



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON JUSTICE AND COMMUNITY SAFETY

Mr Peter Cain MLA (Chair), Dr Marisa Paterson (Deputy Chair), Mr Andrew Braddock MLA

Submission Cover Sheet

Inquiry into Cashless Gaming

Submission Number: 011

Date Authorised for Publication: 11 October 2023



ACT
Government

ACT Government Submission

Inquiry into cashless gaming

ACT Legislative Assembly

Standing Committee on Justice and Community Safety

September 2023

Executive Summary

The ACT Government takes a harm reduction approach to gaming policy. If introduced in the ACT, cashless gaming must correspond with appropriate harm reduction measures such as loss limits or pre-commitment. How and when this change occurs will be unavoidably influenced by a range of factors in the technological and industry environment, alongside the state of reform in other Australian jurisdictions. Proposals for cashless gaming for electronic gaming machines ('EGMs') are growing momentum across Australia.

The feasibility of introducing cashless gaming for ACT EGMs will depend on defining suitable technology and establishing a transition process. EGMs in the ACT (and NSW) are presently based on older technology that may not provide the capability required to fully realise cashless gaming as being contemplated across Australia. Establishing a 'universal' cashless gaming system, being one that operates Territory-wide regardless of venue and proprietor, requires the existence of trunk or backbone infrastructure such as that provided by a central monitoring system (CMS) in other jurisdictions.

The Government considers that cashless gaming without protective measures poses large and unacceptable gambling harm risks. This arises principally because cashless payments are relatively 'frictionless' such that the experience of using and losing money, and the scale of losses, becomes obscured. Measures to address the associated gambling harm risks take a range of forms and degrees of intervention.

The ACT Government does not yet have a firm policy on the gambling harm measures that should correspond with introduction of cashless gaming.

Discussion about cashless gaming is challenged by a lack of a common understanding about what it might involve. Tasmania, for example, has announced a policy intent to introduce universal cashless gaming though a solution developed by the 'licenced monitoring operator' of the Tasmanian CMS. In NSW, cashless gaming has thus far been trialled using localised, proprietary systems, notwithstanding the notion of universal cashless gaming forming part of the policy debate and recommendations to the NSW Government from various government agencies.

The intended purpose of implementing cashless gaming has bearing on these issues. At its most basic, cashless gaming could simply involve EGMs accepting bankcards as a payment method as is becoming common for vending machines. While potentially allowing the removal of cash from EGMs and mitigating some associated money-laundering risks, such an approach is likely to exacerbate gambling harm risks. It is also unlikely to fulfill the wider policy objectives usually attached to discussion of cashless gaming.

These wider policy objectives include a desire to establish capability for individuals and regulators to track and manage EGM use for harm reduction and crime prevention purposes. Objectives such as these may in fact not require cashless gaming but rather the mandatory use of EGM player accounts.

Since 2015, Victoria has made available a State-wide player account and card solution called 'YourPlay'. YourPlay is voluntary for EGM players to use but mandatory for venues to offer, with account creation and cards available from any venue where EGMs operate. It leverages the Victorian CMS to allow use of player accounts and cards irrespective of venue or proprietor. YourPlay allows a player to set loss and time limits and to view activity statements recording their EGM use.

Some EGM suppliers have developed proprietary systems that provide functionality similar to YourPlay, sometimes with a digital wallet in place of a card. However, at present these solutions only operate locally, within the confines of a single proprietor's EGM operation. The benefit of a universal system, where EGM use can be tracked and managed in all venues with common limits and activity records, requires a means of separating individual player accounts from any one proprietor's system.

The ACT Government is acutely conscious of the need for cashless gaming and associated measures to be secure, private and implemented in a manner that is compatible with human rights. Technology standards for data security in payments systems such as those issued by the PCI Security Standards Council are relevant, as may be consumer protection frameworks like the Consumer Data Right. Equally, a range of legislation concerning financial services and prudential regulation may be applicable to the implementation of cashless gaming. A close examination of the various existing legal and regulatory arrangements will be necessary to consider whether there are any gaps that require a bespoke legislative and regulatory framework for cashless gaming.

Building on the ACT Government's discussion paper about EGM reform, particularly lower bet and credit limits, the ACT Government has been exploring options for delivery of its related election commitments. Through funding in the 2022-23 Budget, the government has been analysing feasibility and implementation issues associated with the introduction of a CMS for ACT EGMs. A CMS was identified in initial analysis as the most cost-effective approach to delivering the government commitments and establishing a basis for likely future reforms like cashless gaming. Further funding in the 2023-24 Budget will support the government to reach a decision on these issues.

Background

The term ‘cashless gaming’ is increasingly used in discussion about possible change to EGM regulation. However, this term lacks common meaning. There are a range of possible forms, features, technologies and systems associated with it. The ACT Government therefore suggests that the Committee take care to establish a clear taxonomy for use throughout its inquiry.

At its simplest, cashless gaming is no more than the use of non-cash payment methods for EGM play. It may also be much more complex and involve a system that requires people wishing to play EGMs to create an account and use a physical or digital token, for example a card or digital wallet, to identify themselves as part of interacting with an EGM, including when crediting money to the machine. Account-based cashless gaming such as this may be ‘local’, in that its operation is confined within a single venue or group of venues run by the same proprietor. It may also be ‘universal’ such that each individual player account and token is available for use on a jurisdiction-wide basis in any venue, irrespective of proprietor. Additionally, cashless gaming may or may not be accompanied by harm reduction measures.

Choices about the form and features of cashless gaming appropriate for implementation in the ACT will depend on the intended policy objectives. The capability of ACT EGMs to implement the desired cashless gaming form and features may be limited by existing technologies, therefore requiring a change to the technology and operating environment.

This submission describes at Appendix A the key forms that cashless gaming might take. A report prepared by Gaming Consultants International for the Tasmanian Liquor and Gaming Commission’s investigation of harm minimisation technologies provides a useful and more detailed discussion of technology and policy issues relevant to player card gaming.¹ Appendix B details the ACT Government’s contemporaneous awareness of the complex and bespoke EGM technology environment. The government’s understanding continues to evolve through ongoing research, analysis and stakeholder engagement.

¹ Gaming Consultants International, *Facial Recognition and Player Card-based Gaming Technologies* (Report, April 2022) <[https://www.treasury.tas.gov.au/Documents/Gambling%20Harm%20Minimisation%20Technologies%20-%20Feasibility%20Assessment%20Report%20\(GCI\).pdf](https://www.treasury.tas.gov.au/Documents/Gambling%20Harm%20Minimisation%20Technologies%20-%20Feasibility%20Assessment%20Report%20(GCI).pdf)>.

ACT Implementation Issues

Current EGM technology in the ACT

Implementing cashless gaming in the ACT requires a clear understanding of the current state of EGMs in the ACT. There are significant constraints arising from the existing technology environment that influence how and when it is feasible to adopt some forms and features of cashless gaming in the ACT. There are several key issues.

X Series EGM technology

ACT EGMs currently rely on X Series technology, which may have technological limitations relevant to introducing some forms and features cashless gaming, particularly as a universal solution. X Series technology is largely limited as a 'one-way' communication protocol with limited capability for data input, which is necessary for cashless gaming. However, development of the technology has enabled it to provide cashless gaming.² Cashless gaming solutions now exist for X Series EGMs and have been available for more than a decade. NSW, the only other Australian jurisdiction that operates X Series EGMs, is currently trialling local cashless gaming using this technology.

Further industry advice about the capability of this technology is necessary to fully understand whether X Series technology can provide the capability sought from cashless gaming and the desired policy objectives. For example, in 2011 the NSW Government advised the Parliament of Australia Joint Select Committee on Gambling Reform that X Series technology did not allow for data packet success rate verification,³ which provides confirmation that data transmitted over a network has reached its destination. Data packet loss may pose risks to system reliability and security. The ACT Government is unaware of whether this remains the case.

