Consultation:

Account-Based Cashless Gambling in Casinos

Department of Internal Affairs

Te Tari Taiwhenua

September 2016

# What is this document about?

This document invites your comments about proposed changes to the Gambling Act (Casino Gambling Equipment) Minimum Standard. The proposed amendments would set the standard for the use of account-based cashless gambling in New Zealand casinos.

## Consultation requirements

Section 372 of the Gambling Act 2003 (the Act) requires that, before minimum standards are made, persons and organisations that are likely to be substantially affected must be consulted and given a reasonable opportunity to respond. Submissions will be given adequate and appropriate consideration.

## Framework for analysis

The Department seeks your comment on this proposal. After receiving your submissions, the proposal will be assessed to ensure it does not detract from the purposes of the Act.

Comment in relation to the purposes of the Act is valued, with particular reference to whether the proposal will impact on the following purposes:

* preventing and minimising the harm from gambling, including problem gambling;
* facilitating responsible gambling; and
* limiting opportunities for crime or dishonesty associated with gambling and the conduct of gambling.

To guide the assessment against the purposes listed above, reference is made to the Department’s *Internal Guidelines on Harm Prevention, Harm Minimisation and Responsible Gambling*. The guidelines are derived from the Act and associated regulations, the principles and processes of administrative law, and best practice in regard to good regulation. These guidelines require the Department to take an evidence based approach in the first instance.

A copy of the guidelines can be found on the Department’s website at:

<http://www.dia.govt.nz/pubforms.nsf/URL/GamingOperationalPolicy.pdf/$file/GamingOperationalPolicy.pdf>

In the absence of evidence a precautionary approach will be taken where there is reasonable concern that significant and/or widespread harm may occur. In such cases the Department assesses the proposal against known harm determinants. We consider that the proper base for making this assessment is to measure those factors against the potential for harm that already exists under approved standards.

## Sending us your submission

Please address your submissions to [sharlene.hogan@dia.govt.nz](mailto:sharlene.hogan@dia.govt.nz) or:

Sharlene Hogan

Policy Advisor, Operational Policy

Department of Internal Affairs Te Tari Taiwhenua

PO Box 805

Wellington 6140

Should you require further information on this proposal, please contact Sharlene on the above email address or on telephone number 04 495 7207 or Cath Anyan, Senior Policy Advisor, on 04 495 7271.

Should you require further information on the technical aspects of this proposal, please contact Bruce Manuge on [bruce.manuge@dia.govt.nz](mailto:bruce.manuge@dia.govt.nz) or on telephone number 04 495 9343.

Any submissions need to be received by 5 pm on Friday 30 September 2016.

Please note that all submissions may be made publicly available. Even if you request confidentiality, we may have to release your submission at a later date if a request is made under the Official Information Act 1982. In your submission please highlight any information you would prefer was withheld should a request be made.[[1]](#footnote-1)

# Background information

Cashless gambling refers to the replacement of legal tender (i.e. coins and banknotes) with currency substitutes for the playing of gaming machines or table games. Cashless currency comes in many forms, and can be either account or non-account based (refer to page 6 for further information).

Account-based systems require the identification and establishment of a casino account and the use of a mechanism to access the account, such as a ‘player’s card’. Traditional non-account based cashless systems include tokens, use of printed tickets with a monetary value, and some forms of pre-loaded anonymous magnetic strip debit cards. The use of tickets is referred to as either Ticket In Cash Out or Ticket In Ticket Out (TITO) and involves a gaming machine printing a ticket when the player cashes out.

Over the years, the Department has received and considered applications from New Zealand casinos for various forms of cashless gambling. Currently, SkyCity Auckland is permitted to offer card-based and ticket-based cashless gambling, and Christchurch casino is permitted to offer a limited form of cashless gambling[[2]](#footnote-2).

The ad hoc approach to cashless gambling in New Zealand casinos has created a “patchy” environment where minimum standards are created in response to particular requests from casinos and tailored to the particular way the requesting casino wishes to operate. In addition, SkyCity Auckland has been permitted to introduce forms of cashless gambling that are not permitted in the other casinos by virtue of the regulatory concessions contained in the New Zealand International Convention Centre Act.

