Multi-year grants now possible

Gaming machine societies will find it easier to fund long-term community projects under amended regulations which took effect in mid-September.

The Gambling (Class 4 Net Proceeds) Amendment Regulations 2011 published in the Gazette on 18 August allow multi-year grants, which can be by instalments for one or more years.

The original net proceeds regulations of 2004 allowed societies to make grants only from funds in hand, preventing them from earmarking money from future gaming machine profits.

Additional requirements will ensure that the grants comply with the Gambling Act 2003, and help mitigate risks. Societies need to be aware that a commitment to a multi-year grant is made in principle. Only when all the requirements have been met will the commitment be binding.

Conversely, grant applicants need to be aware that the in-principle nature of a multi-year grant commitment means it would be imprudent for them to rely solely on it for funding. It would also be imprudent to incur other obligations and responsibilities based on a multi-year grant commitment. Instead, it would be sensible to have alternative funding options.

Improved outcomes

Despite this, the regulations will help promote better outcomes for communities.

The additional requirements are:

- A maximum four-year limit on the term of any multi-year grant. This fits in with typical cycles for large sports and cultural events. It will also help to mitigate the risk of funding capture by a few grant recipients.
- Societies must advise grant applicants on or before payment of the first grant instalment, that future instalments are conditional on the society still having a licence, funds being available and the grant still being lawful.
- Each grant instalment must be reconfirmed by the society before payment. This will allow the society to withdraw if, for example, its net proceeds committee or grant-making policies change.
- The grant applicant, when seeking future instalments of the grant, must provide documentary evidence that earlier instalments were spent for the intended purpose.
- Societies must disclose multi-year grant commitments in their annual reports to the Department. These reports also have to be published on their websites. Societies must also disclose multi-year grant commitments in information the Act requires about available funds, grants made and declined, and grant criteria and policies.

A further amendment prevents societies accumulating residual profits.

The full text of the regulations can be found in the gambling section of the Department’s website: www.dia.govt.nz.

Societies and grant applicants are advised to read the regulations in full and to obtain independent, professional legal and financial advice before committing to multi-year grants.
Obligations of directors and trustees

Recent court cases and prosecutions arising from failed finance companies contain lessons relevant to the Class 4 gambling sector. These cases highlight the obligations directors and trustees have to the community and to those with a commercial interest in company operations.

Justice Paul Heath found three former Nathans Finance directors guilty of offences under the Securities Act. Business commentator, Brian Gaynor, noted in the NZ Herald that the decision was a huge wake up call for directors who must make their own decisions and not delegate to others.

The decision has relevance for gaming machine society trustees and directors of licensed gambling operations. They are the community’s custodians of money generated from gaming machines. They have a fiduciary duty to ensure that the money is used for appropriate purposes, in particular to ensure that the return to the community is maximised. This is no light responsibility.

The developments from the finance company cases also highlight the requirement for trustees and directors of Class 4 gambling operations to exercise prudent stewardship. They cannot blindly follow the advice of their lawyers or accountants - any decision must be theirs and not that of their expert advisers. They must actively satisfy themselves of the matters over which they preside and act appropriately.

False information

Acting appropriately extends to information provided to stakeholders, the community and to the regulators. The veracity of information provided by trustees and directors in the gambling industry is critical to ensuring that the gambling meets the aims of the legislation and fulfils the licensed operators’ social contract with the community.

In business, the provision of false information strikes to the very heart of commerce. Every day people make commercial decisions based on information provided. These range from a decision to buy small items in a shop, based on the information displayed, through to deciding to invest life savings in a particular finance company based on its prospectus. The opportunity to make an informed decision is vital.

As the regulator of the gambling industry, the Department of Internal Affairs licenses operators who collectively generate over $925M each year from Class 4 gambling and who handle several times that amount in turnover, all of it community money. The information provided to the Department in support of applications for Class 4 operators’ licences, venue licences and approval of venue costs must be 100 per cent correct to enable it to meet its obligations as the regulator. For the Department, the requirement to make decisions based on correct information is also vital.

Consequences

The Gambling Act 2003 provides for suspension for up to six months or cancellation of an operator’s or venue licence if a key person of the licensed operator provides the Department with false or deliberately misleading information.

The Gambling Compliance Group’s National Investigations Unit (NIU) is investigating several instances where trustees or directors of Class 4 gambling operations are suspected of providing the Department with false or misleading information. In doing so, the NIU is measuring the actions of the key persons involved against the provisions of the Crimes Act 1961, in particular criminal breach of trust, obtaining by deception or causing loss by deception, false accounting or making false statements – some of which attract a maximum penalty of 10 years’ imprisonment.

The obligations of a trustee or director are not insignificant. For trustees and directors of Class 4 societies, there is much more at stake than merely losing an operator’s licence and becoming an unsuitable person as a result. A criminal conviction can have long-lasting effects.

The Department aims to work with the sector in a positive and cooperative manner and recognises that some societies are focused on developing trustees’ duties and skills to ensure they operate within the law.
Treatment of venue DEM costs

The Department is about to release a policy detailing the Secretary’s expectations of societies concerning developments, enhancements and maintenance (DEM) costs. This will be sent to all Class 4 societies, and will be available on the Department’s website.

DEM costs relate to the gambling space at a Class 4 venue. The Gambling Commission’s 2010 decision on The Southern Trust’s appeal (GC10/10) provided clear guidance on the treatment of such costs.

When can DEM costs be incurred?
Whether a society is agreeing to DEM costs as a new cost, or as part of a society transfer, they may only be incurred when they are actual, reasonable and necessary (ARN). As well as having actually been incurred, and being reasonable in terms of cost, DEM costs must be necessary to the conduct of Class 4 gambling at the venue. DEM costs are considered to be necessary when the state of the venue is such that the need for remedial work compromises the conduct of Class 4 gambling. The Commission noted in decision GC10/10 that DEM expenditure is likely to be rare. It emphasised that costs incurred with the hope or expectation of additional gross revenue are not a necessary cost of gambling.

Who pays for DEM costs, and how are they represented in the venue cost schedule?
If a DEM cost is actual, reasonable and necessary it can be paid for in the first instance either by the venue operator (scenario 1 below) or the society (scenario 2 below).