Need for trunk infrastructure

Unlike all other Australian jurisdictions where EGMs operate in community venues, the ACT lacks the trunk infrastructure provided by a CMS. A CMS is likely necessary to achieve universal cashless gaming and player accounts. This is not to suggest that cashless gaming requires a CMS. It does not.

However, cashless gaming as being discussed across Australia is premised on a much more sophisticated approach involving EGM players being required to open an account through which EGM play is managed and tracked, and an associated card or digital wallet providing a payment method for use with EGMs. In harm minimisation and anti-money laundering contexts, this functionality is desired such that it operates across venues to prevent individuals from circumventing or avoiding the application of various controls such as loss, deposit or time limits by simply moving to another venue.

² Communities NSW, Additional Information No 8 to Joint Select Committee on Gambling Reform, Parliament of Australia, *Inquiry into precommitments scheme* (7 March 2011) 7 <<https://www.aph.gov.au/DocumentStore.ashx?id=a3635c49-c24a-40ca-ae24-f8ed2ff5ab42>>.

³ Ibid.

A further important premise is that each consumer holds single player account and payment method that is available for use with EGMs in any venue, irrespective of differences in proprietor—universal cashless gaming.

A useful analogy is the difference between a gift card or store card, where use is usually confined to a single store or business enterprise, and a payment method like Paypal or ZipPay that operates in any participating store or business enterprise.

A universal cashless gaming solution will require some form of trunk infrastructure to allow synchronised player accounts and cards or digital wallets that operate irrespective of venue or proprietor. Based on currently available information, Tasmania and Victoria will leverage their respective CMS to provide the necessary trunk infrastructure. There might be other technology options that could fulfil this requirement but at present use of a CMS appears the most established technology solution. As a principle, should this technology exist or come into existence, then it would still require the ability to connect, give and receive data from EGMs across multiple venues in order to provide the same efficacy as is contemplated by ‘universal cashless gaming’ underpinned by a CMS.

Gaming systems in ACT clubs

As outlined elsewhere in this submission, EGM suppliers offer products variously known as ‘gaming systems’, ‘venue management systems’ or similar. These systems allow EGMs within a venue, or sometimes across venues operated by a single proprietor, to be connected in a network. Alongside enabling additional EGM features like tickets and membership reward schemes, gaming systems are commonly also used for venue marketing, membership and point of sale purposes. Gaming systems also simplify venue administration of EGM operations, for example, automating some data collection required for regulatory reporting obligations.

The extent of capability available through a gaming system depends on the licensing arrangement struck between a proprietor and system supplier. Gaming system licensing arrangements are commonly tiered, with a higher cost as greater features are made available. While most ACT clubs operate more sophisticated gaming systems, a small number of small clubs have an arrangement with a supplier that supports data collection for regulatory report only. A further small number of very small ACT clubs do not have a gaming system in place.

Local cashless gaming using existing gaming systems in ACT clubs may be possible at relatively little additional cost for some clubs. For example, where a club has a membership rewards scheme in place that involves presentation of a membership card to a card reader installed at an EGM, most of the necessary hardware is likely in place. Other clubs may not have need for more advanced gaming system features, or any gaming system at all, and for these clubs introducing local cashless gaming will involve a larger cost.

As with options for a CMS, the technology underpinning local gaming systems varies but has sometimes been challenged by technological limitations forcing system design decisions and trade-offs. For example, the relatively low internet bandwidth available before broadband internet became commonplace required solutions with a low data transmission volume. Some solutions also use fibre optic network hardware, which is expensive to implement, and communication technologies with disadvantages related to factors such as their scalability.

Age of ACT EGMs

A relatively large proportion of ACT EGMs are quite old and are consequently no longer supported by EGM suppliers. Internal analysis prepared by the ACT Government during 2022 suggests around 21 per cent of EGMs installed in ACT clubs are older than 10 years, with a further 45 per cent being between 6 and 10 years old. These older EGMs may not be capable of interfacing with the systems or hardware required to support desired forms and features of cashless gaming. Corresponding with the age of EGMs, at the time of preparing their advice for the ACT Government in 2021, BMM Australia estimated that at least 39 per cent of ACT EGMs were no longer supported by suppliers. As outlined in advice prepared for the ACT Government by BMM Australia, ACT EGMs will require varying degrees of upgrade or replacement to pursue implementation of cashless gaming.

While the ACT Government's understanding of these issues has developed since receipt of the BMM Australia advice, it nonetheless provides a robust and informative basis for understanding issues relevant to the age of ACT EGMs. The ACT Government has also since learnt that the NSW Government is working with industry to change the technology underpinning NSW EGMs from X Series to a two-way technology. A change of this nature in NSW will force change to ACT EGMs because it will render the ACT the only Australian jurisdiction where X Series technology remains in use. EGM suppliers are highly unlikely to be willing to continue and maintain products based on this technology only for the small ACT market. It will therefore become opportune for the ACT Government to consider what it and local clubs might require from future EGM technology.

While conditions in other Australian jurisdictions vary, these issues mean the ACT arguably faces the largest technological barriers to implementing forms involving cashless gaming.

Implementation feasibility

The feasibility of implementing cashless gaming in the ACT will depend on the desired form and features of cashless gaming and the associated policy objectives.

While the specifics require some deeper consideration, as a starting point, the ACT Government suggests cashless gaming has the following basic policy objectives:

- Crime prevention: improved systematic management of integrity in gambling via EGMs. The high turnover of physical cash in the gambling industry necessarily requires a high degree of regulation. Cashless gaming has the potential to mitigate associated risks through, for example, the creation of auditable transaction records.
- Harm reduction: provision of a platform through which gambling harm interventions are enabled. These may take a variety of forms such as gambling activity statements, loss and time limits (pre-commitment) and gambling exclusion through EGM access control.

Local cashless gaming arguably has lower implementation barriers. It could leverage existing gaming systems in use by ACT EGM operators and does not require direct government involvement in coordinating common infrastructure. The implementation cost for most venues is likely to be relatively low.

However, local cashless gaming will at best only partially achieve the basic policy objectives sought. The simple reason is that without a system involving common player accounts operating irrespective of venue or proprietor, individuals can circumvent both crime prevention and harm reduction policy objectives. Local

cashless gaming would be limited such that a person could have an independent gaming account with multiple venues or proprietors, each of which would be subject to, for example, separate, cumulative deposit and loss limits.

The alternative solution, which would allow a person to have a common gaming account with synchronised limits, is universal cashless gaming. This approach will better achieve the policy objectives sought from cashless gaming. That said, there is no established solution for jurisdiction-wide implementation of cashless gaming and it will therefore involve a more complex implementation. The absence of existing trunk infrastructure in the ACT, such as a CMS, contributes to the implementation challenges of this approach. Also relevant is consideration of where account balances are held and how money flows between individuals and different proprietors.

The absence of an established universal cashless gaming solution, while posing challenges, should not be overstated. The concept is not unknown. Existing systems provide similar functionality. For example, Victoria's YourPlay solution provides universal EGM player accounts and gambling limits but does so without being mandatory or requiring use of cashless payments. The ACT Government understands that YourPlay will form the basis of future implementation of cashless gaming and pre-commitment in Victoria. YourPlay is built on the Victorian CMS. Similarly, the Tasmanian government has announced it is working with its CMS operator to develop a cashless gaming and pre-commitment solution.

Beyond gambling on EGMs, BetStop - the National Self-Exclusion Register for online and phone wagering products, is being developed for the Australian Communications and Media Alliance by the same firm that designed and developed the United Kingdom equivalent.⁴ While not itself providing player accounts or pre-commitment, BetStop allow people to self-exclude from all legal online or phone wagering operations in Australia in one simple process. BetStop demonstrates a capability to synchronise gambling exclusion between gambling accounts held with separate wagering providers. Consistent with the position outlined in this submission, BetStop supports the notion that a universal cashless gaming solution for EGMs will require some form of trunk infrastructure.

