

Consultation Document – EMS Game Rules

1. What this document is about

The Gambling Act 2003 (“the Act”) contains a number of regulatory requirements for the operation of non-casino gambling. The Act specifically provides for the making of game rules to govern how various games should be run.

This document sets out a number of proposed changes to game rules for games played on gaming machines as a consequence of the implementation of an Electronic Monitoring System (“EMS”). We would like you to think about the issues raised in this document and provide us with your comments on the proposals.

It is also an opportunity for you to provide your comments to us on any other aspects of the game rules, which may not be affected by EMS.

Once we have concluded the consultation process and finalised the drafting of these rules, they will be published in the New Zealand Gazette and will take effect from the date specified in the Gazette notice.

You can send us your submissions in either of the following ways:

E-mail: david.chatwin@dia.govt.nz

Or

Post: Department of Internal Affairs, PO Box 1308, Christchurch
(Attention David Chatwin, Senior Inspector Technical, Gaming Compliance)

Please note all submissions may be made publicly available. Even if you request confidentiality, we might have to release your submission at a later date if someone makes a request under the Official Information Act.

2. Background

The Gambling Act 2003 (“the Act”)

The Act became law on 18 September 2003. Some of its provisions, including those relating to EMS, were phased in to take effect after this date.

The purpose of the Act (section 3) is to:

- (a) control the growth of gambling; and
- (b) prevent and minimise the harm caused by gambling including problem gambling; and
- (c) authorise some gambling and prohibit the rest; and
- (d) facilitate responsible gambling; and
- (e) ensure the integrity and fairness of games; and
- (f) limit opportunities for crime and dishonesty associated with gambling; and
- (g) ensure that money from gambling benefits the community; and
- (h) facilitate community involvement in decisions about the provision of gambling.

Section 367 of the Act gives authority to make game rules. This section states that:

- (1) *The Secretary may make rules and amend or revoke rules made -*
- (a) for playing or participating in particular games; and*
 - (b) for the systems, processes, information, and documentation to be associated with particular games.*

The current Class 4 Game Rules came into effect on 1 September 2004.

3. Electronic Monitoring System (“EMS”)

Overview

Electronic monitoring of gaming machines is standard practice throughout the world because of the significant and rapid cash turnover involved in gaming machine operations. Similar systems have been in use in New Zealand’s casinos since they were first established, and Parliament has determined that EMS will now be used for all non-casino (Class 4) gaming machine gambling.

Section 86 of the Act requires the holder of a class 4 operator’s licence to connect gaming machines under the holder’s control to an EMS specified by the Secretary. This must be achieved by 19 March 2007. After that date no unconnected machine can legally be operated.

Section 87 of the Act allows for EMS to be used to monitor and receive information about:

- the funds used to gamble in gaming machines and the destination of those funds;
- the number and location of gaming machines;
- the potential of gaming machines for problem gambling;
- faults with gaming machines;
- tampering with gaming machines;
- suspected contraventions of the Act.

It also allows for EMS to be used to control, enable and disable gaming machines.

There is a single EMS provider as required by the Act. Intralot NZ Ltd (“the Monitor”) has been contracted by the Department to provide an integrated, centralised monitoring system. Relevant data will be captured, processed, validated and stored in a consistent manner to cover all non-casino gaming machine activity throughout New Zealand.

In simple terms, EMS consists of –

- a “host” or main processing centre and data repository (which will hold details of all licensed gambling equipment, and venue and society profiles as provided by the Department’s licensing system);
- A WAN (wide area network) connecting all venues to the EMS host system;
- a site controller, situated at each venue;
- a fibre optic LAN (local area network) connecting gaming machines to each venue’s site controller;

- special interfaces connecting site controllers and jackpot controllers;
- a website for publication of operational reports.

Site controllers will “poll” each connected gaming machine every few seconds to check its identity, status, and update the meter and event information captured since the last poll. At a set time every 24 hours (2 am when most venues have ceased gaming operations) a “snapshot” will be taken ready to be transferred to the host system, when the host in turn opens a communication session with the site controller. Once daily, the “host” will contact each site controller and exchange (upload and download) information. There may be other occasions when information is exchanged between the host and site controller, such as any changes to the configuration of gaming machines at a venue.