Historically, societies have generally paid for DEM costs in the first instance. The Commission stated that they did not consider this practice to be legitimate and said that unless the circumstances are exceptional, DEM costs should be paid for by the venue operator in the first instance.

Scenario 1 – Venue operator pays in the first instance
If the venue operator pays the cost in the first instance, the society can reimburse them for this cost under Limit C of the Venue Cost schedule. The period for reimbursement may be agreed by the venue operator and the society for any period up to depreciation timeframes. In general, parties prefer to write off these costs more rapidly, often over the term of the venue agreement. Under scenario 1, the reimbursements the society provides under Limit C are included under Limit D, and contribute to the society’s 16 per cent Limit D payment cap.

Scenario 2 – Society pays the cost in the first instance
If the society pays the cost in the first instance, the costs are reflected under Limit C of the venue cost schedule. This is a nominal entry in the cost schedule (i.e. it does not actually get paid). The value of the DEM is then added to Limit D as it is reflected, contributing to the society’s 16% Limit D payment cap.

Historically, societies have generally paid for DEM costs in the first instance. The Commission stated that they did not consider this practice to be legitimate and said that unless the circumstances are exceptional, DEM costs should be paid for by the venue operator in the first instance.
Key person reminder

If you are a venue operator, venue manager, or venue personnel – your work at a Class 4 venue involves dealing with gambling equipment, gamblers or the proceeds of gambling – then you CANNOT:

- be involved in decisions about, or in managing, the application or distribution of net proceeds (grants) of a Class 4 society if that society operates at your venue
- provide, or be involved in decisions about who will provide, goods and services to the Class 4 society that operates at your venue, except services listed in your Class 4 venue agreement
- provide, or be involved in decisions about who will provide, goods or services to grant recipients who receive grants from the society operating at your venue.

If you become involved in grants activity then you potentially commit an offence which is punishable by a fine of up to $10,000. The Department would also reconsider your suitability to be involved in Class 4 gambling. Venue operators, venue managers and venue personnel must be particularly careful if they are also involved with, or are a member of an organisation which receives grants from the Class 4 society which operates at their venue.

Trustees or other officers, chief executives or those who perform that function, and those who exercise significant influence in the management of a Class 4 society must also be careful that they do not breach the law in this area. It is an offence for these people to allow venue operators, venue managers and venue personnel to breach the law as above. The offence is punishable by a $10,000 fine and again the Department would reconsider an offender’s suitability to be involved in Class 4 gambling.

NZRB gets Class 4 operator’s licence

The Department has issued a Class 4 operator’s licence to the New Zealand Racing Board to operate gaming machines at what will eventually be some 30 of the Board’s stand-alone TABs.

About 300 existing gaming machines will progressively be covered by this licence which, the board said, will give it greater control and oversight over this gambling.

The board says that while it is legally entitled to distribute 100 per cent of gaming machine net proceeds to authorised racing purposes, it will provide up to 20 per cent to amateur sports purposes.

Prosecution sought for false information

The Department has recommended to the Crown Solicitor at Auckland that a South Auckland Class 4 venue operator be prosecuted for allegedly supplying false information on a venue cost schedule.

The venue operator is alleged to have submitted a cost schedule which claimed that the premises were open and operating on days and hours when it clearly was not. Several visits by a gambling inspector highlighted the discrepancies.

Acting Gambling Compliance Director, Debbie Despard, said this was the first prosecution arising from the venue costs resubmission process and it highlighted the need for information supplied in schedules to be checked carefully.

The charges under the Crimes Act carry a maximum penalty of seven years’ imprisonment.
Dealing with non-compliance

The Department decided in July to suspend the Endeavour Community Trust (ECT) for 11 days after several issues of non-compliance came to light in an audit.

A series of meetings with the trustees, the acting chairperson and the trust’s legal advisor, Alastair Sherriff, led to all parties accepting that a suspension was the appropriate form of sanction to take.

ECT was potentially facing non-renewal of its licence over the necessity and reasonableness of costs, the appropriateness of some grants, and the recovery of venue cost payments in excess of Limit D. Its willingness to recover funds, make significant changes recommended by the Department, and to undertake to operate in a compliant way in the future resulted in a decision that enabled Endeavour to continue operating.

The ECT also proactively sought independent advice on how to operate in the future and agreement was reached that they adopt the recommendations contained in that independent advice. They have also made some personnel changes demonstrating a positive approach to their continued operation.

The trust has served the suspension and is now considering ways to ensure compliance with the Gambling Act and meet the requirements of good governance.

This was a positive outcome that allowed a society to continue operating within the Class 4 sector while remedying several matters. The Department looks forward to continued engagement with the sector on such issues.

Taieri pony club grant investigated

An Internal Affairs’ investigation said the Taieri District Pony Club was the principal beneficiary of work carried out at Wingatui racecourse with grants of almost half a million dollars from the Trusts Charitable Foundation.

It also found that drainage work, while it also benefited the Otago Racing Club (ORC), was needed in establishing the cross-country course.

The pony club’s grant was investigated after an Otago Daily Times’ source alleged it was used as a front for racing interests.

The investigation found that the funds were used, as per the club’s application, to build a premier cross-country course for local, regional and national events and that the application had noted that drainage work would be a major part of the project.

The investigation report said that while the ORC was a secondary beneficiary of the drainage work, the cross-country course was not on the actual race track and it used different obstacles to a steeplechase.

The pony club’s capital investment is protected by an agreement with the Otago Racing Club to occupy and use the race track facilities free of charge for at least 20 years. The community and horse fraternity as a whole benefit from the facility being used more frequently and sharing existing infrastructure.
Access by minors

At the last round of Class 4 sector regional forums the Department explained how it considers matters relating to minors and excluded persons possibly accessing a gaming room.

The main points from the relevant Gambling Commission decisions on this issue (Lion Foundation v DIA [2006] GC16/06; Unison Trust v DIA [2006] GC37/06; Perry Foundation v DIA [2008] GC22/08), were explained to the forums.

These mean that, regardless of video support, venue staff must be able to observe everyone wanting to access a gaming machine area for enough time and be sufficiently close to clearly ascertain their age and identity before they enter.

Future forums

The next regional forums are being planned for November and the sector is invited to contact Debbie Despard, Acting Director of Gambling Compliance, with suggested topics for discussion.

