

**Written Testimony of Harry C. Hagerty  
President and Chief Financial Officer of Sightline Payments LLC  
Before the Gaming Oversight Committee of the  
Pennsylvania House of Representatives  
June 14, 2016**

Chairman Payne, Honorable Committee Members, Committee Staff and interested parties, my name is Harry C. Hagerty and I am the President and Chief Financial Officer of Sightline Payments LLC, headquartered in Las Vegas, Nevada. We appreciate the opportunity to offer testimony today about the potential use of our cashless gaming solution – called Play+<sup>1</sup> – in licensed Pennsylvania casinos.

Background on Sightline Payments

I would first like to give you some background on Sightline in the hope that you will conclude that we are knowledgeable and experienced and can credibly address the committee on this matter. The founders and senior executives of Sightline have decades of combined experience with payments in gaming establishments. We founded Global Cash Access (“GCA”)<sup>2</sup>, the leading provider of cash access in casinos, and through organic growth and several strategic transactions built it to a business with over \$600 million in 2007 revenue. We brought it public on the New York Stock Exchange in 2005 at an enterprise value of more than \$1.4 billion. More importantly, we were selected by the leading companies in the industry – Caesars, MGM, Sands, Wynn and others – to provide cash access services (ATM, debit and credit card cash advance, and check cashing) for their gaming patrons. In 2007, we disbursed nearly \$20 billion in cash in gaming facilities. In connection with our activities in US states and on Native American properties, we were licensed by literally hundreds of gaming and financial services regulators.

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<sup>1</sup> In mid-2015, Sightline rebranded the product as Play+. It had previously been called Loyalty Card Plus. Correspondence in 2015 between Sightline and the PGCB refer to Loyalty Card Plus or LCP.

<sup>2</sup> In 2015, GCA changed its name to Everi.

We built a leading position in the industry as a result of our singular focus: payments in casinos. As a result of this focus and the accumulated knowledge that resulted, we were able to address a number of challenges in the casino industry and devise solutions that addressed those challenges. Our industry-leading products and services were what allowed us to become the dominant provider.

In 2009 a group of the GCA founders formed Sightline Payments. Initially, the focus of Sightline was providing legacy cash-access services using a more transparent business model and a more robust computer and communication infrastructure. While we were successful using these advancements, it soon became apparent to us that an evolution in gaming payments would not be as impactful as a revolution in gaming payments. Two of Sightline's principals had been doing unrelated work exploring the use of prepaid cards, and the "eureka" moment came when they realized that the bank account that underlies a prepaid card could be used to hold funds for gaming purposes, and the prepaid card itself could allow those funds to be used for non-gaming purposes – solving the "stranded money" problem that had made cashless account wagering a non-starter for so many years.

Play+ has been approved for use in casinos in Nevada, Mississippi and New Jersey, and by several Native American tribal gaming authorities. Because of the size of the casino gaming market in Pennsylvania, we are seeking to have it approved for use here as well.

### The Problem of Cash in Casinos

If you live in the gaming world, you take the use of cash as a given. But when you look around at the way other industries operate, it's amazing how far behind the times our industry is – at least with respect to payments. A study by the San Francisco Fed found that, in 2014, only 14% of consumer purchases were made with cash. The rest were done using debit or credit cards – or newer technologies such as PayPal, Venmo or ApplePay. By contrast, we estimate that 95%

of all gaming purchases are done in cash (the only non-cash transactions being marker or front-money draws).

There are two reasons why the rest of the US consumer economy has moved on from cash: convenience and safety. Convenience comes from avoiding the need to go to a bank or an ATM to get cash. And ATMs are, in fact, being avoided. The US Fed reported that from 2009 to 2012 ATM usage declined at a rate of 1.1% per year. Maturing millennials are driving this shift. According to Fair Isaac Corporation 52% of millennials are using or would consider using “non-traditional” payments. For people over 50, it’s only 27%.

Cash is highly desirable among a certain segment of the population: criminals. The fact is that cash is anonymous. That makes it ideal for 1) confiscation through robbery and 2) use in connection with illegal activities. It is interesting to note that robberies in the US declined 22% from 2005 to 2014 according to the FBI. The leading contributors to the decline are robberies in the street, robberies at home and robberies in banks. If there’s less cash to get, it makes sense that there will be less interest in getting it.

Bankrate.com did a consumer survey recently and found that 81% of people surveyed had less than \$100 in cash with them; 69% has less than \$50. So the vast majority of Americans can go about their daily lives without needing a lot of cash. But, increasingly, when they enter a casino they’re entering a world that has matured unevenly. Drake or Taylor Swift may be playing in the background and lots of curved touch-screen games with surround-sound audio make them feel very much in the middle of 2016. Except that to play these games they have to time-transport back a decade or more and get the one thing they carry very little of these days: cash.