The Department has received an application from Dunedin Casinos Limited to introduce TITO and considers that, rather than deal with the application in isolation, it is now timely to develop a comprehensive minimum standard for account-based cashless gambling in New Zealand casinos. We have developed a draft minimum standard that sets out proposed technical requirements for account-based cashless systems and accompanying harm minimisation requirements.

Note that this proposal does not affect the regulatory concessions at SkyCity Auckland as prescribed by the New Zealand International Convention Centre Act.

### Relevant legislation

**Section 327** of the Act gives the Secretary for Internal Affairs (the Secretary) the power to prescribe minimum standards for the design, manufacture, and performance of gambling equipment, by notification in the *Gazette.* The Secretary is permitted to amend or revoke minimum standards at any time, provided that any changes are notified in the *Gazette.*

**Section 328(2)** of the Actstates that if no minimum standard exists in respect of a particular item of gambling equipment, a person may apply to the Secretary for a minimum standard to be prescribed.

### Current forms of cashless gambling in New Zealand

Ticket In Ticket Out (TITO) *(restricted to SkyCity Auckland)*

TITO systems allow patrons to load a credit value onto tickets or vouchers via a cashier or a kiosk before they commence play on a machine. Tickets are then placed in the machine in lieu of cash, usually via a modified banknote acceptor device. Gaming machines print tickets with a credit value that can be inserted into another machine or redeemed by the cashier or at a kiosk.

Cashless Card-Based *(restricted to SkyCity Auckland under the New Zealand International Convention Centre Agreement)*

The cashless card-based technology uses a loyalty card (or a white card for players who are not loyalty club members) to access a casino account. Any wins are converted to cash by the cashier or at a kiosk.

Cashless Front Money *(currently in use in Christchurch Casino but can be adopted in any New Zealand casino)*

Front Money requires the patron to have a deposit account with the casino. The funds are downloaded from the deposit account directly to a gaming machine. The loyalty card is the mechanism by which the patron signs in and downloads the money from their account but it is not a stored value card – the cash equivalent credits go directly from the deposit account to the gaming machine. Any credits must be paid out in cash.

### Cashless Gambling – Interim Position Paper 2006

The Department published an interim position paper on cashless gambling in 2006.[[3]](#footnote-3) This paper considered the basis, if any, on which the Department would consider the introduction of cashless technologies under the Act. A number of cashless technologies were discussed in the paper including account-based cashless systems. The Department considered that at that time there were insufficient mitigating controls available to outweigh the potential harm of cashless gambling, while acknowledging that cashless systems with appropriate controls may facilitate responsible gambling practices and the provision of player information.

The Department took the position in 2006 that new standards for cashless technologies should not be considered until the Department was satisfied that the technology would have a neutral or beneficial effect on gambling harm.

The casino environment has changed significantly since 2006. All casinos in New Zealand have updated their Casino Monitoring system and have introduced features such as pre-commitment and the ability to use technology to monitor and analyse the gambling patterns of individual patrons. When play is ‘carded’ (i.e. the player has a casino account and uses a loyalty card to play) patterns of play including spending, duration of play and frequency of visits can be tracked by the system. This provides the casino with visible and accurate information to assist in identifying potential problem gambling risk among carded players. Carded play also supports casinos in meeting their customer due diligence obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.

Given the above, the Department has reassessed its position on the use of account-based cashless gambling within the casino environment.

### Risks associated with account-based cashless gambling

**Extended, Intensive and Repetitive Play**

The potential risk of cashless gambling (particularly on gaming machines) is that, without mitigation, it may facilitate gambling behaviours such as continuous play. This is because breaks in play (e.g. having to put more cash into the machine) are likely to be reduced.

Cashless gambling may also undermine the intention of the statutory banknote provision. The Act states that gaming machines in casinos must not accept banknotes with a denomination greater than $20. This restriction was intended to slow down play and mitigate to some extent the continuous nature of gambling on gaming machines. It was also intended to assist in discouraging high levels of spending and facilitating breaks in play.

The introduction of cashless gambling functionality is not prohibited by the existence of the $20 note restriction. However, it is arguable that its introduction could diminish some of the intended benefits. The ability to download credits directly has the potential to reinforce continuous play by eliminating the need for a player to leave the machine to access more cash.