Home detention for GMP theft

A former Mt Maunganui venue manager received four months’ home detention in June after pleading guilty in the Tauranga District Court to four charges of theft by a person in a special relationship.

Lance Ranchod, 39, of Brookfield, Tauranga was the sole director and shareholder of the venue operator company at the Seafarers’ Bar when he failed to bank four weeks’ gaming machine profit (GMP) of over $46,000 for former pokie operator, Scottwood Trust, between 21 December 2006 and 11 January 2007. He told a gambling inspector he had used the GMP to support his business at Seafarers.

Judge Paul Geoghan said Ranchod had got into a situation he could not handle, rather than offending to support a lavish lifestyle. Noting his cooperation with the Department and his guilty plea, Judge Geoghan said Ranchod was impecunious and unable to make any meaningful reparation. He ordered him to repay $5000 at $50 a week to the Lion Foundation, which had taken on some former Scottwood venues from the Perry Foundation in 2010.

Gambits’ Editor is Trevor Henry.

If you have any questions about articles in Gambits, would like further information or have comments about what information we could provide to make Gambits more useful to you, please contact: Trevor Henry

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E-mail: trevor.henry@dia.govt.nz
Horowhenua trust surrenders licence

The Horowhenua Community Trust surrendered its licence to operate gaming machines at four pubs in the area after the Department identified licensing irregularities and breaches of the Gambling Act.

These included the Trust failing to take action or inform the Department of systematic late banking of gaming machine proceeds by venues.

The business that owned three of the venues at which Horowhenua Community Trust operated, the Oxford in Levin, Albion in Shannon and the Manawatu Hotel in Foxton, has since gone into liquidation. Another trust has applied to operate gaming machines at the fourth venue, the Post Office Hotel in Foxton.

The Department is investigating some aspects of HCT’s previous operations.

In view of the sudden and significant impact that HCT’s decision to cease operating would have on available community funding in the area, the Department wrote to the six other Class 4 societies that operate gaming machines in the Horowhenua area, asking that they take the area’s funding needs into account when making decisions on grants. They have a policy of returning gaming machine proceeds mainly to the district in which it was raised.

Limit D suspensions

Societies are aware that compliance with the Limits and Exclusions on Class 4 Venue Costs Notice, Gazetted in July 2008, is a fundamental requirement to ensure compliance with the Gambling Act 2003.

The Gazette Notice states:

“A corporate society, when incurring costs (excluding GST) associated with class 4 venues, must not incur costs (excluding GST) of:

(d) more than 16% of gaming machine profits (as defined in section 104 of the Gambling Act 2003, but excluding GST), in any 12 month period (Limit D)”.

If expenditure on Limit D exceeds the 16 per cent threshold, the Department will seek an explanation from your society and then undertake further enquiries to determine whether a suspension or cancellation of the society’s Class 4 operator’s licence is appropriate.

The Department has recently dealt with five Limit D breaches. Three societies accepted suspensions – Oxford Sports Trust Inc – three days; Water Safety Education Foundation and Pelorus Trust – two days. Two others, Pub Charity and Blue Waters Community Trust, have appealed their suspensions to the Gambling Commission. These are yet to be heard.

When the appeals are resolved the Department will either confirm or reconsider its approach.

Open 24 hours a day

0800 654 655

Gambling Helpline

New Zealand
Gambling Commission appeals

This table provides a breakdown of appeals that have been resolved recently and appeals that are currently in process as at 30 September 2011. A summary of appeals will be updated in each Gambits as part of the Department’s efforts to increase transparency and accountability in the Class 4 environment which encompasses the decisions we make and the subsequent outcomes of those decisions.

<table>
<thead>
<tr>
<th>OPERATOR AND VENUE</th>
<th>DEPARTMENT DECISION</th>
<th>APPEAL (CURRENT)</th>
<th>UPDATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Sovereign Trust</td>
<td>The Department decided to refuse to renew the Class 4 operator’s licence for 09/10. The Secretary is not satisfied that costs are being minimised and also has concerns with key person suitability.</td>
<td>The society has appealed the decision to the Gambling Commission arguing that the decision was illegal</td>
<td>The Gambling Commission has adjourned the consideration of this appeal until the Secretary has made a decision regarding the 10/11 Class 4 operator’s licence for the society.</td>
</tr>
<tr>
<td>Youhtown – Mo’s Bar, Kasper’s Bar and Westbrook Tavern</td>
<td>The Department refused to grant Class 4 venue licences for these venues. The venue costs for all three venues were considered through the normal process and did not meet the requirements of actual reasonable and necessary costs.</td>
<td>The society appealed the decision to the Gambling Commission arguing that the venue costs submitted by the society are actual, reasonable and necessary, that the Secretary has considered information not available to the appellant in making the decision and the appellant’s view that the Department has accepted the withdrawn surrender notice from the outgoing society.</td>
<td>In process</td>
</tr>
<tr>
<td>Tuakau Cosmopolitan Club</td>
<td>The Department decided to impose a licence condition on the Class 4 operator’s licence of Tuakau Cosmopolitan Club requiring them to apply 37.12% of its GST exclusive gross proceeds for each financial year.</td>
<td>The society appealed the decision to the Gambling Commission arguing that the decision to impose the condition is not fair and reasonable.</td>
<td>In process</td>
</tr>
<tr>
<td>Pub Charity Incorporated</td>
<td>The Department decided to impose a one day suspension to the Class 4 operator’s licence of Pub Charity Incorporated for a breach of Limit D.</td>
<td>The society appealed the decision to the Gambling Commission arguing that the decision is based on disputed facts currently under court consideration.</td>
<td>In process</td>
</tr>
<tr>
<td>Blue Waters Community Trust</td>
<td>The Department decided to impose a three day suspension to the Class 4 operator’s licence of Blue Waters Community Trust for a breach of Limit D.</td>
<td>The society appealed the decision to the Gambling Commission arguing that there is no jurisdiction to impose a suspension and that the suspension in this case is excessive.</td>
<td>In process</td>
</tr>
<tr>
<td>Air Rescue Services Limited – Lord Barrington</td>
<td>The Department decided to refuse to licence the Lord Barrington venue.</td>
<td>The society appealed the decision to the Gambling Commission arguing that the decision is erroneous, contrary to the intent of the Gambling Act 2003 and that the Department has failed to consider all relevant facts.</td>
<td>In process</td>
</tr>
<tr>
<td>Hell’s Angels Nomads Motorcycle Club Incorporated</td>
<td>The Department decided to refuse to grant a Class 3 operator’s licence to Hell’s Angels Nomads Motorcycle Club Incorporated.</td>
<td>The club appealed the decision to the Gambling Commission arguing that the conclusion the key persons were not suitable was wrong and that the Department acted outside the scope of the Gambling Act 2003 in placing weight on other members not actively involved in the application while not applying sufficient weight to previous approved applications.</td>
<td>In process</td>
</tr>
<tr>
<td>Youhtown Incorporated – House of Chang Thai</td>
<td>The Department decided to refuse to grant a Class 4 venue licence to the House of Chang Thai.</td>
<td>The society appealed the decision to the Gambling Commission arguing the DEM costs were “exceptional” as well as actual, reasonable and necessary.</td>
<td>In process</td>
</tr>
<tr>
<td>First Sovereign Trust</td>
<td>The Department decided to refuse to renew the Class 4 operator’s licence for First Sovereign Trust 10/11. The Department is not satisfied that the society is incurring costs that are actual, reasonable and necessary and that costs have not been minimised particularly in regards to venue costs. The Department also has concerns with key person suitability.</td>
<td>The society appealed the decision to the Gambling Commission arguing the decision is erroneous and contrary to the purpose and intention of the Act.</td>
<td>In process</td>
</tr>
</tbody>
</table>
Gambling Commission appeals continued

