

**RULE 11
CHIPS**

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11.010 Definitions. As used in this Rule:

1. "Book" means a race book or sports pool licensed and approved pursuant to these Rules.
2. Except as otherwise provided, "Director" means the Commission of the Arkansas Commission or the Commission's designee.
3. "Chip" means a non-metal or partly metal representative of value issued by a licensee for use at table games or counter games at the licensee's gaming establishment.

11.020 Approval of chips; applications and procedures.

1. A licensee shall not issue any chips for use in its gaming establishment, or redeem any such chips, unless the chips have been approved in writing by the Commission. A licensee shall not issue any chips for use in its gaming establishment, or redeem any such chips, that are modifications of chips previously approved by the Commission, unless the modifications have been approved in writing by the Commission.

2. Applications for approval of chips and modifications to previously-approved chips must be made, processed, and determined in such manner and using such forms as the Commission may prescribe. Only Casino licensees, or the manufacturer authorized by these licensees to produce the chips, may apply for such approval. Each application must include, in addition to such other items or information as the Commission may require:

(a) An exact drawing, in color or in black-and-white, of each side and the edge of the proposed chip, drawn to actual size or drawn to larger than actual size and in scale, and showing the measurements of the proposed chip in each dimension;

(b) Written specifications for the proposed chips ;

(c) The name and address of the manufacturer;

(d) The licensee's intended use for the proposed chips ; and

(e) A verification upon oath or notarized affirmation, executed by the chief operating officer of the chip manufacturer, or a person with equivalent responsibilities, that it has a written system of internal control, approved by the Commission, which describes in detail the current administrative, accounting and security procedures which are utilized in the manufacture, storage and shipment of the chips and related material. The written system must include at a minimum, a detailed, narrative description of the procedures and controls implemented to ensure the integrity and security of the manufacturing process, from design through shipment, including but not limited to those procedures and controls designed specifically to:

(1) Provide for the secure storage or destruction of all pre-production prototypes, samples, production rejects and other nonsalable product.

(2) Provide security over the finished art work, hubs, plates, dies, molds, stamps and other related items which are used in the manufacturing process.

(3) Prevent the unauthorized removal of product from the production facility through the utilization of security devices such as metal detectors, and surveillance cameras.

(4) Restrict access to raw materials, work-in-process, and finished goods inventories to authorized personnel.

(5) Establish procedures for documenting approval of production runs.

(6) Establish and maintain a perpetual inventory system which adequately documents the flow of materials through the manufacturing process.

(7) Establish procedures which reconcile the raw material used to the finished product on a job-by-job basis. Significant variances are to be documented, investigated by management personnel, and immediately reported to the Commission and to the licensee who authorized the manufacturer to produce the chips.

(8) Provide for quarterly physical inventory counts to be performed by individual(s) independent of the manufacturing process which are reconciled to the perpetual inventory records. Significant variances are to be documented, investigated by management personnel, and immediately reported to the Commission.

(9) Establish a framework of procedures which provide for the security and accountability of products and materials sent to or received from subcontractors or satellite production facilities.

(10) Document controls over the shipment of finished product, and

(11) Provide such other or additional information as the Commission may require.

The Commission may in writing approve variations from the specific requirements of this Rule if in the opinion of the Commission the alternative controls and procedures meet the objectives of this Rule.

3. If, after receiving and reviewing the items and information described by this Rule, the Commission is satisfied that the proposed chips and related information conform to the requirements of this Rule, the Commission shall notify the licensee or the manufacturer authorized by the licensee to produce the chips in writing and shall request, and the licensee or the manufacturer shall provide a sample of the proposed chips in final, manufactured form. If the Commission is satisfied that the sample conforms with the requirements of this Rule and with the information submitted with the licensee's application, the Commission shall approve the proposed chips and notify the licensee in writing. As a condition of approval of chips issued for use at the licensee's race book, sports pool, or specific table or counter game, the Commission may prohibit the licensee from using the chips other than at the book, pool, or specific game. The Commission may retain the sample chips submitted pursuant to this subsection.

4. At the time of approval of a system of internal control, the Commission may require the manufacturer to provide, and thereafter maintain with the Commission, a revolving fund in an amount determined by the Commission, which amount shall not exceed \$10,000. The Commission and its staff may use the revolving fund at any time without notice, for the purpose of implementing the provisions of this Rule.

11.030 Specifications for chips.

1. Chips must be designed, manufactured, and constructed in compliance with all applicable statutes, regulations, and policies of the United States, Arkansas, and other states, and so as to prevent counterfeiting of the chips to the extent reasonably possible. Chips must not deceptively resemble any current or past coinage of the United States or any other nation.