The simplest option of EGMs offering a bankcard reader as a non-cash payment method is not considered because it is highly likely to result in an outcome converse to the desired policy objectives.

Beyond the more fundamental question of the form of cashless gaming necessary to achieve the desired policy objectives are specific questions about the technology for various components of the solution. These questions are relevant to delivering a robust solution but themselves pose implementation issues. For example, an evaluation of YourPlay prepared by the University of Adelaide found widespread failure of equipment in venues, including card readers on EGMs.⁵ 'Low coercivity' magnetic stripe cards as used with YourPlay, while inexpensive, are known to be vulnerable to damage when placed in proximity to magnetic fields or mobile phones. Alternative card technology may be less susceptible but is more expensive. Cardless alternatives like digital wallet technology is developing and might provide an alternative but requires consideration of how players would interact with an EGM to, for example, record the start and end of a session of play. These issues are usefully detailed in advice prepared for the Tasmanian Government.⁶

⁴ 'Significant milestone for Australia's first national gambling self-exclusion register', *Australian Communications and Media Authority* (Web Page, 23 June 2021) <https://www.acma.gov.au/articles/2021-06/significant-milestone-australias-first-national-gambling-self-exclusion-register>.

⁵ South Australian Centre for Economic Studies, University of Adelaide, *Evaluation of YourPlay* (Final Report, March 2019) i-ii, ix, 98-105, 122 <<https://www.justice.vic.gov.au/safer-communities/gambling/evaluation-of-yourplay-final-report>> ('*Evaluation of YourPlay*').

⁶ Gaming Consultants International (n 1) appendix 1.

Interstate developments

The ACT Government has closely followed recent developments in EGM technology and regulation. It is increasingly apparent that the trajectory of innovation and reform is tending towards a cashless gaming future. The ACT Government recognised this environment in committing, as part of the *Parliamentary and Governing Agreement for the 10th Legislative Assembly* ('Parliamentary and Governing Agreement'), to 'match or exceed NSW [EGM] reforms, such as cashless gaming'.

Since the Parliamentary and Governing Agreement was struck, further environmental developments have added weight to a likely cashless gaming future. These include findings and recommendations of the NSW Crime Commission's *Project Islington – Inquiry into Money Laundering via Electronic Gaming Machines in Hotels and Clubs* ('NSWCC Inquiry') and the findings and recommendations of inquiries into casinos in several jurisdictions. Also relevant is the impact of factors like the COVID-19 pandemic on consumer behaviour and an increasing preference for non-cash payment methods. Rapid innovation and development of new payment technology through the availability and adoption of, for example, digital wallets, lends further support the likelihood of cashless consumer markets, including relevant to gambling products.

Several Australian governments have already responded and signalled an intention to pursue EGM reform involving cashless gaming. Additionally, most Australian jurisdictions have an existing regulatory framework for local cashless gaming should a venue wish to adopt this technology.

Tasmania: player card gaming and pre-commitment

The Tasmanian Government, building on transition to their 'Future Gaming Market,' announced on 15 September 2022 that it would work towards cashless gaming through a mandatory State-wide player card gaming system with gambling pre-commitment.

The Tasmanian government decision to introduce cashless gaming arose from an investigation of how a 'smartcard-based identification system for electronic gaming machines in casinos, hotels and clubs could minimise gambling harm'.⁷ The same process also investigated the use of facial recognition technology to improve gambling self-exclusion. After assessing various permutations of card-based gaming, informed by stakeholder consultation and advice from expert consultants, the Tasmanian Liquor and Racing Commission ('TLGC') recommended that cashless gaming be introduced alongside a mandatory precommitment system.⁸ The proposed model, to which the Tasmanian Government agreed, will see people wishing to use EGMs in Tasmania required to register for a card, much like a bank card, that may receive money from cash deposits or EFTPOS payments at cashier desks in gaming venues.⁹ The cashless gaming system will be administered using the Tasmanian CMS.¹⁰

⁷ Minister for Finance (Tas), 'Tasmanian Liquor and Gaming Commission Ministerial Direction (No. 1) 2021' in Tasmania, *Tasmanian Government Gazette*, No 22 160, 26 January 2022, 59.

⁸ Tasmanian Liquor and Racing Commission, *Investigation of harm minimisation technologies: facial recognition and player card gaming* (Final Report, June 2022) 6.

⁹ Tasmanian Liquor and Racing Commission (n 8) 6; Tasmanian Government, *Response to the Tasmanian Liquor and Gaming Commission's Report to the Treasurer on its Investigation of harm minimisation technologies: facial recognition and player card gaming* (Government Response, 15 September 2022) 1.

¹⁰ *Ibid.*

Informed by recommendations of the TLGC, the proposed Tasmanian approach to cashless gaming and mandatory pre-commitment system will:

- prescribe maximum concurrent default loss limits, initially set at a daily limit of \$100, monthly limit of \$500 and annual limit of \$5,000
- grant players the discretion to set lower loss limits (taking effect immediately), with any subsequent increase up to the default loss limits taking effect only after a cooling off period
- allow players to apply to a venue to increase the daily limit to \$500 and the monthly limit to \$5,000, with no change to the annual limit of \$5,000
- allow players to apply to the government for higher limits above the default loss limits where they can demonstrate the financial capacity to sustain those losses, which must be renewed annually or revert to the default limits
- bar gaming activity when a loss limit is reached until the next default period
- provide messaging about progress towards limits
- allow setting of play limits for breaks in play and maximum play periods, initially to be set at 10 minutes after two hours of continuous play.¹¹

The Tasmanian Government is aiming to implement this reform by December 2024.

Victoria: YourPlay

In 2011, the then Minister for Gaming in the Victorian Government issued a 15-year licence for the operation of a CMS for EGMs in Victorian venues. Around the same time, consistent with election commitments leading into the 2010 Victorian election, the government began consulting on the introduction of pre-commitment technology for all EGMs. The government ultimately concluded that it would draw on the existing monitoring licence and system infrastructure as the basis for delivering this commitment. The Gambling Regulation Amendment (Pre-Commitment) Bill 2013, introduced into the Parliament of Victoria on 29 October 2013, once passed early in 2014 required implementation of a pre-commitment system for EGMs from 1 December 2015. On 2 May 2014 the government amended the monitoring licence with its LMO to provide for their development and operation of the system.

The resulting EGM pre-commitment system is called 'YourPlay'. YourPlay uses a magnetic stripe card that is registered to an individual gaming account. 'Casual' player cards that do not require registration are also available. Venues must offer YourPlay but its use by players is voluntary. When playing an EGM, players can insert their card into the EGM which then tracks their gambling activity including losses and play time. Players can also voluntarily set loss and time limits.

The University of Adelaide undertook an evaluation of YourPlay that was published in March 2019.¹² The key finding of the evaluation was that while the implementation of YourPlay was successful, it had not been a success.¹³ Usage of YourPlay was found to be extremely low and at that level of usage it was not a cost-effective harm reduction measure.¹⁴ Among other issues identified, YourPlay allows EGM play without use of a player card, even among players who had chosen to obtain a card.¹⁵

¹¹ Ibid.

¹² *Evaluation of YourPlay* (n 5).

¹³ *Evaluation of YourPlay* (n 5) i-ii.

¹⁴ Ibid.

¹⁵ Ibid.

On 16 July 2023, the Victorian Government announced that it too would introduce mandatory, State-wide carded gaming and pre-commitment following industry consultation. This consultation commenced on 23 August 2023.¹⁶ It appears the Victoria Government intends leverage their existing CMS and YourPlay solution as the basis for mandatory carded play and pre-commitment, which at this stage will not involve exclusively cashless gaming.¹⁷ Alongside pursuing this proposal, the Victorian Government intends to lower the load-up or credit limit for EGMs in the State to \$100. The opportunity for the Victorian Government to introduce a change in load-up limit arises from its existing CMS and EGM technology.