<table>
<thead>
<tr>
<th>OPERATOR AND VENUE</th>
<th>DEPARTMENT DECISION</th>
<th>APPEAL (CURRENT)</th>
<th>UPDATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Windsock (2007) Ltd – The Bus Stop Tavern</td>
<td>The Department decided to refuse to grant the Class 4 venue licence. The Secretary is not satisfied with the suitability of key people involved in the venue.</td>
<td>The venue operator appealed the decision to the Gambling Commission arguing that the key person is suitable.</td>
<td>Appeal withdrawn by venue operator</td>
</tr>
<tr>
<td>Mainland Foundation Limited – Holy Grail, Christchurch</td>
<td>The Department refused to extend the period of inactivity at the venue due to closure of the company.</td>
<td>The society appealed the decision to the Gambling Commission arguing that the Department has failed to take into account all relevant matters.</td>
<td>Appeal withdrawn by society</td>
</tr>
<tr>
<td>LP Hospitality Limited – Papakura Tavern</td>
<td>The Department decided to cancel the Class 4 venue licence for the Papakura Tavern. The Secretary is not satisfied that a person connected to the venue is not a key person as defined in the Act. If they are a key person under the Act, they do not meet the requirements of suitability.</td>
<td>The venue operator appealed the decision to the Gambling Commission arguing that the person of concern is not a key person and alternatively if they are found to meet the requirements of key person that they are, in fact, suitable.</td>
<td>Appeal discontinued following sale of venue</td>
</tr>
</tbody>
</table>

GCG court cases

The following is a summary of Gambling Compliance Group cases resolved before the courts:

<table>
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<tr>
<th>NAME OF OTHER PARTY</th>
<th>COURT / TRIBUNAL</th>
<th>TYPE OF CASE</th>
<th>RESOLUTION</th>
</tr>
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<tbody>
<tr>
<td>Grassroots Trust</td>
<td>High Court</td>
<td>Proposed interim order application for a one day licence with respect to the venue Bus Stop.</td>
<td>Application dismissed</td>
</tr>
<tr>
<td>Air Rescue Services</td>
<td>High Court</td>
<td>Application for Judicial Review: This matter started as an application for interim orders seeking a one day licence.</td>
<td>Application dismissed</td>
</tr>
<tr>
<td></td>
<td>Invercargill District Court</td>
<td>3 charges under S113(1)(e); was the CEO of Southland rugby who arranged an investment in the Invercargill pub Strathern Inn to get grants from Lion Foundation.</td>
<td>Charges withdrawn</td>
</tr>
<tr>
<td></td>
<td>Auckland District Court</td>
<td>S113: a representative of a grant recipient club, who was also the director of the business owner, subleased the management of the venue. Argues he was not a key person of the venue.</td>
<td>Charges withdrawn</td>
</tr>
<tr>
<td>First Sovereign Trust</td>
<td>District Court</td>
<td>Key person S113</td>
<td>Charges withdrawn</td>
</tr>
<tr>
<td></td>
<td>District Court</td>
<td>Theft by person in special relationship (x4)</td>
<td>Home detention</td>
</tr>
<tr>
<td>West Auckland Trust Services</td>
<td>District Court</td>
<td>Declaratory Judgement on S113</td>
<td>Discontinued</td>
</tr>
<tr>
<td>Lion Foundation</td>
<td>North Shore District Court</td>
<td>Lion is charged under s113(3) for allowing officials of Southland Rugby (a grant recipients) to breach section 113(1)(d) by becoming key persons of venues where Lion was operating machines.</td>
<td>Charges withdrawn</td>
</tr>
</tbody>
</table>
Sanction decisions

The following summary relates to sanctions imposed by the Department from 1 January 2011 to 30 June 2011. Due to significant sector interest the Department will now be publishing Class 4 sanction decisions every quarter.