There is also an argument that establishing credits on a gaming machine directly from an account rather than through the physical insertion of cash increases the potential for dissociative behaviour. That is, the removal of physical currency may aggravate disconnections with reality.

Countering this is the argument that players having a defined sum of money in their casino account, and defined increments for download to machines, make it less likely that players would lose track of spending than through the frequent insertion of cash.

### Benefits associated with account-based cashless gambling

**Informed Participation and Host Responsibility**

The proposed standard supports the visibility of player transactions and allows for direct observation of changes in player rates and patterns of play. This is because any player who uses the system is engaging in carded play and their data is recorded and available for analysis in accordance with casinos’ host responsibility programmes.

Players would be required to have an account to use the cashless facility, with the lodgement of funds and/or the setting of increments for download being points of interaction with casino staff that can support host responsibility outcomes. It also allows for full customer due diligence in the setting up of such accounts.

There is an argument that the ability to have a pre-defined amount of funds in a casino account helps support informed participation by players because it is another tool that players can use to manage play. When a player accesses their account at a machine, their account balance information is available. This may help a player keep track of their rate of play.

The use of this system allows players to end a session at a time of their choosing. At the end of a session, the machine transfers credits to the player’s account, which can then be collected at the cashier, or retained for play at a later date. Importantly, this allows the player to act on an impulse to stop playing without having to wait for a machine attendant. In a study of large venues with ticket redemption machines it was concluded that the ability to quickly end a session had a potentially protective function.*[[4]](#footnote-4)*

**Security**

One of the purposes of the Act is to limit opportunities for crime and dishonesty associated with gambling.

Patrons are currently required to carry cash and load that cash into gaming machines. The absence of privacy means that other patrons are able to see the volume of cash loaded into machines and/or the volume of cash held by a person. This may pose a risk to the personal safety of individuals.

From a casino operational perspective, it is also argued that the use of cashless gambling would reduce cash handling and increase accountability for funds.

**Anti-Money Laundering**

The use of account-based cashless gambling is likely to enhance the visibility of transactions and simplify aspects of anti-money laundering monitoring. It provides opportunities to conduct customer due diligence for anti-money laundering purposes on players using the system.

### Other jurisdictions

Card-based gambling technology is now in use in most Australian jurisdictions, a number of U.S. states and some provinces in Canada and South Africa. In some parts of the world, such as Norway, a cashless account-based system is the only option for gambling – all players must be carded and identifiable.

Other forms of cashless gambling, such as TITO, are also widely used in North America, Australia and the United Kingdom.

# Proposed standard

### Proposed standard for account-based cashless gambling

As set out above, there are currently several forms of cashless gambling in place in New Zealand casinos. The Department proposes to develop a single standard for account-based cashless gambling in casinos. This standard will be aligned with the technical requirements for card-based cashless already in place for SkyCity Auckland. This will ensure that the approved casino monitoring and banknote software and hardware that is already in use in SkyCity Auckland and in Christchurch would not require modification.

As the proposed standard would be aligned with the requirements already in place for Auckland and Christchurch, those casinos would not have to remove or replace their existing cashless gambling systems. Nor would other casinos have to introduce cashless gambling if they did not wish to do so. The standard would not make cashless gambling compulsory, but if a casino wished to offer cashless gambling it would have to comply with the standard. The proposed standard would also put the casinos on a more level playing field as they would have to offer similar cashless gambling systems with similar harm minimisation controls.

The draft standard is set out in full at **Appendix A**.

The proposed standard will not change the unique regulatory environment of SkyCity Auckland as prescribed by the New Zealand International Convention Centre Act.

The Department’s primary objective in proposing the standard is to uphold the Gambling Act’s objectives of:

* preventing and minimising the harm from gambling, including problem gambling;
* facilitating responsible gambling;
* ensuring the integrity and fairness of games; and
* limiting opportunities for crime or dishonesty associated with gambling and the conduct of gambling.

The Department must also consider any potentially relevant obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.

### Current controls

There are a number of controls already in place that aim to assist in upholding the Act’s objectives. These controls will not be affected by the proposed standard and include:

1. **Player Information Displays (PIDS) and Pop-Ups**

These are already required on all New Zealand Electronic Gaming Machines. This feature interrupts play at irregular intervals (not exceeding 30 minutes of continuous play) and displays information about the current session of play including the duration, the amount the player has spent and the player’s net wins or losses.

