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**MEXICAN MARKET:
 CLASS II OR CLASS III?**



Zocalo Square, México D.F.



Alfredo G. Lazcano Sámano, a Mexican lawyer specialising in the gaming sector

The Mexican Federal Gaming and Drawings Act (LFJS) was enacted on 1947. It prohibits games of chance and betting games, except lotteries in general, dice, sports and races.

Over more than half a century, the technological innovations that arise almost daily in the international gaming industry have found their way to Mexico, bringing with them the inevitable demand for electronic gaming machines and devices.

Accordingly, on 17 September 2004, the Official Journal of the Federation of the United Mexican States published a Regulation for the implementation of the Federal Gaming and Drawings Act (RLFJS), Article 9 of which deals with "betting terminals or machines that permit betting on horse races, sports competitions or number lotteries".

Since the RLFJS was issued 5 years ago, the relatively new Mexican gaming sector has been wondering whether these electronic "terminals" or "machines" fall under some of the technical definitions applicable in other countries, more specifically to the concepts of "Class II" and "Class III" used in the USA market.

WHAT ARE CLASSES I, II AND III?

The terms "Class I", "Class II" and "Class III" refer to forms of gaming described in a US federal law dating back to 1988, the Indian Gaming Regulatory Act (IGRA). This law regulates gaming activities in those Native American jurisdictions known as Indian "reservations", "governments" or "nations".

It should be noted that the IGRA was passed as the US Congress response to the reality of gaming in Indian communities or tribes, with the aim of promoting their self-sufficiency and economic development within their own territorial borders and within the legal gaming limits of each of the States.



Apex Gaming



WMS Gaming

According to IGRA and other applicable regulations, the three "Classes" have the following meanings:

- * Class I refers to social games with minimum-value prizes, in addition to tribal games related to Native American traditions and ceremonies.
- * Clase II applies to bingo and games of cards in which the players play against each other (i.e., not baccarat, chemin de fer or blackjack), and in both cases there are fairly complex and rigid rules.
- * Class III covers all games not included under Classes I and II, i.e. Casino-type games in the broadest definition of the term: roulette, cards, craps, slots, etc.

The IGRA allows only Class II-type games in Indian operations. However, Class III games have been tolerated in recent years, through so-called "treaties" or agreements between the tribes and the government, influenced by a range of social and political variables and, in many cases, involving legal mediation and even judicial procedures.

THE "MEXICAN CLASS"

As we can see, Mexican legislation contains no specifications comparable to the origin, content or proposals of the IGRA, for which simple reason I believe it futile to make comparisons or seek analogies, particularly when dealing with gaming in countries with two very different backgrounds. In other words, while it is true that the RLFJS maintains that slot machines cannot be authorised, it is also true that, from a strictly linguistic point of view, the semantic definition used in the Mexican regulation, i.e. "maquinas tragamonedas", does not necessarily hold the same technical meaning as "tragaperras" in Spain, "slot machines" in the USA, "fruit machines" in the UK, "poker machines" in Australia or "tragamonedas" in other Spanish-speaking countries.

With this in mind, I believe that gaming machines or terminals in Mexico may admit their own definition, applicable to all electronic or electromechanical devices that carry number games or drawings, which may be represented graphically by symbols or colours or combinations of both, providing their general characteristics and descriptions comply with applicable laws and regulations, opening the way for what is colloquially known in practice as "the Mexican class".



Novomatic



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THE POINT OF VIEW OF...

TECHNOLOGY IS VITAL

Whatever the name given to them, the fact is that all number games or drawings involve mechanically, electronically or electromechanically-operated random movements or results, for which they all require a "random number generator". At the same time, gaming machines must have the necessary controls, quality of materials and security components to allow them to be audited by the authorities.

Another very important matter is to guarantee that the result of each game or lottery relies on pure chance, i.e. to ensure and verify that games are fair and cannot be fraudulently influenced by external factors, such as tricks or patterns that can be anticipated due to physical conditions, defects, wear and tear or simple computational errors.

Although the RLFJS lays down no greater specifications or technical standards, the good news is that Mexico has the Federal Metrology and Standardisation Act (LFMN), which lays down the judicial measures for the standardisation, verification and certification of products in any industrial sector, including gaming.

For some time now, the private and public gaming and lotteries sector has been working hard to draft and implement standards to ensure players' judicial security, evidently a very positive move for the ordered development of the Mexican market.

CONCLUSION

There is a legal principle that says "*ubi lex non distinguit, nec nos distinguere debemus*", in other words: where the law makes no distinction, neither should we make any distinction".

In this regard, "Class I", "Class II" and "Class III" are definitions that do not necessarily apply to Mexico and, accordingly, independently of the similarities or differences that may exist between technical concepts and simple linguistic definitions, I believe it would be more logical and more productive to concentrate our efforts on developing the technical and security requirements which may be implemented in gaming terminals or machines in accordance with the LFMN, as a measure to ensure fair gaming, in addition to being an effective and immediate means of supporting the Mexican government in its fight against illicit gaming.



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