution from each pot at a participating poker table; or**

2. **A portion of the primary bad beat payout; provided, however, that:**

i. **The appendix to its Games Submission shall prescribe the rules to be followed if a round of play results in both a higher qualifying hand and a lower qualifying hand;**

ii. **When won, the amount of the secondary bad beat payout shall be subtracted from the current primary bad beat payout in a manner approved by the Commission; and**

iii. **Signage displaying a primary and secondary bad beat payout shall be approved by the Commission, and shall indicate that the secondary bad beat payout is funded from the primary bad beat payout, and shall be deducted from the amount of the primary bad beat jackpot if won.**

**(j) The appendix to the Games Submission for a bad beat payout shall prescribe the rules to be followed if more than one player at a table has a qualifying bad beat payout hand.**

**(k) Once the amount of a bad beat payout has been displayed to the public pursuant to (b)2 above, the display shall not be reduced to a lesser amount unless the amount has been paid to a winning patron.**

**(l) A casino licensee may use a percentage of the daily bad beat payout contributions to fund a portion of the next bad beat payout (“reset amount”). The percentage of the daily contributions used to fund the reset amount shall be set forth in the internal control submission of the casino licensee and shall also be posted in the poker room of the casino licensee. The casino licensee shall also account for and document all reset amounts in a manner approved by the Commission.**

**(m) Prior to implementing any changes to the information required in (b)1 through 4 above, a casino licensee shall be required to post a notice advising patrons of the change; provided however, that the qualifying hand requirements for a bad beat payout may not be increased until that bad beat payout has been won.**

[[i]] **(n)** No bad beat payout shall be offered at a poker table until a casino licensee has submitted to the Commission and the Commission has approved procedures for discontinuing any bad beat payout. Such procedures shall address the method by which pot contributions shall be terminated and/or for transferring bad beat payout amounts to other bad beat payouts, so as to ensure that all payout amounts are paid to poker patrons.

19:51-1.2A Nongaming-related casino service industry and junket  
enterprise license requirements

(a) (No change.)

(b) In determining whether an enterprise is subject to the requirements of this subsection, it shall not matter whether the casino licensee or applicant is a party to any agreement pursuant to which said goods or services are being provided. Enterprises required to be licensed in accordance with subsections 92c and d of the Act and (a) above shall include, without limitation, the following:

1. – 7. (No change.)

8. Gaming schools that possess slot machines for the purpose of instruction; [and]

9. Non-casino applicants or licensees required to hold a Casino Hotel Alcoholic Beverage license pursuant to N.J.S.A. 5:12-103 and N.J.A.C. 19:50; **and**

**10. Manufacturers, suppliers, distributors, servicers and repairers of multi-casino bad beat payout systems pursuant to N.J.A.C. 19:45-1.39D.**

(c) – (i) (No change.)