2. In addition to such other specifications as the Commission may approve:

(a) The name of the issuing gaming establishment must be inscribed on each side of each chip, and the city or other locality and the state where the establishment is located must be inscribed on at least one side of each chip ;

(b) The value of the chip must be inscribed on each side of each chip, other than chips used exclusively at roulette;

(c) The manufacturer's name or a distinctive logo or other mark identifying the manufacturer must be inscribed on at least one side of each chip ; and

(d) Each chip must be designed so that when stacked with chips of other denominations and viewed on closed-circuit, black-and-white television, the denomination of the chip can be distinguished from that of the other chips in the stack.

3. The names of the city or other locality and the state where the establishment is located must be inscribed on at least one side of each chip unless the Commission finds, after application by a licensee, that such an inscription is not necessary because:

(a) The name of the issuing establishment is unique to one readily identifiable establishment in all gaming jurisdictions; or

(b) The inclusion of the city or other locality and the state is not necessary or beneficial for any regulatory purpose relating to the applicant.

4. Any application submitted pursuant to subsection 3 must be signed by the chief executive officer of the applicant and be on a form prescribed by the Commission.

5. Any approval by the Commission for the deletion of such an inscription shall be in writing and be limited to that period of time in which the name of the licensee is limited to one establishment and conditioned so that it may be withdrawn in the future if the Commission determines that the deletion results in confusion with the chips of another establishment or if such inclusion is deemed necessary or beneficial for any regulatory purpose.

6. A copy of any approval or disapproval or other decision by the Commission pursuant to the authority delegated in subsection 3 must be submitted to the members of the Commission within 5 working days thereafter and may be relied on by the applicant if within 20 working days after such submission:

(a) A member of the Commission does not request a review by the entire Commission; or

(b) The Commission does not include the matter on the next available Commission agenda.

7. In the event of such a request by a Commission member, or such action by the Commission, the application or other related issue(s) shall be considered and decided by the Commission upon the recommendation of the Commission.

11.040 Specifications for chips.

1. Unless the Commission approves otherwise, chips must be disk-shaped, must be .130 inch thick, and must have a diameter of:

(a) 1.55 inches, for chips used at games other than baccarat;

(b) 1.55 inches or 1.6875 inches, for chips used at baccarat; and

(c) 1.6875 inches, for chips used exclusively at race books and sports pools or other counter games.

2. Each side of each chip issued for use exclusively at a race book, sports pool, or particular game must bear an inscription clearly indicating that use of the chip is so restricted.

11.060 Use of chips

1. Chips are solely representatives of value which evidence a debt owed to their custodian by the licensee that issued them and are not the property of anyone other than that licensee.

2. A licensee that uses chips at its gaming establishment shall:

(a) Comply with all applicable statutes, regulations, and policies of Arkansas and of the United States pertaining to chips;

(b) Issue chips only to patrons of its gaming establishment and only at their request;

(c) Promptly redeem its own chip from its patrons by cash or check drawn on an account of the licensee;

(d) Post conspicuous signs at its establishment notifying patrons that state law prohibits the use of the licensee's chips, outside the establishment for any monetary purpose whatever, and that the chips issued by the licensee are the property of the licensee, only; and

(e) Take reasonable steps, including examining chips and segregating those issued by other licensees to prevent the issuance to its patrons of chips issued by another licensee.

3. A licensee shall not accept chips as payment for any goods or services offered at the licensee's gaming establishment with the exception of the specific use for which the chips were issued or purchase of beverages on the Casino floor, and shall not give chips as change in any other transaction.

4. A licensee shall not redeem its chips if presented by a person who the licensee knows or reasonably should know is not a patron of its gaming establishment, except that a licensee shall promptly redeem its chips if presented by:

(a) Another licensee who represents that it redeemed the chips from its patrons or received them unknowingly, inadvertently, or unavoidably;

(b) An employee of the licensee who presents the chips in the normal course of employment; or

(c) A person engaged in the business of collecting from licensees chips issued by other licensees and presenting them to the issuing licensees for redemption.

5. A licensee may redeem its chips if presented by an agent of the Commission in the performance of the agent's official duties or on behalf of another governmental agency.

6. A licensee shall not knowingly issue, use, permit the use of, or redeem chips issued by another licensee, except as follows:

(b) A licensee may redeem chips issued by another licensee if:

(1) The chips are presented by a patron for redemption at the cashier's cage of the licensee's gaming establishment;

(2) The chips are presented by a patron at a table game, and the licensee redeems the chips with chips of its own, places the redeemed chips in the table's drop box, and separates and properly accounts for the redeemed chips during the count performed pursuant to the licensee's system of internal control submitted pursuant to Rules 6.050 or 6.060; or

(3) The chips are presented by a patron as payment on a race, pari-mutuel, or sports wager to a book located on the premises of the licensee which issued the chips.