The manner in which EMS communicates with (“talks to”) connected gambling equipment is governed by a “language” called the “QCOM Protocol”, which was developed by the Queensland Office of Gaming Regulation (QOGR) and has been used successfully in this and other jurisdictions for a number of years. A Minimum Standard for QCOM will be released shortly.

4. Timing of the implementation of game rules to coincide with roll out of EMS

The amended game rules are intended to take effect progressively as the formal roll out of EMS takes place. Those venues undergoing the “pilot” phase prior to the roll out will be expected to operate under the amended rules; however, they will not be formally gazetted at this stage. This provides an opportunity to identify any problems or issues with the proposed game rules prior to them obtaining regulatory effect. The rollout will be phased in gradually throughout 2006 and the beginning of 2007.

Communication to the sector about the timing of the rollout was released in November.

5. Other documentation, information and guidelines relevant to EMS

- EMS Updates (regular newsletter from the EMS Project Team)
- Minimum Technical Requirements for EMS (Cabling and Site Controllers)
- Advisory to Minimum Technical Requirements
- Electronic Monitoring Fees Regulations consultation document

The above documents are all available at the Internal Affairs website www.dia.govt.nz

6. Overview of main changes resulting from EMS

In the future, gaming machines cannot be lawfully operated unless connected to EMS. Connection will be solely using the wide area network (“WAN”) supplied by the Monitor. This WAN, which includes the network termination unit or communication device, allows the Monitor to securely connect to each venue site controller and ensure communication with the EMS host.

On a daily basis the EMS host will collect, process and produce information about gaming activity across the network.

It is important to understand that the EMS is not a “real-time” monitoring system. In other words, data processed and output in report format will not be immediately available on demand. On the other hand the site controller is in real time communication with gaming machines and if certain specified conditions occur it will be able to disable gambling equipment as soon as the condition is recognised.

In addition to the provision of regular EMS-generated reports, a facility will be provided for venues to electronically access, using a venue PC, current meter information from the site controller. This may be sufficient for immediate venue use in, for example, some aspects of cash reconciliation. This facility may not be available immediately when EMS is initially being rolled out to venues.

The EMS Monitor’s website will be the main means of distributing information collected by EMS to all intended parties.

Venues and societies will have access to their own mailboxes on the website. These will receive pre-generated daily, weekly and monthly reports by means of uploads of data acquired from venue site controllers and processed by the EMS host. Access to these reports will be restricted to the venue and/or society in question, DIA and the Monitor.

The following table indicates the types of report expected to be available and their audience:

Title	Frequency	Audience
Meter totals snapshot	Daily	Venues and societies
Meter adjustment data posted	Daily	Venues and societies
Meters plus adjustments for month	Monthly	Venues and societies
Venue weekly GMP/TO/TW* data	Weekly	Venues
Venue – weekly adjustments	Weekly	Venues
Society – weekly GMP/TO/TW	Weekly	Societies
Society – weekly adjustments	Weekly	Societies

- GMP – Gaming Machine Profits
- TO – Turnover
- TW – Total wins

As part of the monitoring service, the Monitor will maintain a “Help Desk” as a point of contact for the monitoring system and its services. It will perform functions such as fault call capture, fault diagnostics and user security maintenance.

You will need to contact the Help Desk prior to performing RAM clears or changes to gambling equipment.

Guidance on determining the source of faults and which service provider to contact will be found in the Venues Procedures Manual provided by the Monitor.

Where a fault or problem does not involve monitoring equipment provided by the Monitor, it is important to make every effort to accurately identify the source of the problem and approach the appropriate service provider for advice or assistance.

Please also refer to the Faults and Malfunctions section on page 11.

Societies will continue to remain responsible for the correct operation, repairs and maintenance of their own gambling equipment, for example its suitability for connection to the EMS, fibre optic cabling and jackpot and venue PC (“personal computer”) interfaces.

It is anticipated that the costs and responsibility for maintaining and repairing WAN telecommunications equipment will lie with the provider (as per the leasing arrangement).

7. Banking of gaming machine profits (“GMP”)

We propose that there will be a standardised weekly period for determining the amount of GMP to be banked, which will be the same for all venues.

GMP itself will be calculated by the EMS. (GMP will comprise, as it does now, of Turnover less Total wins, less jackpot wins, plus or minus any adjustments.)