NSW: election policies and local cashless gaming trials

More directly relevant to the ACT are developments in NSW. Over several recent years, the former NSW Government had expressed a forthright intention to introduce cashless gaming and associated measures. Technology trials in several venues were planned or commenced. Ultimately, however, the then government was unable to secure internal or stakeholder agreement to a definitive policy and delays to the technology trials arising from COVID-19 left the issue unresolved leading into the 2023 NSW election. A change of government following the election has seen the incoming NSW Government adopt a more modest position.

In line with their election commitment, on 13 July 2023 the NSW Government announced the establishment of an independent panel to oversee a cashless gaming trial and recommend an implementation roadmap for gaming reforms in NSW. Advice on an implementation roadmap is due to the NSW Government by November 2024, and alongside cashless gaming will consider a range of other possible reforms to EGM regulation.

As also committed, the NSW Government from 1 July 2023 has set a \$500 credit limit for all newly supplied EGMs. The ACT's reliance on NSW for technical evaluation of EGMs is expected to result in new machines supplied to the ACT also being confined to a \$500 credit limit.

Casino inquiries across Australia

Over recent years, casinos in Australian jurisdictions have been subject to close scrutiny through special inquiries including Royal Commissions. Inquiries into casino operations have occurred or are underway in NSW, Victoria, Queensland, Western Australia and South Australia.¹⁸ Cashless gaming and carded play, alongside associated harm reduction measures, has attracted attention throughout these inquiries both on the basis of harm reduction and crime prevention policy objectives. Several, such as the Victorian Royal Commission into the Casino Operator and Licence, recommended the introduction of compulsory carded play, cashless gaming and mandatory pre-commitment. Issues similar to those raised throughout this

¹⁶ Victorian Government, 'Landmark reforms to reduce gambling related harm and money laundering', *Engage Victoria* (Web Page) <<https://engage.vic.gov.au/landmark-gambling-reforms>>.

¹⁷ Department of Justice and Community Safety, Victorian Government, *Pre-commitment and carded play* (Consultation Paper, August 2023) 3-4, 6 <<https://engage.vic.gov.au/download/document/32724>>.

¹⁸ NSW Government, 'Casino regulation', *Liquor and Gaming NSW* (Web Page) <<https://www.liquorandgaming.nsw.gov.au/independent-liquor-and-gaming-authority/casino-reviews-and-investigations>>; Victorian Government, 'Royal Commission into the Casino Operator and Licence', *Royal Commission into the Casino Operator and Licence* (Web Page) <<https://www.rccol.vic.gov.au/>>; Queensland Government, 'External Review of the Queensland operations of The Star Entertainment Group Limited' *Department of Justice and Attorney-General* (Web Page) <<https://www.justice.qld.gov.au/initiatives/external-review-qld-operations-star-entertainment-group>>; Western Australian Government, 'Perth Casino Royal Commission', *wa.gov.au* (Web Page) <<https://www.wa.gov.au/government/government-initiatives-and-projects/perth-casino-royal-commission>>; South Australian Government, 'Independent review into SkyCity', *Attorney Generals Department* (Web Page) <<https://www.agd.sa.gov.au/law-and-justice/investigation>>.

submission regarding the distinction between cashless gaming and player card/account-based gaming, along with forms and features of these and related measures like pre-commitment are also canvassed.

Money laundering and organised crime

AUSTRAC

AUSTRAC administers the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) ('AML/CTF Act') as the Australian regulatory AML/CTF and financial intelligence agency. The AML/CTF Act is concerned with criminal abuse of the Australian financial system. Businesses involved in gambling services have regulatory obligations under that Act, including ACT clubs and pubs where EGMs are in operation.

Broadly, the obligations imposed by the AML/CTF Act require ACT EGM operators to establish a program aimed at ensuring legislative compliance and managing AML/CTF risks. Key elements include risk assessment and control, executive oversight and staff monitoring and training, reporting obligations and ongoing customer due diligence. Customer due diligence involves customer identification and verification, sometimes called 'know your customer' (KYC), transaction monitoring and suspicious matter reporting when appropriate.

Further detail about AML/CTF Act obligations for EGM operators is available on the AUSTRAC website.¹⁹

NSW Crime Commission – Inquiry into Money Laundering via Electronic Gaming Machines in Hotels and Clubs

On 26 October 2022, the NSW Crime Commission ('NSWCC') released their final report of Project Islington – *Inquiry into Money Laundering via EGMs in Pubs and Clubs*.²⁰ This inquiry was supported by CMS data supplied by the NSW EGM regulator, Liquor and Gaming NSW, that identified suspicious gaming activities. The NSWCC also undertook electronic and physical surveillance, reviewed CCTV footage and took evidence from a range of witnesses including convicted criminals, to assess the nature and extend of money laundering using EGMs in NSW hotels and clubs.

The NSWCC concluded that money laundering via EGMs was 'widespread and significant' on the basis that 'a significant amount of money which is put through poker machines is the proceeds of crime, or "dirty money"'. Rather than EGMs being used to 'clean' illicitly obtained money as a way of disguising its origins, the NSWCC found typically proceeds of crime were being spent by gambling on EGMs. This is nonetheless criminal activity.

The NSWCC made 8 recommendations in response to its finding, including the adoption of state-wide (that is, universal), exclusively cashless and account-based gaming.

Crime prevention potential of cashless gaming

Consistent with the NSWCC Inquiry report, the ACT Government agrees that cashless gaming has the potential to contribute to interdiction of money laundering and organised crime.

¹⁹ Australian Transaction Reports and Analysis Centre, 'Pubs and clubs', AUSTRAC (Web Page, 2023) <<https://www.austrac.gov.au/business/your-industry/pubs-and-clubs>>.

²⁰ NSW Crime Commission, *Project Islington: Inquiry into Money Laundering via Electronic Gaming Machines in Hotels and Clubs* (Final Report, 26 October 2022) <<https://www.crimecommission.nsw.gov.au/inquiry-into-money-laundering-in-pubs-and-clubs>>.

EGMs pose money laundering risks because of the significant volume of cash turnover involved in their operation. While EGMs may be a slow and high-risk method of hiding the source of illicit money, they currently provide an easy opportunity for people to deal in cash-based proceeds of crime. Further, use of proceeds of crime for gambling on EGMs may allow a person, when found in possession of a large amount of cash, to claim the money as EGM winnings.

The crime prevention potential of cashless gaming is most clear when EGMs are exclusively cashless, corresponds with mandatory use of customer-verified gaming accounts, involves controls such as account deposit limits and transfer holds. Achieving the fullest potential of cashless gaming for this purpose will require an underpinning CMS. A CMS will enable cashless gaming to operate universally across the ACT and provide a tool to support monitoring, detection and investigation of suspicious activity.

Gambling harm

While cashless gaming provides the opportunity for gambling harm prevention, it also carries a risk of increased harm. The risk of gambling harm arises from the relatively ‘frictionless’ nature of cashless transactions and possibly more complex or challenging cognitive processing involved when using cashless payment methods.²¹ The intangibility of cashless gaming can obscure from an individual the experience of using and losing money.²² A need to break a gaming session to obtain additional cash once initial funds are depleted is also avoided.²³

Discussion about cashless gaming is therefore regularly associated with an expectation that it is only introduced alongside introduction of gambling harm reduction measures. These gambling harm reduction measures are already available to some extent through gaming systems already in use in ACT clubs. However, as detailed elsewhere in this submission, venue-based systems lack the capability to synchronise player accounts between different proprietors without trunk infrastructure like a CMS. Localised gambling harm reduction measures leave open a risk that people experiencing gambling harm may simply move to a different venue to continue gambling. A universal or jurisdiction-wide approach, relying on technology like a CMS, avoids this issue.