Casinos and their cash-access service providers make it as convenient as they can for patrons to get cash. It’s available at ATMs, redemption kiosks and cages. But it’s not free. There are fees charged “upfront” by the cash-access service provider and at the “back end” by the customer’s own bank. In 2011, the average fee (front end and back end together) to get cash in a casino

was \$10.66. These fees were the number one service complaint in a focus group we did in 2012 about payments in casinos. So casinos have tried to address the convenience factor, but have made it convenience-at-a-price.

There's a lot of security in casinos. That security is there to protect the cash in the casino and to protect the guests while they're there. But what happens when those guests leave? It's a dirty secret of casino gaming (for obvious reasons) but there's a meaningful amount of crime that takes place in connection with casino gaming. And the clear reason is because of the use of cash – in some cases lots of it. Fox 29 in Philadelphia recently aired a segment on robberies associated with casino gaming. The report highlighted a man robbed of \$13,000 when criminals followed him home after watching him win and cash out at a casino in Pennsylvania. Across the commonwealth, using police data and published news reports, the report identified 50 incidents since 2010 of robbery on a casino property or directly linked to money from a casino.

So why – in 2016 – are casinos still relying on cash? Perversely, it's because regulations in most casino jurisdictions don't allow them to adopt mainstream non-cash methods such as credit and debit cards. The reason for the prohibition on credit and debit cards is that responsible gaming advocates have invoked the specter of patrons emptying their savings or incurring a lot of credit card debt in a moment of weakness. It's a legitimate concern but – like so many well-intended acts – has unintended consequences.

### How Does Play+ Work?

At the core of the Play+ solution is a FDIC-insured bank account supporting a prepaid card. When a player enrolls in Play+, he or she is opening a bank account<sup>3</sup>. Only players who are enrolled in a casino's loyalty program can enroll in Play+, and players can enroll in Play+ via a

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<sup>3</sup> The banks are state or federally-chartered and are card-issuing banks approved by Discover Financial Services to open bank accounts in connection with the issuance of Discover®-branded prepaid cards. Sightline is a program manager (as defined by FinCEN) for these banks. We are program managers for Sutton Bank (Attica, OH) and Bank of George (Las Vegas, NV).

link on the casino's website or at the player loyalty desk or the cage in a casino. Since a bank account is being opened, we must comply with the Bank Secrecy Act and get certain identifying information. The casino system sends us the player's name, address and player card number, and the player enters their social security number and date of birth. These data are checked against standard databases and, if they are validated, the account is opened. This process takes less than two minutes. Once the account is opened it can be funded using a credit or debit card or via an ACH from the patron's bank account; credit and debit card transactions are credited to the account instantly and an ACH is credited after three business days.

Once the account has been funded it can be used for gaming play. At a slot machine, a player inserts his or her loyalty card as usual. A menu on screen asks if he or she would like to access their Play+ account. If so, they then enter their PIN (to confirm that they are the registered holder of the player card) and the last four digits of their SSN (to confirm that they are the registered holder of the Play+ account). Finally, they enter the amount of money they would like to transfer to the machine. The slot system sends a message through our proprietary SPAN® network that "player account 1234567, SSN 2346, requests \$200." At enrollment, our database associated the player account number with the Play+ bank account number. So, when it receives the message, our system matches the player account number to the bank account number for purposes of determining whether sufficient funds are in the account to honor the request. If there are, our SPAN® network sends a message back to the slot system to credit the wagering account by the amount requested. When the patron is done playing, he or she can deposit remaining funds back to the Play+ account in the same manner. At the end of every day, we calculate the net of all the movements of funds using Play+ in that casino (withdrawals from Play+ and deposits to Play+) and we settle the net amount to or from a designated casino bank account two business days later.

Five to seven days after the player initially enrolled in Play+, a casino-branded Discover card linked to the Play+ bank account will arrive in the mail. This card allows the player to use the funds on deposit for purchases of non-gaming goods and services anywhere Discover cards are

accepted (inside the casino or outside it). It can also be used for ATM withdrawals. All non-gaming and ATM transactions are settled via the Discover system.

We have launched Play+ for brick-and-mortar gaming at Mohegan Sun in Connecticut. Members of Mohegan's Momentum player-loyalty program can sign up for a Momentum Play+ account and play without cash at any of the 5,000+ machines in Mohegan's three separate gaming areas. Play+ has been enthusiastically received by Mohegan players and management alike, and our combined solution was featured as the cover story in the May 2016 issue of Global Gaming Business magazine.