We propose that the standardised “week” should commence at 0200 each Monday morning, and finish at 01.59 the following Monday. The reason for this timing is that most gambling activity will have ceased by this time, and EMS should then have an adequate “window” in which to poll all site controllers, process and collate data and then publish reports to the Monitor website ready for them to be accessed by 9 am (this will also apply to daily data collection and dissemination). We appreciate that this will not necessarily align with the licensing hours for all venues. Any play after the snapshot time will be captured in the following day’s snapshot and report.

The present requirement to bank within 5 working days of determination of the amount of GMP will remain unchanged.

- | |
|---|
| <ul style="list-style-type: none">• Do you have any comments on the “standardised” week and banking proposals? |
|---|

8. Amendments to the drafting and content of the Game Rules

We are proposing to add a separate section (“Part 4”) to the game rules to specifically address aspects of EMS operation.

Some minor changes are also proposed to several of the existing game rules to tidy up anomalies, take into account other requirements, and provide greater clarity and consistency, apart from those arising solely from EMS.

We will run through the main proposed changes using the current structure of the game rules for ease of reference. We suggest you consider this document in conjunction with the current game rules.

The amended rules will become effective as and when venues are connected to the system.

Interpretation

Amendments to this section will be minimal to ensure that terminology is accurate and consistent with the relevant legislation.

We are considering drafting a separate “interpretation” section to be included in “Part 4” (EMS) to define terms particularly relating to EMS.

Part 1- Rules relating to playing and participation in games played on gambling equipment.

No major amendments are proposed to this part.

- **We are interested in any comments you may have on any of the provisions of this Part**

Part 2- Rules for the systems, processes, information and documentation associated with games played on gaming machines at class 4 venues.

Provision of cash float

EMS will have no effect on this.

Security of keys and equipment

Not substantially affected by EMS but some minor adjustments required, for example shifting Rules 24 and 25, which relate to a *society’s* obligations upon being notified of a security seal breach, from Part 2 to Part 3 of the Rules.

Parallel provisions in relation to equipment provided by the Monitor are proposed to be included in the new Part 4.

- **We are interested in any comments you may have about the current and proposed game rules relating to security.**

Record keeping – general requirements

While EMS will provide a range of operational and statistical reports, it needs to be understood that it captures and validates only data from the electronic meters (commonly referred to as soft meters) and event data provided by the gambling equipment it is monitoring.

Many of the processes necessary in the day-to-day operation of gaming machines and associated equipment will continue to require intervention by venue staff, for example, clearing and counting cash from cash-boxes and note acceptors, performing hopper refills, and paying out players when cancelled credit or jackpot wins are awarded.

For this reason, there will still be a need to retain many of the existing processes and reporting requirements.

One significant area in which EMS is proposed to “automate” an existing manual process is the calculation of GMP. Weekly reports containing the relevant (turnover and total wins) meter increases, together with jackpot win information and adjustments where applicable, will be provided to both societies and individual venues by means of pre-generated reports as listed earlier

We propose that these reports will form the “official” basis for venues’ weekly banking. However, because GMP is derived from prizes *paid* there will need to be a formal process to take any unpaid winnings into account, in the event that these occur. For this reason, we propose that a new, standard “Unpaid Prize Report” will be introduced.

Standard gaming machine accounting reports

The current “manual” reports required under the game rules will, in the main, remain in use with only minor changes. We have summarised below the reports we expect to stay in use:

- Cash clearance details report
- Cancelled credit, short pays and refills report
- Gaming Machine Analysis (formerly Monthly Machine Analysis)
- Cashless gaming machine analysis (alternative for cashless systems only)
- All jackpot-related reports
- Gambling Equipment Fault/Player Dispute reports

The key changes to reporting are likely to be as follows:

- Weekly reports for determining GMP will now be generated by EMS from meter data and jackpot win data
- Weekly summary reports (as above)
- Unpaid prize report (this is a new one).

Installation, servicing, testing, removal of gaming machines, jackpot systems and cashless systems

EMS will require all gaming machines to be RAM cleared prior to being connected to the system. It will only allow those machines whose identification and configurations are recognised by the system to be enrolled, and will carry out ongoing checks after enrolment to ensure that any changes, particularly software changes, have been approved and are legitimate.