<table>
<thead>
<tr>
<th>OPERATOR</th>
<th>LICENCE TYPE</th>
<th>PROPOSED SANCTION</th>
<th>BREACH /REASON</th>
<th>DATE OF DECISION</th>
<th>OUTCOME /STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxford Sports Trust</td>
<td>Class 4 Operators</td>
<td>Suspension: 7 days proposed</td>
<td>Breach of Limit D</td>
<td>15 March 2011</td>
<td>Three days suspension served</td>
</tr>
<tr>
<td>Youthtown</td>
<td>Venue licences: Mo’s Bar, Kasper’s Bar and Westbrook Tavern</td>
<td>Refusal to grant Class 4 venue licences</td>
<td>Concerns with actual, reasonable and necessary cost.</td>
<td>21 March 2011</td>
<td>Decisions under appeal</td>
</tr>
<tr>
<td>Grassroots Trust</td>
<td>Class 4 Venue Licence: Still Working</td>
<td>Cancellation</td>
<td>Unsuitable Key Persons – Breach of s 113</td>
<td>26 April 2011</td>
<td>Proposal Withdrawn</td>
</tr>
<tr>
<td>Grassroots Trust</td>
<td>Class 4 Venue Licence: The Riv</td>
<td>Cancellation</td>
<td>Unsuitable Key Persons – Breach of s 113</td>
<td>26 April 2011</td>
<td>Proposal Withdrawn</td>
</tr>
<tr>
<td>North and South Trust</td>
<td>Class 4 venue Licence: Courtyard Bar</td>
<td>Cancellation</td>
<td>Unsuitable Key Person – Late Banking</td>
<td>1 June 2011</td>
<td>Proposal Withdrawn</td>
</tr>
<tr>
<td>North and South Trust Ltd</td>
<td>Class 4 venue Licence: Milestone Bar</td>
<td>Cancellation</td>
<td>Unsuitable Key Person – Late Banking</td>
<td>1 June 2011</td>
<td>Proposal Withdrawn</td>
</tr>
<tr>
<td>Youthtown</td>
<td>Venue licence: The House of Chang Thai</td>
<td>Refusal to grant Class 4 venue licence</td>
<td>Concerns with actual, reasonable and necessary cost</td>
<td>28 June 2011</td>
<td>Decision under appeal</td>
</tr>
</tbody>
</table>

GAMBLING TECHNOLOGY

Site controller cabinet for Intralot only

Venues are reminded that only Intralot equipment should be within the site controller cabinet.

Minimum Technical Requirements forbid sniffer gambling technology being co-located in the secure cabinet housing the site controller and associated equipment.

Also, there must be no exposed fibre optic (FO) cable. This must be enclosed in conduit when not routed through a secure locked area such as a gaming machine base.

Care should be taken that fibre cabling and power supply cords within the site controller cabinet are secure, tidy and not intertwined so as to make it difficult for Intralot to service its equipment.
Wireless routers and power supply

Intralot is in the process of replacing electronic monitoring (EMS) wireless routers at venues because of Telecom’s move to 3G mobile network technology.

The technical standards for Class 4 gaming require the site controller and communication equipment to have exclusive access to three power sockets. In reality only two are required and some venues have used the third socket for ‘sniffer’ devices or other equipment. The power plug for the new device requires more socket space on the site controller power board than the old one, so plugs may have to be changed around to accommodate it.

Venues can assist by rearranging plugs to make room for the new wider plug before Intralot calls. This requires the venue sniffer, or other venue equipment, to be powered off, generally taking down the gaming machines.

Intralot has been concerned about making these rearrangements itself and the Department has discussed the issue with some societies and equipment and service providers. Where rearrangement of power plugs is all that is required Intralot will:
- advise venues that gaming may be interrupted and provide five minutes to stop play
- make the necessary power rearrangements
- enable venue gambling to recommence.

If gambling cannot resume and is due to venue equipment failure, other than Intralot’s, it will be the venue’s responsibility to contact the society and/or service agents to attend.

If rearranging the power plugs is not sufficient Intralot will advise the society to find a solution.

So far Intralot has upgraded communication devices in about 270 venues with about five per cent presenting power access issues. There are about 1000 venues left to do. If Intralot has to visit venues for other reasons it will use the opportunity to upgrade routers at the same time.

However, all societies/venues should check the site controller power socket use and make necessary changes to ensure that:
(i) The two sockets required and used by Intralot are available and have sufficient space clearance
(ii) Power and other cables in the cabinet are tidy and not obstructive.

Always contact Intralot if you have to power-down the site controller and/or communications device.

Foreign coin acceptance

The Department was told recently of Class 4 gaming machine coin validators accepting foreign coins. This has happened before; the odd coin is found and usually is not a major issue.

Before approval, coin acceptor devices are subjected to a battery of tests, including testing with a large range of foreign and counterfeit coins.

The number of coins accepted on this occasion was not great but the particular coins used have been encountered in the past. All manufacturers have been asked to re-test their coin acceptor devices with this coin and advise the Department of the outcome.

If, in the daily operation of gaming machines, venue staff find a large number of foreign coins in gaming machine cash boxes or hoppers would they please retain any CCTV footage of the period when the coins were likely to have been put into the gaming machines, notify their society, and their nearest Gambling Compliance office.
Gaming technology forum a success

A bumper turnout for July’s inaugural Class 4 Technical Compliance forum in Wellington forced a move to a much larger room than the one originally booked. Represented were manufacturers, society compliance managers and service companies and technicians.

The forum included short presentations from the Department and Intralot on the electronic monitoring service (EMS), jackpot controllers, QCOM, the IGP project, correct processes for electronic gaming machine (EGM) RAM clears and EGM disabling conditions.

Most of the forum was given over to open discussion, questions and observations about EGM hard meters, venue cabling diagrams, Intralot resolution times, frequency of reporting EGM events through EMS, QCOM event codes, making EMS information and reports more available to societies and technicians, publication of GVN/BVN numbers on the Department’s website, licensing service techs, Ticket in-Ticket out (TiTo) technology, a review of game rules, EGM disabling alarms and their resolution, and improved communications with the technical sector such as through the compilation of email lists.

Forum feedback was very positive. Particularly appreciated were the opportunities to learn what was happening in Class 4 technical areas and feedback to the Gambling Compliance Group (GCG) on how technical issues are affecting societies’ and venues’ day-to-day business.

GCG will now look to running another technical forum elsewhere in New Zealand.

Service technician training

Intralot New Zealand is running another training programme for Class 4 gambling sector service technicians later this month.

The one-day training programme, run since 2007, are available to all service companies and technicians and provide a greater understanding of EMS-related procedures and processes required for diagnostics and fault resolution.

Benefits:

- Gives new and existing service technicians an overview of the latest EMS operational and associated procedures, including troubleshooting of QCOM 1.6 disabling conditions.
- Resulting improved efficiencies in fault diagnostics and operational performance resulting in less time on site.
- Provides a forum for feedback, sharing experiences, discussing industry topics and updates.