### Play+ and Responsible Gaming

As I mentioned earlier, responsible gaming ("RG") advocates have lobbied against the use of credit and debit cards at slot machines and table games. They are concerned that players can do themselves financial harm. But the reality is that you can do yourself financial harm in a casino – you just need to work at it. You can empty your bank account by withdrawing cash at the ATM up to your daily ATM limit and then cashing a check for the balance. You can incur credit card debt up to your cash advance sublimit (usually half of the total line of credit available to you). So the standard that has been sought by RG professionals in order to minimize the risk of financial harm is "time and diversion" – a break in the action in order to consider whether getting more cash is a good idea. Instead of being able to insert a debit or credit card into the machine and keep on playing, you have to get up from the machine and walk to the ATM or the casino cage. That delay will hopefully give you a change of perspective and some time to consider the merits of getting more cash.

So how does the Play+ solution address this issue? The first response is that the Discover card is never used at the slot machine or the table game – the player card is what is used to access funds. While this may seem like a difference that is merely cosmetic, it is meaningful to RG advocates. But we are not relying on the merely cosmetic to addressing RG concerns; there is a

substantive protection engineered into the Play+ system. In any calendar day, all transfers from a debit or credit card to the prepaid account (after the first one) are delayed by fifteen minutes. By doing this, we have created “virtual time and diversion”, not allowing a player to transfer funds to the prepaid account in one moment and transfer them to the game in the next.

While the use of the player card instead of the prepaid card to access funds may seem like only a cosmetic deterrent, there is actually a benefit to it. Anyone who has registered with a state’s self-exclusion database cannot be issued a player card and any existing cards must be disabled. So a registered problem gambler would not have the “key” to access the funds in the prepaid account for gaming play.

In addition to the simulated time and diversion, we have added other safeguards to the Play+ system after discussion with RG professionals in several states. First, when a person seeks to enroll for a Play+ account, we will check that player’s data against the state self-exclusion database (provided that the state allows us to access it). Since a self-excluded person shouldn’t be in the casino’s database in the first place there should be no overlap, but we agreed to do it as “belt and suspenders” protection. Second, when a player attempts load money into the Play+ account, we will display a RG message and the 800 number of a state or national RG helpline. Third, we allow players to set a personal daily limit that can’t be quickly changed. If you tell us not to allow you to download more than \$200 a day, we can make that happen. Fourth, we do not allow payroll direct deposit to the Play+ account and we do not allow automatic scheduled transfers from personal bank accounts or payment instruments. Each transfer into the Play+ account needs to be a discrete and deliberate action.

In addition to these protections, there are overall funding limits that govern the program. For our regular program, patrons can transfer into the Play+ account no more than \$2,000 per day, \$4,500 per week and \$10,000 per month. The maximum balance that can be in the Play+

account at any time (factoring in wins at the casino that get transferred back to the Play+ account) is \$25,000. These limits are set by the bank that holds the Play+ funds<sup>4</sup>.

### The Issue in Pennsylvania

We have been in discussions since November 2014 with the Pennsylvania Gaming Control Board about the potential use of Play+ in Pennsylvania casinos. They understand the potential benefits that Play+ might offer to gaming players and gaming companies in the commonwealth. However, they have made us aware that Pennsylvania statutes prohibit a casino from performing a credit card cash advance on a casino floor. They have raised the concern that Play+, while not technically in violation of the statute, may violate the intent of the statute.

There are two technical reasons why Play+ does not violate the law. First, the casino is not performing the transaction and, second, the transaction is not a cash advance. However, Sightline strongly believes 1) that there is no violation of the intent of the law and 2) that the usage of Sightline's Play+ system will result in no greater financial risk to gaming patrons than exists right now in Pennsylvania casinos.

Credit card cash advances are not prohibited at Pennsylvania casino properties; they are only prohibited on the gaming floor. As a result, in many (if not all) Pennsylvania casinos, a separate cash advance booth has been set up near – but not on – the casino floor. As a result, a patron who wants to perform a cash advance must get up from his/her seat, walk off the casino floor, and visit the cash advance booth. In this way, the time-and-diversion standard advocated by RG professionals is maintained. However, as described earlier, Sightline Play+ system imposes a “virtual” time-and-diversion period of fifteen minutes on every credit card funding transaction except the first one in any given day. So the crux of the matter is whether the fact that the first

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<sup>4</sup> In addition to the regular program, in selected circumstances we offer a VIP Program. VIP customers must be known to the casino, have a history of high-end play with the casino, and be specifically invited by the casino to enroll. The VIP limits are \$10,000 per day, \$30,000 per week and \$70,000 per month, with a maximum balance of \$100,000.

credit card load is available immediately imposes any risk to problem gamblers. Sightline contends that it does not.