The ACT Gambling and Racing Commission has identified that the following measures should be incorporated into the design of any cashless gaming framework to mitigate against the potential harms associated with cashless gaming:

- Cashless gaming should be combined with and actively facilitate harm reduction measures such as:
 - gambling exclusion schemes
 - gambling pre-commitment (loss and time limits)
 - breaks in play
 - venue staff interaction with patrons.
- Gambling pre-commitment should require individuals to set daily or weekly loss limits (possibly on an opt-out basis), or alternatively the setting of deposit limits. Increases to limits should be subject to a cooling-off period before taking effect.
- In addition to monetary limits, gambling pre-commitment should allow individuals to set time limits on play and play breaks.
- Individual cashless gaming accounts should not be linked to credit cards or other sources of credit.
- Player cards should not be linked to loyalty schemes.
- Player activity statements should be available in real-time, with clear graphical representation of net wins and losses.
- Winnings should be subject to controls that reduce the likelihood that an individual will simply spend all wins and never receive an associated financial gain. For example, gaming accounts should be subject to a maximum balance limit and large wins could be deposited to a linked bank account following a transaction hold period.

²¹ See, eg, Sarah Hare, ‘What is the impact of cashless gaming on gambling behaviour and harm?’ (Research Report, Victorian Responsible Gambling Foundation, July 2020) 5-8, 31-35.

²² Sally Gainsbury and Alex Blaszczyński, ‘Digital Gambling Payment Methods: Harm Minimization Policy Considerations’ (2020) 24(7) *Gaming Law Review* 466, 468-9; Productivity Commission, *Gambling* (Report No 50, 26 February 2010) vol 1, 10.42.

²³ *Ibid.*

- Unspent credits in gaming accounts should be available for immediate withdrawal and not subject to a transaction hold period.
- Individuals should be unable to deposit money into a player account while within a gaming area to ensure a break in play and facilitate monitoring by venue staff. For the same reason cash machines in a venue must be situated a minimum distance from EGMs.

Mandatory pre-commitment of money and time is commonly identified as an essential, among other harm reduction measures.

Gambling pre-commitment

Gambling pre-commitment is simply described as a system that allows an individual to determine in advance the monetary value they are willing to lose and the time they are willing to consume while gambling. Within this general definition, a range of decisions about the form that gambling pre-commitment takes can influence the degree of intervention involved.

The following table identifies key areas where pre-commitment can vary in form.

	Description	Variations
Span of operation	As with cashless gaming, gambling pre-commitment can operate within the confines of a single venue or business ('local') or on a jurisdiction-wide basis, irrespective of venue or proprietor ('universal').	Local Universal
Obligation for limit-setting	Gambling pre-commitment may give consumers the option of setting limits ('voluntary') or oblige consumers to set limits as a precondition to gambling ('mandatory'). Limits typically relate to net losses (losses after accounting for wins) and time spent gambling.	Voluntary Mandatory
Prescribed upper limits	Upper limits for gambling pre-commitment may be self-set by the consumer or involve varying degrees of government-prescribed limits. At a low level of intervention, government could publish recommended upper limits but leave consumers to decide whether to adopt the recommendations. Alternatively, prescribed upper limits could be set as defaults that a consumer could either choose to exceed ('soft' defaults) or unable to exceed ('hard' defaults).	None Recommended 'Soft' defaults 'Hard' defaults
Enforcement of limits	Once set, a consumer may continue to have the option to increase pre-committed limits ('non-binding') or be subject to a period where the consumer cannot increase the limits ('binding'). Non-binding limits allow gambling to continue after pre-committed limits are reached whereas binding limits do not. Sometimes a non-binding limit will simply alert a consumer that their limit has been reached. The option to decrease a limit always remains unimpeded.	Non-binding Binding
Accounts	Gambling pre-commitment may be anonymous or associated with an account-based system that identifies the consumer. Account-based approaches provide consumers access to gambling activity statements.	User accounts Anonymous

Note: There is a lack of common terminology used to describe various forms and features of gambling pre-commitment.

Central when considering the implementation of gambling pre-commitment is the approach taken to limit-setting. Beyond whether limit-setting should be voluntary or mandatory, there is need to determine whether government should mandate upper limits and what those limits should be. Limits are usually related to an acceptable level of net losses, that is, overall money spent after wins, on a periodic basis, and time spent gambling during a session of play.

The Tasmanian Government arrived at its policy settings for monetary loss limits following advice of the Tasmanian Liquor and Gaming Commission ('TLGC'). The TLGC reviewed Australian and Tasmanian gambling prevalence survey data and the model currently operating in Norway in making recommendations to the government.²⁴ The determinative factor when setting the proposed loss limits seems to have been identifying a limit that would reduce losses for high-spending players without an impact on recreational gamblers.

Recent academic research commissioned by the Victorian Responsible Gambling Foundation ('VRGF') has attempted to identify 'low-risk' gambling limits across a range of gambling activities, including EGM play.²⁵ The VRGF Research drew from Tasmanian and ACT gambling survey data gathered during the early 2000s. It considered gambling harm and problem gambling severity using the 10-item Short Gambling Harm Screen (SGHS), and problem gambling severity using the 9-item Problem Gambling Severity Index (PGSI). The VRGF Research proposed low-risk limits for a range of gambling activities, and overall limits including a two-activity limit to the number gambling activities.

There is a question about the degree to which there is any level of gambling behaviour that is not associated with harm. Equally, there are concerns that just as with alcohol consumption, consumers respond to low-risk gambling limits by consume up to a limit or use the limit as a "safe" baseline.²⁶ This leads to a policy question about whether governments should prefer to communicate to the public that the lowest-risk choice is not to gamble at all, or establish a tolerable level of absolute risk of harm from gambling.

Establishing appropriate limits is further challenged by differences in individual financial circumstances. Absolute monetary limits are much simpler to operationalise than limits relative to an individual's financial capacity but inherently do not consider the personal financial situation of individuals. Some people may have a greater capacity to spend money gambling. The Tasmanian Government has resolved this problem by setting default upper limits for all individuals and allowing these limits to be increased on application with supporting evidence about financial capacity.

Other harm reduction measures

In addition to gambling pre-commitment, cashless gaming could also correspond with several other harm reduction measures.

²⁴ Tasmanian Liquor and Gambling Commission (n 8).

²⁵ Nicki Dowling et al, 'The development of empirically derived Australian responsible gambling limits' (Research Report, Victorian Responsible Gambling Foundation, August 2018) ('VRGF Research'). See also, Nicki Dowling et al, 'The identification of Australian low-risk gambling limits: A comparison of gambling-related harm measures' (2021) 10(1) *Journal of Behavioural Addictions* 21; Nicki Dowling et al, 'The development of empirically derived Australian responsible gambling limits' (2021) 10(2) *Journal of Clinical Medicine* 167.

²⁶ Dowling, 'VRGF Research' (n 25) 15.

Alongside account-based universal cashless gaming and pre-commitment, it is logical there be comprehensive accounting of individual gambling activity just as bank statements provide transaction accounting. Such a measure could provide individuals with accurate and meaningful information about their actual, rather than perceived, gambling wins and losses. This has the potential to support individuals to keep track of their gambling on EGMs but as was identified in the implementation of nationally consistent activity statements for wagering products, the design of activity statements is important to their potential harm reduction efficacy.²⁷

There is also an opportunity for dynamic and personalised messaging to individuals during a play session. With suitable technology in place, EGMs can present pop-up messages to an individual with information such as the time and money spent gambling during a session of play. Some evidence suggests that individuals lose track of these factors and have a diminished capacity for self-appraisal while absorbed in the activity.