To ensure that there is no loss of essential data during any changes (i.e. implementation of EMS, reconfiguration of gaming machines and additions or removal of gambling

equipment), or “gaps” in reporting, the existing requirements to manually record relevant data during machine or game change-over will remain.

There will be an additional requirement, in Part 4 of the Rules, to notify the Monitor prior to any changes to gambling equipment or its configuration taking place. This is in addition to any statutory obligations to notify the Department of changes affecting a licence.

Cash clearances, hopper refills, cancelled credits/hand pays

EMS will not bring about any significant changes to these processes.

Calculation of Gaming Machine Profits (“GMP”)

As mentioned on pages 4 and 7, EMS will provide weekly GMP reports. However, in the event that the host is unable to establish contact with a venue due to a disaster or major system fault, the venue will need to revert to the manual provisions for calculating and reporting GMP (i.e. Part 2 of the game rules).

The design and redundancy provisions built into the site controller are such that it will continue to operate for a period of time independent of any regular communication with the host. This means that the connected gaming machines will be able to remain in operation until communication with the host is restored, but report generation will not occur in the interim

Note: Adjustments to GMP

EMS will capture most adjustments to meter data as part of the data validation and processing cycles. The Society will post adjustments to GMP using a website interface.

It is expected that, in most cases, information recorded by EMS will be accurate, but there will be some exceptional circumstances when it will not, and adjustments to meter values or other adjustments will be necessary. An example of an adjustment that is outside the ambit of EMS data capture is unpaid prizes.

In these cases, adjustments to reported GMP figures are allowed for, subject to authorisation by the society concerned. The society must be fully satisfied that the adjustment is justified and a clear audit trail is maintained.

Gaming Machine Analysis – previously “Monthly Machine Analysis”

We propose to re-name the process (and form) “Gaming Machine Analysis” to better reflect its overall purpose, and to reflect the removal of the current calendar monthly requirement.

EMS can only monitor meters and events recorded electronically by the equipment it is connected to. It cannot, for example, determine the actual amount of coins put into a machine as a hopper refill, nor can it detect when a player has not for any reason received payment (particularly with hand pays), or has been overpaid. Nor can every conceivable malfunction of a gaming machine’s cash handling mechanisms or accounting functions be readily detected by either the machine itself or EMS.

It is therefore essential that some form of regular reconciliation be carried out between metered and actual cash movements. We propose to use the (re-named) "Gaming Machine Analysis" or "GMA" for this purpose.

There is an option that this should be entirely the responsibility of the venue, since it is the venue operator's float that is primarily at risk, and that records kept at venue level, such as those relating to cash clearances and cancelled credits, are essential parts of the process. It can also be argued, however, that because the gambling equipment is owned by the society, the society has a stronger interest in whether its equipment is operating (and being operated) correctly and also needs to meet obligations to ensure that the equipment conforms to the relevant minimum standards.

In view of the ability of EMS to collect comprehensive gaming machine meter data daily, venues and/or societies may have more flexibility in the timing and frequency of full reconciliations. Currently, the requirement is that reconciliations (in addition to certain events such as RAM clears and short pays) are carried out, as a minimum, at intervals consistent with return periods specified for Gaming Duties Act purposes. This effectively means a calendar monthly reconciliation. We are reviewing what is an appropriate period for a full reconciliation.

- **Your views are sought as to when, and how frequently, "full" gaming machine reconciliations should be carried out.**
- **Should a minimum cycle be specified?**
- **Or should it be a matter of discretion and/or agreement between the venue and society?**
- **Do you have any other comments on the proposed reporting structure?**
- **Are there any other reporting options that you think the Department should consider?**

Linked jackpot systems

We are currently working with the Monitor to enable existing jackpot equipment to provide relevant information for GMP calculation purposes as soon as EMS is connected.

Further development, with the aim of fully integrating approved jackpot systems with EMS will be on-going. We will keep you advised of progress regarding timing and steps to achieve integration.

In the interim, existing game rule requirements for reconciling jackpot systems will remain in force.

Cashless systems

Currently approved cashless systems have no direct impact upon connected gaming machines' software or electronic meters. EMS therefore will have no impact upon their functionality.