Problem gamblers on the self-exclusion list are not affected. Regardless of how frequently they can load funds to the Play+ account, they cannot use a player card to access those funds. So the focus should rightly be on those players who may do something they shouldn't in a moment of weakness. But what is that moment of weakness? Is it when the player first sits down at a machine? If so, then the law should have prevented them from doing any credit card cash advance before playing. As it is right now, a patron can visit a casino, perform a credit card cash advance on the way in and take those funds directly to the slot machine. So, since credit card cash advances before first play can be conducted now, the fact that they can be done faster using Play+ at the machine doesn't seem to pose a risk to gaming players. It's getting more money after losing the first money that is the "moment of weakness" and in that respect Sightline's Play+ system provides the time-and-diversion that is the RG standard.

#### Risk vs. Reward

In conclusion, Sightline contends that a focus on the fact that there is no delay on a first load using a credit card fails to weigh against that concern the many benefits that Play+ offers – not the least of which is the potential for eliminating crimes on cash-carrying gaming patrons. The position that Sightline has advocated to RG professionals and gaming regulators in other jurisdictions – and with which they have concurred - is that Play+ provides significant benefits to the large majority of responsible gamblers while posing no increased risk to the vulnerable. We hope that legislators and regulators in Pennsylvania will conclude similarly.

Thank you for your time and consideration of this matter.

# THE FUTURE OF CASHLESS GAMING HAS ARRIVED



Product Presentation



## OUR MISSION

*“Our goal is to bring gaming payments into the 21<sup>st</sup> century by enabling instant funds transfers in and out of gaming systems without the need for cash.”*

## OUR TEAM

### Company Builders

Founded Global Cash Access, the leading provider of cash access in casinos  
From \$0 in 1994 to \$600mm in revenue in 2007  
IPO on NYSE in September 2005; \$1.1bn equity value

### New Product Standard-Setters

Debit Card cash advance (1994). Now universal with credit card cash advance.  
3-in-1 ATM (1997). Now on almost every casino ATM in the US.  
ATM on Redemption Kiosks (2004). Now outnumber ATMs by 7-1.



## OUR OPPORTUNITY

*Gaming Lags far behind the General Economy*

**2015  
General  
Economy**  
14% Cash<sup>1</sup>  
86% Non Cash



*Electrons with Multiple Delivery Methods*

**2015  
Casino  
Economy**  
95% Cash  
5% Non Cash



*Green Paper*



*White Paper*



*Hello Kitty*

<sup>1</sup> Source: Federal Reserve Bank of San Francisco © 2014 – Value of Total Consumer Transaction Activity

## OUR OPPORTUNITY (cont'd)

- 81% of US consumers carry less than \$100 in cash



- Cash is available at casinos via ATMs, cash advance, etc.
- But it's the number one service complaint
- The average fee paid to get cash in a casino is \$10.66 <sup>1</sup>

<sup>1</sup> Includes "back-end" fees charged by card-issuing banks. Sightline estimate using data reported by GCA.

## OUR SOLUTION

Cashless. Ticketless. *Painless.*



**START WITH** a special-purpose, FDIC-insured prepaid bank account accessed via the web or mobile



**ADD A** proprietary, two-way SPAN™ network that instantly moves funds to and from slot machines, table games, race & sports and online games



**FINISH WITH** a casino-branded Discover™ card for purchases at restaurants, retail and ATMs, everywhere Discover is accepted

## GAMING OPERATOR *BENEFITS WITH* Play<sup>+</sup>



### REDUCE CASH

Spend less time and money deploying, collecting, reconciling and transporting cash



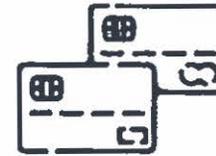
### MAKE IT EASY

Enable electronic funding from anywhere: online, mobile phones, or at the game



### COLLECT DATA

See how your customers spend on and off property



### BUILD LOYALTY

Integrate with your existing rewards program

## GAMING PLAYER *BENEFITS WITH* Play<sup>+</sup>



### SAVE TIME

No need to make trips to the bank



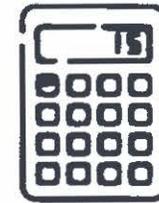
### SAVE MONEY

Avoid paying high ATM and cash advance fees



### STAY SAFE

No need to carry cash to and from the casino



### STAY RESPONSIBLE

Manage your gaming budget

## CUSTOMER Experience



## AWARD WINNING *Technology*

Sightline's executive team is responsible for most of the innovative payments products that have changed gaming over the last 20 years, and we're doing it again with Play+



**Casino Journal**  
Most Innovative  
Gaming  
Technology  
Product of the  
Year



**Gaming Technology  
Conference**  
Top 20 Most  
Innovative Gaming  
Technology  
Products



**Gaming Technology  
Awards**  
Best Productivity-  
Enhancement  
Technology



**iGaming North America  
Awards**  
Best  
Payments  
System



**Gaming & Leisure  
Magazine**  
Gaming &  
Hospitality  
Platinum Award

# OUR Markets & Customers

ONLINE GAMING | CASINOS | RACE & SPORTSBOOK | LOTTERY | MOBILE GAMING



Questions?