Topics:

- EMS Architecture
  - Overview of data centre
  - EMS licensing information.
- EMS Procedures
  - EGM commissioning and de-commissioning
  - EGM game changes, including variation changes
  - EGM configuration changes, e.g. denominations, base
  - Jackpot installations, including JIN changes, jackpot RAM clears
  - EGM RAM Clears and potential issues.
- Diagnostics
  - Identifying loop issues
  - EGM configuration changes
  - QCOM disabling conditions
  - EMA connections (venue PC).
- Venue commissioning/de-commissioning
  - Society changes
  - Venue ownership changes.
- Q&A session

The course runs from 9 a.m. to 4.30 p.m. For further information or to register email: training@intralot.co.nz or phone: 04 463 0100
AML/CFT commencement date set

The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT) will come fully into force on 30 June 2013 under a commencement order Gazetted recently. Reporting entities now have less than two years to establish and implement their AML/CFT programme and comply fully with their obligations under the Act.

The Act places obligations on New Zealand’s financial institutions and casinos – not the Class 4 gambling sector – to detect and deter money laundering and terrorism financing. Money laundering is how criminals disguise the illegal origins of their money. Financers of terrorism use similar techniques to money launderers to avoid detection by authorities and to protect the identity of those providing and receiving the funds.

Reporting entities supervised by the Department are casinos, non-deposit taking lenders, money changers, money remitters, payroll remitters, debt collectors, factors, financial leasers, safe deposit box vaults, non-bank credit card providers, stored value card providers and cash transporters.

Supervisors

The Reserve Bank supervises banks, life insurers, and non-bank deposit takers and the Financial Markets Authority (FMA) covers issuers of securities, trustee companies, futures dealers, collective investment schemes, brokers, and financial advisers.

The regulations are available under Anti-money laundering controls on the Department’s website: www.dia.govt.nz. They also contain thresholds for occasional transactions, inclusions (for example, trust and company service providers and authorised financial advisers are included by regulation) and exemptions for some sectors from all or part of the obligations under the Act. It is important that reporting entities read and understand the regulations and how they relate to their business.

The Department, the FMA and the Police Financial Intelligence Unit recently completed a roadshow, involving 18 presentations at 14 locations across the country, to inform reporting entities of their obligations under the AML/CFT Act and Regulations. The presentations were well attended and audiences engaged well. A copy of the presentation notes and frequently asked questions are available on the Department’s website.

Verifying identity

Customers of financial institutions and casinos can expect more stringent identity checks in the lead up to 30 June 2013 when anti-money laundering legislation comes fully into force. Businesses now have access to guidance on the standard those identity checks should meet.

The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 places obligations on New Zealand’s financial institutions and casinos to detect and deter money laundering and terrorism financing.

An Identity Verification Code of Practice Gazetted on 1 Sept and available on the Department’s website, www.dia.govt.nz applies to all reporting entities being supervised by the Reserve Bank of New Zealand, the Financial Markets Authority and the Department of Internal Affairs.

The code sets out an acceptable practice for verifying the name and date of birth of customers (people, not corporations) whom the reporting entities have assessed as low to medium risk. The code details appropriate forms of identification, and outlines when secondary or supporting identification is required – for example, a passport on its own, or a New Zealand Driver Licence with an eftpos card.

Although the code is not mandatory, it constitutes a ‘safe harbour’ – a reporting entity that fully complies with the code is deemed to be compliant with the relevant parts of the legislation. If a reporting entity decides to opt out of the code, it must adopt practices that are equally effective, otherwise it risks non-compliance.
Smokers to play casino pokies

The Gambling Commission has approved plans by SkyCity (SC) Auckland and Dunedin casinos to develop outdoor areas where patrons can smoke and play gaming machines. The new smoking balconies will have louvred windows to prevent gambling from being visible from outside the casinos.

The Commission believed the applications would not increase the potential for harm because:

- research does not establish a clear benefit for minimising problem gambling harm from banning smoking while gambling
- the level of host responsibility was high and sufficiently onerous that action would be taken if a smoker exhibited signs of problem gambling
- it can exercise control over casinos by, for example, imposing additional host responsibility obligations
- patrons can still obtain respite from gambling in other areas.

Dunedin Casino will have eight gaming machines in its smoking balcony and SkyCity 60. Sky City chief executive Nigel Morrison told Radio New Zealand News he expected the new room to be popular as a lot of customers want to smoke.

Mr Morrison said the new room’s location would probably mean it will be used by what the company calls ‘mid-tier’ VIP gamblers - but he expected the idea could be applied elsewhere on the property if it is popular.

It could also extend to other Sky City casinos.

Gambling Commissioners appointed

Two new appointments to the Gambling Commission were announced by Internal Affairs Minister of Nathan Guy

“Abigail Foote, a Christchurch lawyer brings legal expertise, governance and management experience to her role,” he said.

“Russell Bell, a chartered accountant from Wanganui has a strong background in risk management and auditing.”

The appointments bring the Commission to its full complement of five members. They join Chief Commissioner Graeme Reeves, and Commissioners Paul Stanley and Lisa Hansen.

The Gambling Commission is an independent statutory decision-making body. The Commission hears casino licensing applications, and appeals on licensing and enforcement decisions made by the Secretary of Internal Affairs in relation to gaming machines and other non-casino gambling activities.

The Commissioners’ terms are for three years.

Abigail Foote, a Christchurch lawyer brings legal expertise, governance and management experience to her role.

Open 24 hours a day
0800 654 655

Gambling Helpline
New Zealand
Running a RWC sweepstake?

9 September 2011

With the Rugby World Cup tournament about to kick off the Department of Internal Affairs issued a reminder about the rules for running a sweep.

Under the Gambling Act 2003, sweepstakes are a form of Class 1 gambling where the total value of all the prizes offered is no more than $500, all entry money is returned as prizes and no one is paid to run the sweepstake. This means that the number of teams playing will determine how much can be charged for each ticket – with 20 teams in the Rugby World Cup, the maximum price of tickets would be $25.

The Department’s Acting Director of Gambling Compliance, Debbie Despard, says sweepstakes can add to people’s enjoyment of the tournament but, whether they are run in offices, pubs or clubs they need to comply with the law.