7. Chips whose use is restricted to uses other than at table games or other than at specified table games may be redeemed by the issuing licensee at table games or non-specified table games if the chips are presented by a patron, and the licensee redeems the chips with chips issued for use at the game, places the redeemed chips in the table's drop box, and separates and properly accounts for the redeemed chips during the count performed pursuant to the licensee's system of internal control required by Rule 6.

11.070 Redemption and disposal of discontinued chips.

1. A licensee that permanently removes from use or replaces approved chips at its gaming establishment, or that ceases operating its gaming establishment whether because of closure or sale of the establishment or any other reason, must prepare a plan for redeeming discontinued chips that remain outstanding at the time of discontinuance. The licensee must submit the plan in writing to the Commission not later than 30 days before the proposed removal, replacement, sale, or closure, unless the closure or other cause for discontinuance of the chips cannot reasonably be anticipated, in which event the licensee must submit the plan as soon as reasonably practicable. The Commission may approve the plan or require reasonable modifications as a condition of approval. Upon approval of the plan, the licensee shall implement the plan as approved.

2. In addition to such other reasonable provisions as the Commission may approve or require, the plan must provide for:

(a) Redemption of outstanding, discontinued chips in accordance with this Rule for at least 120 days after the removal or replacement of the chips or for at least 120 days after operations cease, as the case may be, or for such longer or shorter period as the Commission may for good cause approve or require;

(b) Redemption of the chips at the premises of the gaming establishment or at such other location as the Commission may approve;

(c) The casino licensee shall publish in at least one newspaper of general circulation and on the website of the licensee any notice of the discontinuance of the chips and how the chips may be redeemed;

(d) Conspicuous posting of the notice described in paragraph (c) at the gaming establishment or other redemption location; and

(e) Destruction or such other disposition of the discontinued chips as the Commission may approve or require.

11.080 Destruction of counterfeit chips

1. As used in this section, "counterfeit chips" means any chip-like objects that have not been approved pursuant to this Rule, including objects commonly referred to as "slugs," but not including coins of the United States or any other nation.

2. Unless a peace officer instructs or a court of competent jurisdiction orders otherwise in a particular case, licensees shall destroy or otherwise dispose of counterfeit chips discovered at their establishments in such manner as the Commission may approve or require.

3. Unless a peace officer instructs or a court of competent jurisdiction orders otherwise in a particular case, licensees may dispose of coins of the United States or any other nation

discovered to have been unlawfully used at their establishments by including them in their coin inventories or, in the case of foreign coins, by exchanging them for United States currency or coins and including same in their currency or coin inventories, or by disposing of them in any other lawful manner.

4. Each licensee shall record, in addition to such other information as the Commission may require:

(a) The number and denominations, actual and purported, of the coins and counterfeit chips destroyed or otherwise disposed of pursuant to this section;

(b) The month during which they were discovered;

(c) The date, place, and method of destruction or other disposition, including, in the case of foreign coin exchanges, the exchange rate and the identity of the bank, exchange company, or other business or person at which or with whom the coins are exchanged; and

(d) The names of the persons carrying out the destruction or other disposition on behalf of the licensee.

5. Each licensee shall maintain each record required by this subsection for at least 5 years, unless the Commission approves or requires otherwise.

11.090 Promotional and tournament chips

1. As used in this section, “promotional chip” means a chip- -like object issued by a licensee for use in promotions or tournaments at the licensee’s gaming establishment.

2. Promotional chips must be designed, manufactured, approved, and used in accordance with the provisions of this Rule applicable to chips, except as follows:

(a) Promotional chips must be of such shape and size and have such other specifications as the Commission may approve or require;

(b) Each side of each promotional chip must conspicuously bear the inscription “No Cash Value”;

(c) Promotional chips must not be used, and licensees shall not permit their use, in transactions other than the promotions or tournaments for which they are issued; and

(d) The provisions of section 12.070 of this Rule shall not apply to promotional chips.

11.100 Other instrumentalities. Other instrumentalities with which gaming is conducted must be designed, manufactured, approved, used, discontinued, destroyed, or otherwise disposed of in accordance with the provisions of this Rule applicable to chips, except as follows:

1. Such other instrumentalities must be of such shape, size, and design and have such other specifications as the Commission may approve or require; and

2. The Commission, in the Commission’s sole and absolute discretion, may deny approval of instrumentalities other than chips or may grant approval subject to such conditions as the Commission considers appropriate.

End – Rule 11