A cashless gaming system that controls EGM access by requiring use of a token to unlock an EGM for play suggests the possibility of using the same token to enhance the integrity of gambling exclusion. At present, gambling exclusion is based on physical identification of excluded individuals by venue staff. A system that allows excluded individuals to be barred from access to EGMs would provide a vastly more robust control. Again, design of such a measure requires careful consideration to ensure that it does not, for example, reduce the opportunity for referral of people experiencing gambling harm to support services.

²⁷ See, eg, Department of Prime Minister and Cabinet, Australian Government 'Better choices: enhancing informed decision-making for online wagering consumers' (Research Report, December 2020) <<https://behaviouraleconomics.pmc.gov.au/projects/applying-behavioural-insights-online-wagering>>.

Legislative and regulatory issues

Existing ACT legislation

Gambling regulation in the ACT is comprised of a head statute, the *Gambling and Racing Control Act 1999* (ACT), underpinned by legislation specific to different forms of gambling. For EGMs, the primary governing law is the *Gaming Machine Act 2004* (ACT). EGMs in the ACT are based on a ‘community gaming model’ that, with some exceptions, only allows the operation of gaming machines in not-for-profit club venues.²⁸ No more than 50 antiquated EGMs of a narrow type are operated across five for-profit hotel, pub or tavern venues.²⁹ The single ACT casino may operate up to 200 EGMs subject to certain development obligations and additional EGM regulatory controls.³⁰ The casino has not yet taken up this option and there are a range of unrelated issues relevant to EGMs at the casino.

Under current ACT law, clubs may only operate EGMs and peripheral equipment that has been approved for use by the regulator, the ACT Gambling and Racing Commission.³¹ The *Gaming Machine Regulation 2004* (ACT), part 6, sets out further requirements for the approval and use of a cashless gaming system.³² Cashless gaming in this context contemplates both the use of disposable tickets and more modern technology that is like a bank card and associated bank account. While that is the case, cashless gaming used in the ACT is currently limited to ticket-based systems.³³

Privacy and data security

One of the most important issues to consider when implementing cashless gaming is the arrangements to ensure the privacy and security of data collected. Cashless gaming requires the collection, transmission, and storage of an individual’s personal information. This personal information will necessarily include identifying information, required to confirm the identity of an account holder. Detailed and highly sensitive financial information such that about gambling behaviour (time spent playing, amount won and lost, and the types of games played) will also be collected.

In the ACT, the *Human Rights Act 2004* (ACT) protects an individual’s right to privacy.³⁴ The introduction of cashless gaming, and the collection of information about an individual’s gambling behaviour, represents a significant engagement of this right. For example, businesses are increasingly using data collected from their customers to inform their marketing strategies, and deliver targeted advertisements, and further on-selling this information to third parties for similar purposes. The consequences of applying these practices in the gambling sector are serious, given the positive correlation between targeted advertisements, and people gambling more frequently and spending more than intended.³⁵ This carries a real risk of increases in

²⁸ ACT Government, Submission No 56 to Standing Committee on Public Accounts, ACT Legislative Assembly, *Inquiry into Elements Impacting on the Future of the ACT Clubs Sector* (28 June 2015) 5; *Gaming Machine Act 2004* (ACT) ss 15, 146.

²⁹ ACT Gambling and Racing Commission, *Gaming Machine Reform Package – Trading Scheme Information Provided as at 1 April 2023* (Trading Scheme Statistics, 1 April 2023) <https://www.gamblingandracing.act.gov.au/_data/assets/pdf_file/0003/2215947/Trading-Scheme-Statistics-as-at-1-April-2023.pdf> 2.

³⁰ *Casino (Electronic Gaming) Act 2017* (ACT) s 6, pts 4-6.

³¹ *Gaming Machine Act 2004* (ACT) div 6.1.

³² *Gaming Machine Regulations 2004* (ACT) s 29.

³³ See *Gaming Machine (Cashless Gaming System Operational Requirements—Ticket In Ticket Out) Approval 2015 (No 1)* (ACT).

³⁴ *Human Rights Act 2004* (ACT) s 12.

³⁵ Gambling and Treatment Research Clinic, University of Sydney, *Submission to the Inquiry into Online Gambling and its Impacts on those Experiencing Gambling Harm*, 10 November 2022.

gambling-related harm. The *Gaming and Racing (Code of Practice) Regulation 2002* (ACT) currently controls advertising, promotions and inducements, but these requirements may need to be reviewed in the context of cashless gaming.

Additionally, an increase in the collection, storage, and transmission of data, carries a risk of data breaches. Recently, there have been increases in the occurrence of such data breaches. A cashless gaming system will require the collection of highly sensitive information, and the unauthorised disclosure of this information could have disastrous consequences for the individuals involved. One trial of cashless gaming in NSW has already been affected after a service provider involved in the digital wallet and payment infrastructure being trialled was compromised by a cyber security incident.³⁶

Given the magnitude of these risks, cashless gaming requires a strong approach to ensuring the security of system data and personal information, and restrictions on its use and sharing. In particular, the ACT Government suggests it is necessary to expressly prohibit use of any associated data or information for marketing purposes.

Some States have safeguards in EGM technical standards intended to mitigate against privacy breaches for existing local cashless gaming solutions. Queensland requires all information to be treated in accordance with Commonwealth privacy legislation and requires encrypted transmission of sensitive data.³⁷ Similar requirements are in place in Victoria.³⁸ Also relevant is the Australian Cyber Security Centre's 'Essential Eight' mitigation strategies to protect against cyber threats.³⁹ The independent panel developing the NSW government roadmap for possible EGM reforms has been asked to consider robust privacy and data protection measures as part of their work.⁴⁰

Additionally, as cashless gaming fundamentally incorporates a payment system, there are relevant data standards published by interested non-government organisations. For example, the Australian Payments Network, self-regulatory body for payments, publish rules and regulations for card payments.⁴¹ A global forum called the PCI Security Standards Council has a strong focus on data security in payments.⁴²

There may be legitimate uses of the personal information collected when operating a cashless gaming system. For example, one of the benefits of cashless gaming is its capacity to support crime prevention and investigation. The Tasmanian Government intend to allow use of aggregated, de-identified data to inform gambling harm minimisation strategies as part of implementing cashless gaming.⁴³ In South Australia, an 'automated risk monitoring system' (ARMS) was a required component of the cashless gaming system

³⁶ Harriet Alexander, "'Deeply suspicious": Hackers target cashless gaming trial', *Sydney Morning Herald* (online, 22 June 2023) <<https://www.smh.com.au/national/nsw/deeply-suspicious-hackers-target-cashless-gaming-trial-20230622-p5diod.html>>; Tasmin Rose, 'NSW cashless gambling trial to focus on data security after hack of smaller pilot program', *The Guardian* (online, 23 June 2023) <<https://www.theguardian.com/australia-news/2023/jun/24/nsw-cashless-gambling-trial-to-focus-on-data-security-after-hack-of-smaller-pilot-program>>.

³⁷ See, eg, Queensland Government, *Card-Based Gaming Minimum Requirements* (14 January 2020) ><https://www.publications.qld.gov.au/dataset/card-based-gaming-minimum-technical-requirements/resource/1b451371-458b-4d77-9ab7-7041a6e2070e>>.

³⁸ Victorian Commission for Gambling and Liquor Regulation, Victorian Government, *Ticket-In Ticket-Out (TITO) and Card Based Cashless (CBC) Gaming in Gaming Venues* (30 January 2019) <https://www.vgccc.vic.gov.au/sites/default/files/version_2_ticket-in_ticket-out_tito_and_card_based_cashless_cbc_gaming_in_gaming_venues_-_technical_standards.pdf>.

³⁹ Australian Signals Directorate, 'Essential Eight', *Australian Cyber Security Centre* (Web Page, 2023) <<https://www.cyber.gov.au/resources-business-and-government/essential-cyber-security/essential-eight>>.