“To avoid the risk of problems we suggest it’s best to keep it small and keep it simple. Sweepstakes are intended to be small-scale gambling with simple rules, designed mostly to help protect employers, clubs and staff,” Debbie Despard said.

“People can run more than one sweepstake at the same office, pub or club but they must keep the money from each one separate. Each sweepstake must pay its own prizes and the total value of all prizes in each sweepstake must not exceed $500.

“It is illegal to operate as a bookmaker in New Zealand where bookies get a share of the funds and the value of the funds exceeds $500. Bookmaking activities include taking bets, organising pool betting, matching gamblers, and laying or offering odds.

“If people want to place larger bets on the cup then there are other legal ways of doing that outside of sweepstakes – under the Racing Act 2003 only the NZ Racing Board through the TAB can offer sports betting.”

Department swoops on illegal poker

26 July 2011

Internal Affairs gambling inspectors and police officers uncovered a potentially illegal poker tournament being run at a Hamilton tavern on Sunday afternoon.

Acting Director of Gambling Compliance, Debbie Despard, said Internal Affairs executed the search warrant after learning a tavern was allegedly conducting illegal poker games. Twenty-eight people were playing Texas Hold ‘em poker at the tavern at the time of the search.

“IT IS illegal to run poker tournaments where the prize money exceeds $500 or for an organiser to retain a percentage of the turnover as a commission. It is also illegal to allow your venue to be used for illegal gambling,” Debbie Despard said. “These are offences under the Gambling Act that are punishable by a fine of up to $20,000 or a year in prison.

“We have information that suggests other owners of some taverns have been running illegal poker games. They need to be aware that the Internal Affairs will investigate and will prosecute if offences have been committed. If they have gaming machines at their venues, they should also realise that this is likely to make them unsuitable to be involved in running the machines.”

Participants in illegal poker tournaments potentially face fines of up to $1000.

People can organise poker tournaments that are legal as long as the amount of money played for is $500 or less and all winnings are paid out to participants. Societies can also conduct poker tournaments as fundraising activities subject to certain rules. It is illegal, however, for a third party organiser to ‘clip the ticket’ or to allow funds to accumulate without limits, both of which were suspected in the case in Hamilton.

The rules for running gambling activities can be found on the Internal Affairs’ website: www.dia.govt.nz/Gambling. Anyone with concerns about potentially illegal gambling can contact the Gambling Compliance Group on 0800 257 887.
Gaming machine spend lifts again

22 July 2011

Gaming machine expenditure in the country’s 1400 pubs and clubs rose for the second quarter running and in the year to June was up almost $7 million or 0.8 per cent to $856 million, according to figures released by the Department of Internal Affairs.

Spending in the three months to June was seven per cent up on the first quarter at almost $220 million compared with $205.1 million in the three months to March.

The Department tracks and monitors non-casino operations and captures spending through electronic monitoring (EMS), ensuring the integrity of games and the accurate accounting of money. The EMS became fully operational in March 2007.
### NON-CASINO GM SPENDING BY SOCIETY TYPE – APRIL TO JUNE 2011

<table>
<thead>
<tr>
<th>SOCIETY TYPE</th>
<th>TOTAL GMP QUARTER</th>
<th>% OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>NON-CLUB</td>
<td>190,036,665.03</td>
<td>86.4%</td>
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<tr>
<td>Sports Clubs</td>
<td>4,151,418.76</td>
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<tr>
<td>Chartered Clubs</td>
<td>17,530,660.51</td>
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<td>RSAs</td>
<td>8,274,089.88</td>
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<tr>
<td>TOTAL CLUB</td>
<td>29,956,169.15</td>
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<tr>
<td>TOTAL ALL</td>
<td>219,992,834.18</td>
<td>100.0%</td>
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</tbody>
</table>

Nationwide there were fewer operators, venues and gaming machines compared with a year earlier – 364 operators (370 at 30 June 2010), 1421 venues (1455) and 18,309 gaming machines (18,944).

### LICENSED GAMBLING OPERATIONS IN PUBS AND CLUBS

<table>
<thead>
<tr>
<th>DATE</th>
<th>LICENCE HOLDERS</th>
<th>VENUES</th>
<th>GAMING MACHINES</th>
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<td>364</td>
<td>1421</td>
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<tr>
<td>31 March 2011</td>
<td>365</td>
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<td>18,601</td>
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<td>384</td>
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<td>19,479</td>
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<td>31 March 2009</td>
<td>394</td>
<td>1527</td>
<td>19,739</td>
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<td>31 Dec 2008</td>
<td>399</td>
<td>1537</td>
<td>19,879</td>
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<td>20,120</td>
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Further information, including numbers of venues, machines and expenditure by territorial authority and changes in the quarter, is available from the Department’s Gaming Statistics web page at: [www.dia.govt.nz](http://www.dia.govt.nz). The figures are based on territorial authority boundaries that existed prior to the new Auckland super city.
GM societies’ contacts

The Department’s gambling compliance and licensing inspectors each have responsibilities for liaising with gaming machine societies. If societies have issues to discuss, they may contact these inspectors first by phoning the Department’s toll free number 0800 257 887.