Player disputes

We do not envisage that EMS will result in changes to these provisions. The system however, may be able to assist in providing information relevant to the particular issue.

Unpaid prizes

Due to the effect of unpaid prizes on the calculation of GMP, we propose to introduce a specific unpaid prize report as a standard report. This will also ensure that venues comply with the requirement to keep records of details of prizes withheld from under-age players (section 305 of the Act).

Part 3- Rules relating to systems, processes, information and documentation to be employed by holders of Class 4 venue licences

Records of key and authorised persons

No change.

Irregularities

Adjustment records will need to be kept along with the new Unpaid Prizes report as applicable.

Societies will need to assume responsibility for posting any necessary adjustments to the EMS host system.

As discussed earlier, we propose to move the current game rules 24 and 25 from Part 2 to Part 3.

Exclusion orders

EMS will have no effect on this. A minor change is proposed to require that such records should be kept for the duration of the exclusion order.

Reporting Requirements

No changes.

- | |
|---|
| <ul style="list-style-type: none">• Do you have any comments on this Part of the rules? |
|---|

New Proposed Part 4 of the Game Rules - (Rules relating to systems, processes, information and documentation to be employed in association with the electronic monitoring of gambling equipment).

This part will relate to the operation of gambling equipment once it is connected to the EMS.

We propose that there will be an Interpretation section describing terms relevant to EMS.

General Requirements

This will cover issues such as switching off gambling equipment and the retention and maintenance of a site-cabling diagram at the venue. The site controller must not be switched off and gaming machines should only be powered off using their internal power supply switch. This is to ensure connection with the EMS is maintained.

Security of Electronic Monitoring equipment

We are proposing provisions that will mirror those in Part 2 of the rules in relation to gambling equipment generally, but include:

- Monitor service personnel's obligations in this regard; and
- adding a requirement to notify the Monitor Help Desk where a security breach relates to a site controller.

We are proposing that the society will remain responsible for the investigation of certain security breaches occurring at venue level and reporting them to the Secretary.

We are proposing to introduce provisions to ensure that adequate password security features are in place for the purpose of access to the Monitor's website.

Faults and malfunctions – clarification of responsibilities

Responsibility for correcting any faults and malfunctions in EMS components owned or provided by the corporate society should rest with that society.

Equally where any fault or malfunction occurs in relation to EMS equipment provided by the Monitor, for example site controllers and related components, then responsibility should lie with the Monitor.

Where the equipment is owned or provided by a third party, for example the telecommunications provider, the responsibility should lie with that party as provided in the leasing agreement.

Installation, servicing, repair, decommissioning of gambling equipment

We propose to introduce a requirement for such occurrences, when they involve RAM clears or otherwise affect communication with or data collected by EMS, to:

- be first notified to the Monitor Help Desk;
- be the subject of unscheduled "polling" (whereby the EMS host establishes contact with the Site Controller) before, and where applicable, after the event; and
- require game play to be suspended until successful data capture has been confirmed.

Record keeping

In order to meet contingencies such as serious communication or electrical breakdowns, we propose to introduce a rule making it clear that references to recording gambling equipment meter information include, in order of priority:

- obtaining the equivalent validated information from the EMS, subject to its timeliness and availability;
- using a one-way data feed to a venue PC where this is provided;
- manually reading QCOM or standard gaming machine electronic (soft) meters.

It will also require that in the event of a complete system failure or other circumstances making it impossible to access soft meters at a time when any meter information is required to be recorded, the gaming machine hard meters are to be used.

The format of reports generated by EMS will differ from the current format of standard gaming machine accounting reports.

Calculation of gaming machine profits

As referred to in discussions about Part 2 of the rules, it is proposed that Weekly Gaming Machine Profit Reports and Summary Reports will be replaced by EMS generated reports.

Adjustments to EMS-recorded data

We propose to make rules surrounding the processes for making adjustments. As discussed earlier we propose that this will include authorisation by the society concerned before the Monitor takes action.

- | |
|--|
| <ul style="list-style-type: none">• We are interested in any comments you may have regarding this proposed new Part to the rules. |
|--|

We propose to maintain an ongoing dialogue with the Sector while the rules are being developed and drafted. We welcome your comments and suggestions.

Please send us your submissions by **1 February 2006** to the contact links in section 1 of this document.