⁴⁰ Premier (NSW) and Minister for Gaming and Racing (NSW), 'NSW Government announces independent panel to oversee gaming reform roadmap' (Media Release, 13 July 2023) <<https://www.nsw.gov.au/media-releases/gaming-reform-roadmap>>.

⁴¹ 'Resources', *Australian Payments Network* (Web Page, 2023) <<https://auspaysnet.com.au/resources>>.

⁴² 'Standards Overview', *PCI Security Standards Council* (Web Page, 2023) <<https://www.pcisecuritystandards.org/standards/>>.

⁴³ Tasmanian Government, *Response to the TLGC Report on Investigation of Harm Minimisation Technologies* (September 2022) <<https://www.treasury.tas.gov.au/liquor-and-gaming/community-interest/public-consultation/harm-minimisation-technologies>>.

introduced at the South Australian casino and is now required where cashless gaming is introduced in clubs and hotels.⁴⁴ The ARMS attempts to detect people at risk of or experiencing gambling harm based on certain gambling behaviours for the purpose of enabling early intervention.⁴⁵

Clubs may also have a legitimate business interest in de-identified data consistent with their existing access to EGM data as part of managing the gaming operations.

Financial services and prudential regulation

The Australian legal framework for financial services and prudential regulation arises from a patchwork of legislation, each overseen by different Commonwealth agency.

Within the purview of the Australian Securities and Investments Commission ('ASIC'), the *Corporations Act 2001* (Cth) ('*Corporations Act*'), chapter 7, regulates financial services and products. The *Banking Act 1959* (Cth) ('*Banking Act*'), administered by the Australian Prudential Regulation Authority ('APRA'), oversees the carrying on of 'banking business' and other prudential matters. The Reserve Bank of Australia ('RBA') is responsible for the *Payment Systems (Regulation) Act 1998* (Cth) ('*Payment Systems Act*') that governs payment systems, being those systems that facilitate the circulation of money. Each of these laws may be relevant to aspects of cashless gaming.

This arises principally because cashless gaming may involve a non-cash payment facility, payment system or purchased payment facility. Depending on the corporate arrangements and approach to facilitating cashless gaming, the provider of a cashless gaming system may also, themselves or via a partnership with another firm, require authorisation as an authorised deposit-taking institution ('ADI'). The nature and extent of these obligations will depend on how cashless gaming is implemented.

Where a universal cashless gaming solution is implemented, it is likely the provider of the trunk infrastructure, such as the LMO for a CMS, will have financial services and prudential regulation obligations. Gaming system providers facilitating local cashless gaming will similarly need to consider these issues and their compliance obligations.

Anti-money laundering and counter-terrorism financing

Alongside financial services and prudential regulation, the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) ('*AML/CTF Act*') is concerned with criminal abuse of the Australian financial system. Businesses involved in gambling services or financial services have regulatory obligations under that Act. The regulator in this instance is the Australian Transaction Reports and Analysis Centre ('AUSTRAC').

⁴⁴ See, generally, Consumer and Business Services, South Australian Government, *Gambling Administration Guidelines: Gaming Machines Act 1997 – Account Based Cashless Gaming Systems* (3 December 2020) <https://www.cbs.sa.gov.au/documents/gag_gm_cga67f3.pdf>; Consumer and Business Services, South Australian Government, *Gambling Administration Guidelines: Casino Act 1997 – Account Based Cashless Gaming Systems* (3 December 2020) <https://www.cbs.sa.gov.au/documents/gag_cas_cga447f.pdf>; Consumer and Business Services, South Australian Government, *Gambling Administration Guidelines – Automated Risk Monitoring Systems* (3 December 2020) <https://www.cbs.sa.gov.au/documents/gag_armssc3d.pdf>; South Australian Centre for Economic Studies, University of Adelaide, *Automated Risk Monitoring (ARM): Adelaide Casino System* (Final Report, September 2017) <https://www.cbs.sa.gov.au/documents/arms_-_final_report_with_erratumecc1.pdf>.

⁴⁵ Consumer and Business Services, South Australian Government, *Gambling Administration Guidelines – Automated Risk Monitoring Systems* (3 December 2020) <https://www.cbs.sa.gov.au/documents/gag_armssc3d.pdf>.

The overarching objective of the *AML/CTF Act* is to directly or indirectly prevent and combat to money laundering, the financing of terrorism, and other serious financial crimes, whether occurring domestically or internationally.⁴⁶ It does so by imposing on financial institutions and other designated service providers certain obligations about enrolment with AUSTRAC, identification of customers, recording and reporting of transactions, and implementation of anti-money laundering and counter-terrorism financing programs.⁴⁷ The application of these requirements turn on the nature of the provider and customer involved in a 'designated service'.⁴⁸

For the *AML/CTF Act*, designated services are defined by enumerated lists identifying the nature of the provider and customer of a services, rather than by a more abstract criteria of general application.⁴⁹ These provider-customer relationships are grouped by service types, which include financial services. Also in scope are gambling services, consistent with existing obligations on venues where EGMs operate.⁵⁰

Many financial service relationships are regarded as designated services.⁵¹ For the purpose of this report, it is sufficient to identify that where an ADI or bank provides an account to a customer (the account holder) that allows financial transactions to take place from money on deposit, there is a designated service.⁵² Financial services involving the issuing and use of stored value cards are also captured as a designated service. Stored value cards typically allow money to be withdrawn as cash. These cards are exempted if the card holds a maximum monetary value of less than \$1,000.⁵³

There is little doubt that cashless gaming will require engagement with the regulatory requirements of the *AML/CTF Act* and bring the system operator under the oversight of AUSTRAC, if not already the case.

⁴⁶ *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) s 3 ('*AML/CTF Act*').

⁴⁷ *AML/CTF Act* (n 46) s 4.

⁴⁸ *AML/CTF Act* (n 46) s 5 (definition of 'designated service'), s 6.

⁴⁹ *AML/CTF Act* (n 46) s 6.

⁵⁰ *Ibid.*

⁵¹ *AML/CTF Act* (n 46) s 6 table 1.

⁵² See, eg, *AML/CTF Act* (n 46) s 6 table 1 items 1, 3-5, 18.

⁵³ *AML/CTF Act* (n 46) s 6 table 1 items 21-2.

Cross-jurisdictional issues

Regulatory and technical differences

EGM regulation, while supported by a common national technical standard, is a policy matter for States and Territories. Individual jurisdictions pursue varying policy settings based on their interests and priorities at any given time. Other environmental factors such as the technology in use and regulatory history further complicate and fracture EGM regulatory settings across Australia.

Jurisdictions where relatively many EGMs operate, particularly NSW and Queensland, have a significant influence on the market for supply of EGMs. Consequently, other Australian jurisdictions have aligned with EGM technology in these jurisdictions. Localisation of technical requirements through appendices to the national technical standard has occurred but is confined by the capability of EGM technology in each jurisdiction.

Relatively few EGMs operate in the ACT. The ACT Government's capacity to drive EGM technology development through local regulatory settings is therefore limited, or would come at a cost to ACT clubs, the ACT Government or both. The most effective means of achieving universal cashless gaming and associated measures in the ACT is to leverage developments in other jurisdictions.

The ACT Government proposal to introduce lower bet and credit limits proposed a change to EGM technology in use in the ACT because of these constraints.

Appendix A: Forms of cashless gaming

Cashless gaming

Cashless gaming describes any system where an EGM receives monetary payment for bets and pays wins without the immediate use of physical currency (coins or banknotes). Note that regardless of whether cash or cashless gaming is in use, EGMs typically show currency as machine credits and sometimes 'tokenised' these credits such that the credit value does not match the currency denomination. The technology that enables non-cash EGM transactions may range in sophistication and includes paper tickets with a printed barcode, physical card-based technology and digital wallet technology.