1. **Host Responsibility Programme**

All New Zealand casinos are required, as a condition of their operating licence, to have a Host Responsibility Programme (HRP). The HRPs are approved and regularly reviewed by the Gambling Commission, and place significant obligations on casino operators to prevent gambling-related harm and detect potential and actual problem gamblers. This includes, among other things:

* a policy setting out indicators of problem gambling and the steps to be taken in identifying actual or potential problem gamblers;
* the provision of staff training in problem gambling;
* the provision of exclusion, self-exclusion and limitation programmes; and
* responsible practices in marketing and advertising of the casino, and in the conduct of promotions.

1. **Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act)**

All New Zealand casinos have obligations under the AML/CFT Act. These include obligations to comply with customer due diligence requirements, as well as monitoring and record-keeping requirements.

### Controls included in proposed standard

With the above objectives and considerations in mind, and to ensure that the associated benefits will be achieved, the Department proposes to prescribe the following requirements:

1. **Cashless gambling cannot be anonymous and must be account-based, meaning that players are identifiable and play can be monitored**

The aim of an account-based system is that any player who uses the proposed functionality is identifiable and his/her gambling data is recorded and available for analysis in accordance with casinos’ host responsibility programmes.

The visibility of player transactions allows for observation of changes in the patron’s rate or pattern of play.

As the proposal relies on an account linked to an individual where identity has been confirmed, it does not raise issues of player anonymity that can occur with some other cashless technologies.

1. **Download and spending limits**

These controls also aim to limit the amount that patrons can download at any one time. They help to enforce breaks in play by requiring the patron to stop gambling and decide whether to download more money at more frequent intervals.

Under the New Zealand International Convention Centre Act, patrons in non-restricted areas at SkyCity in Auckland may download up to $5,999 onto a gaming machine or at a table game. Patrons in restricted areas (i.e. VIP salons) may download an unlimited amount.

In contrast, patrons using cashless front money in Christchurch casino are limited to $500 for non-VIP patrons and $5,999 for VIP patrons.

We welcome your comments on appropriate download limits, taking into account the casino environment and the type of patrons who typically play in the VIP salons.

1. **Security and integrity features**

It is intended that account-based cashless gambling will enhance some aspects of anti-money laundering monitoring. This is because the use of this facility would require the casino to complete identification checks when setting up a player account, and enhances the visibility of player transactions.

1. **Pre-commitment**

The proposed standard provides that pre-commitment must be made available to all players, though its use by players is voluntary. This gives patrons the option of setting personal limits on time and spending.

# 4. Questions for submitters

*1) Do you think that the proposed controls for account-based cashless gambling in casinos are appropriate for the* ***prevention and minimisation of harm*** *from gambling? Why or why not?*

*2) Are there any other controls that you think should be included as requirements for the* ***prevention and minimisation of harm****, and to* ***facilitate responsible gambling****?*

*3) Do you think the proposed controls are appropriate in regards to* ***limiting opportunities for crime or dishonesty****? Why or why not?*

*4) Are there any other controls that you think should be included as requirements in regards to* ***limiting the opportunities for crime or dishonesty****?*

*5) Are you aware of any additional research or evidence into the harms and benefits that may be associated with account-based cashless gambling? If so, please provide this in your submission.*

1. While you may indicate the information you would like withheld, it can only be withheld if it meets the relevant criteria under the Official Information Act 1982. [↑](#footnote-ref-1)
2. Patrons can download money directly to gaming machines from their casino deposit accounts but cannot load credits back to their accounts; they must cash out when they finish gambling. [↑](#footnote-ref-2)
3. Hill, M. and Reid, K. (2006) Cashless Gambling – Interim Position Paper. New Zealand Department of Internal Affairs, Gambling Compliance at <https://www.dia.govt.nz/diawebsite.nsf/Files/CashlessGamblingPaper/$file/CashlessGamblingPaper.pdf> [↑](#footnote-ref-3)
4. Carter, C. (2006). Ticket In Ticket Out Trial and the Impact on Problem Gamblers. Sydney, Office of Liquor, Gaming and Racing, NSW Government. [↑](#footnote-ref-4)