<table>
<thead>
<tr>
<th>SOCIETY</th>
<th>COMPLIANCE INSPECTOR</th>
<th>LICENSING INSPECTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>AHAURA/GREY VALLEY LIONS CLUB INC</td>
<td>Mark Thomson ext 3142</td>
<td>Janet Wong ext 5505</td>
</tr>
<tr>
<td>AIR RESCUE SERVICES LTD</td>
<td>Pete Collins ext 7043</td>
<td>Judy Rohloff ext 5466</td>
</tr>
<tr>
<td>BLUE WATERS COMMUNITY TRUST</td>
<td>Scott Carson ext 7920</td>
<td>Jasmine Rangihwetu ext 5491</td>
</tr>
<tr>
<td>BLUEGRASS TRUST</td>
<td>Dave Macdonald ext 3152</td>
<td>Niall Miller ext 5485</td>
</tr>
<tr>
<td>BULLER COMMUNITY DEVELOPMENT COY LTD</td>
<td>Greg Clark ext 3153</td>
<td>Craig Holmes ext 5486</td>
</tr>
<tr>
<td>CAVERSHAM FOUNDATION LTD</td>
<td>Ron Grob ext 6603</td>
<td>Craig Holmes ext 5486</td>
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<tr>
<td>CONSTITUTION COMMUNITIES TRUST INC</td>
<td>Scott Carson ext 7920</td>
<td>Jasmine Rangihwetu ext 5491</td>
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<tr>
<td>CUESPORTS FOUNDATION LTD</td>
<td>John Hennebey ext 7939</td>
<td>Jasmine Rangihwetu ext 5491</td>
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<tr>
<td>DRAGON COMMUNITY TRUST LIMITED</td>
<td>Scott Carson ext 7920</td>
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<tr>
<td>ENDEAVOUR COMMUNITY TRUST</td>
<td>Garth Cherrington ext 5520</td>
<td>Judy Rohloff ext 5466</td>
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<td>FIRST SOVEREIGN LTD</td>
<td>David Batenburg ext 7922</td>
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<td>FOUR WINDS FOUNDATION LTD</td>
<td>David Batenburg ext 7922</td>
<td>Kahlil Madden ext 5630</td>
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<td>GRASSROOTS TRUST</td>
<td>Stephen Balmer ext 7923</td>
<td>Judy Rohloff ext 5466</td>
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<td>HOROWHENUA COMMUNITY TRUST LTD</td>
<td>Jason Hewett ext 5264</td>
<td>Janet Wong ext 5505</td>
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<tr>
<td>HUCKLEBERRYS SPORTS &amp; CHARITABLE SOC INC</td>
<td>Ann Maxwell ext 5258</td>
<td>Jasmine Rangihwetu ext 5491</td>
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<tr>
<td>ILT FOUNDATION</td>
<td>Tony Climo 03 409 2158</td>
<td>Janet Wong ext 5505</td>
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<tr>
<td>INFINITY FOUNDATION LTD</td>
<td>Rick Mead ext 5667</td>
<td>Kahlil Madden ext 5630</td>
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<td>KAWAKA SPORTS ASSOCIATION INC</td>
<td>Cliff Simpson ext 7937</td>
<td>Janet Wong ext 5505</td>
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<td>LIONS CLUB OF OHAI-NIGHTCAPS INC</td>
<td>Tony Climo 03 409 2158</td>
<td>Craig Holmes ext 5486</td>
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<tr>
<td>MAINLAND FOUNDATION LIMITED</td>
<td>Greg Clark ext 3153</td>
<td>Judy Rohloff ext 5466</td>
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<td>MANA COMMUNITY GRANTS FOUNDATION</td>
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<td>NEW ZEALAND RACING BOARD</td>
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<td>Niall Miller ext 5485</td>
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<td>OXFORD SPORTS TRUST INC</td>
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<td>PUB CHARITY</td>
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<td>Niall Miller ext 5485</td>
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<td>THE RUNANGA COMMUNITY SWIMMING POOL TRUST</td>
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<td>WHITEHOUSE TAVERN TRUST</td>
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<td>YOUTHTOWN INC</td>
<td>Lance Daly ext 7921</td>
<td>Judy Rohloff ext 5466</td>
</tr>
</tbody>
</table>
GAMBLING ISSUES KEY CONTACTS

0800 257 887

Paul James
Deputy Chief Executive, Policy, Regulatory and Ethnic Affairs.
The branch encompasses all the roles where the Department is, in effect, the regulator of a sector of the economy.
In addition to gambling, this includes censorship and anti-spam compliance, fire service policy, identity services policy, civil defence and emergency management policy and crown entity monitoring functions, Office of Ethnic Affairs and the Office for the Community and Voluntary Sector. For the sake of simplicity, the functions outside the gambling sector are not included on this page.
For gambling regulation this includes the management of Gambling, Censorship and Racing Policy and Gambling Compliance.

Mike Hill
Acting General Manager Regulatory and Compliance Operations
This position covers all regulation and compliance operations (and operational policy) including anti-spam, censorship, gambling, racing, anti-money laundering and countering financing of terrorism.

John Markland
Manager Gambling, Racing and Censorship Policy
This team is responsible for policy advice to the Government, especially in relation to Acts and Regulations. This Policy team is in the same branch as the Gambling Inspectors and other Gambling Compliance staff. This means that policy and operational staff can benefit from each other’s knowledge and experience.

Debbie Despard
Acting Director of Gambling Compliance
This position is responsible for the Inspectors and other staff working with the gambling sector to bring about compliance with the law. The Director works closely with the Manager Gambling, Racing and Censorship Policy so that there is a constant flow of information between the staff involved in applying the law and those who develop the law.

John Currie
Acting National Manager Compliance
This position is primarily responsible for delivering compliance and audit services as well as developing and implementing an integrated compliance strategy.

Lee Patton
Acting National Manager Licensing
This position has prime responsibility for Class 4 Licensing, championing a new electronic licensing regime and management oversight of the Electronic Monitoring System contract with Intralot.

Michael Cassidy
National Manager Gaming Technology
This position oversees the technical integrity of gaming issues across casino and all other classes of gambling.

Heather McShane
National Manager Operational Policy
Operational policy provides support and advice to the Gambling Inspectors and other staff working in the sector. It develops standards, game rules and other “deemed regulations”. In broad terms, its role is to develop the Department’s policies about how the law will be turned into the work done in the field.

Dave Sayers
National Manager Investigations
The Investigations Unit is responsible for undertaking significant (complex, cross group, lengthy and sensitive) investigation projects involving criminal, legal and financial issues related to the governance and operation of gaming sector people and organisations. It also provides expertise and support to investigations and audits across the group.

Sanjay Sewambar
National Manager Performance Assurance
This unit focuses on ensuring that the Gambling Compliance Group achieves both its strategic objectives (short and long-term) and its business goals. It coordinates strategic and business planning for GCG as well as providing robust analysis, monitoring and reporting around performance.

Kate Reid
Manager Anti-Money Laundering/Countering Financial Terrorism
Under The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 this unit monitors casinos, non-deposit-taking lenders, money changers and reporting entities not covered by the other supervisors, The Reserve Bank and the Securities Commission.
The Department of Internal Affairs produces Gambits quarterly. Copies are distributed in March, June, September and December.

Gambits provides information about the Department’s recent work and significant issues in the gambling sector.

It is intended for sector organisations and the community in general, to increase understanding of and compliance with the law.

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