Ticket-based cashless gaming

Cashless gaming using paper tickets with printed barcodes is already widely used in Australia as part of 'ticket-in, ticket-out' (TITO) solutions. TITO solutions take two forms.

TITO allows an EGM user to move loaded credits between individual EGMs without a need to physically cash out from one EGM and reload cash to the next EGM as part of this process. The first EGM issues a paper ticket with a barcode representing the credit balance withdrawn from that EGM. When presented to a second EGM, the credit balance on the ticket is deposited to that EGM. At the end of a play session, a player may also present the ticket to a 'cash redemption terminal' or cashier station in exchange for currency (physical money or a cheque).

TITO is also sometimes used in a 'ticket-out' only configuration. In this form, the technology allows EGMs to issue a paper ticket representing the withdrawn credit balance only for the purpose of exchange for currency at a cash redemption terminal or cashier station. Players are unable to present a ticket to an EGM to transfer credits between EGMs.

TITO reduces the need for venues to maintain a cash float in individual EGMs because while EGMs will receive and collect cash in a hopper, no cash is paid from individual EGMs. All credit withdrawals occur using tickets that can then be redeemed for currency. TITO also provides a consumer benefit when EGMs are configured to receive deposits from tickets because it reduces the time and inconvenience involved with physical money.

Ticket-based cashless gaming is anonymous. Tickets are not linked to player accounts.

Card-based cashless gaming

Cashless gaming can be achieved using a physical card such as a plastic card with magnetic stripe or chip. Alternatively, card-based cashless gaming could use a digital card or wallet. Again, there are several ways in which card-based cashless gaming might be conceptualised.

Card-based cashless gaming is already available in Australia in a form that involves EGMs transactions occurring through a purpose-specific physical card in the place of currency. These cards are used to store or access monetary value for use in EGM play, somewhat similar to prepaid gift cards. Depending on the jurisdiction, cashless gaming in this form has involved cards that must be registered to a person and

account, sometimes with allowance unregistered cards that are subject to a lower balance limit and short expiry period. Just as bank cards can now take digital form, card-based cashless gaming could in the future adopt digital card or wallet technology.

Alternatively, as is increasingly the case for vending machines, cashless gaming could involve EGMs accepting bankcards as a payment method. Some overseas jurisdictions have begun to allow the use of bankcard payment methods with EGMs, although use of credit cards (as distinct from debit cards) has attracted prohibition. No Australian jurisdiction allows EGMs to accept bankcards.

If implemented as the only available EGM payment method, cashless gaming using bankcards could support management of money-laundering and related risk arising from the otherwise large value of cash transactions involving EGMs. There are, however, a range of operational, gambling harm and cost issues that would require resolution. The New Payments Platform might in future be capable of attending to these issues.

Appendix B: Technology context

In simple terms, modern EGMs are computers that operate a game of chance based on a random number generator. Like any computer, layered hardware and software components come together to achieve the features sought from the device. The capability of various components may restrict the features that can be achieved from other components because their individual and overall functioning is interdependent.

For EGMs, this layering sees 'game' software housed within a 'base' software operating environment, that in turn supports the interface of various hardware devices including the core computer processor, monitor, input devices like button pads or a touchscreen, coin and note acceptors, ticket and card readers, and network interface devices. A perhaps useful explanation by analogy can be drawn from the operation of a printer connected to a personal computer being used to print a document from word processing software. The various components must work together to achieve this end. It is also perhaps useful to draw analogy with common computer operating systems limiting cross-compatibility of software and hardware components.

Network interface devices allow EGMs to be connected in a network that might be 'local', that is, specific to an individual venue, or 'wide', such that it includes EGMs geographically distributed across multiple venues. Much like common enterprise networks used by organisations to allow resource sharing and the management and control of workplace computers, EGMs are networked to provide for their monitoring and control and to facilitate features that depend on common resources. There is usually a 'host' within the network that monitors and coordinates the devices across the network and provides the capacity to exercise control over endpoint devices like individual EGMs.

It is common for EGM to be connected in a network, regardless of whether operated in a club, pub or hotel, or casino. Except in the case of very small operations within a single venue, the efficiency gained through such a network is vital to robust oversight of gaming operations. In this guise, networked EGMs are hosted by 'gaming systems' that, for example, allows a reconciliation of the physical currency collected by an EGM with the meter records of the flow of money into and out of the EGM. Reconciling meters is a key part of regulatory compliance for tax and consumer protection purposes.

At a local venue, or perhaps across venues within a group under a single proprietor, gaming systems can enable a range of additional EGM features and peripherals. These include ticket and carded play, cashless gaming, and cash redemption terminals. A gaming system may also provide venue management, point of sale, membership management, marketing, and related features relevant to the operation of a hospitality business.

Regulators have further leveraged the capabilities of networked EGMs to establish systems that allow for regulatory monitoring and control of EGMs across an entire jurisdiction, irrespective of venue or proprietor. In this guise, the networked EGMs form part of an 'electronic monitoring system' or 'centralised monitoring system' with a host within the network operated by or on behalf of the relevant government. A CMS coordinates a wide area network typically communicating across the internet and provides the trunk infrastructure to achieve desired regulatory functionality.

Like any computer network, EGM networks require a technology architecture or framework that includes communication protocols to transmit data. Common technology within a jurisdiction is a key requirement

for implementing a CMS. For EGMs operated in Australian clubs and hotels/pubs, over recent decades either 'X Series' or 'QCOM' technology has formed the basis of CMS infrastructure.

Depending on the jurisdiction, either X Series or QCOM technology is embedded within the base software of EGMs in use. Consequently, EGM communication protocols are not easily interchangeable and must be incorporated into an EGM as part of the development process. The ACT and NSW are alone in operating EGMs based on X Series technology, with all other jurisdictions, including New Zealand, having adopted QCOM.

X Series is proprietary technology was developed by Maxgaming, who operate the CMS for EGMs in NSW clubs and hotels. QCOM technology is owned and maintained by the Queensland Government. There is a range of other industry and proprietary EGM network technologies used for CMS infrastructure overseas and by EGM suppliers as part of gaming system products. In the past Australian casinos were left to operate their own CMS that might have used technology other than X Series or QCOM.

As with any computer technology, X Series and QCOM arose from the context of underpinning technology and innovation available at the time of their development, alongside design decisions relevant to then contemporary objectives and constraints. This affects the capability of these protocols and their compatibility requirements. While there is a common Australia and New Zealand Gaming Machine Technical Standard ('ANZ Technical Standard'), individual jurisdictions have further supplemented the ANZ Technical Standard with local variations and additional technical and regulatory requirements. Similarly, some EGMs components adopt open technology standards but usually EGMs combine with the components that rely on proprietary technology.

For X Series, a key issue is that this technology was fundamentally designed to be one-directional, that is, to transmit data from EGMs to the CMS host. That said, it is capable of remotely disabling an EGM and there have been advances in this technology to allow limited data input from system to EGM for transfer of credits as part of a linked jackpot arrangement or in-venue ticket or carded cashless system.

QCOM was designed as a bi-directional technology and as such allows for data transmission to and from EGMs to the CMS host. In this respect it is a more capable technology. That said, there have historically been some constraints associated with QCOM technology. Key among these has been its foundation as a serial only protocol and reliance on expensive fibre optic cable as part of the physical network required with a venue to connect to the CMS. More recent developments in QCOM technology have seen it capable of operating with commonplace and relatively inexpensive ethernet network hardware.

Cashless gaming as being contemplated by Australian State and Territory governments will most likely require underpinning trunk infrastructure such as that provided by a CMS and the use of bi-directional technology. These requirements are likely necessary to allow coordination and reconciliation of individual gaming accounts and payment devices (for example a card or digital wallet) across all venues where EGMs are available and between legally distinct proprietors. For the ACT and NSW this will therefore require largescale change to the existing EGMs in operation, through either EGM upgrade or replacement, to introduce a more modern alternative to X Series technology.