Class 4 Consultation: Ticket-Out Payment System

Department of Internal Affairs

Te Tari Taiwhenua

December 2015

# What is this document about?

This document invites your comments about proposed changes to the Gambling Act (Class 4 Gambling Equipment) Minimum Equipment Standards. The proposed amendments would allow Cash-In-Ticket-Out (CITO) technology to be operated on Class 4 gaming machines.

## Consultation requirements

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

## Sending us your submission

The proposed amendments will be assessed in accordance with the purposes of the Act. The Department of Internal Affairs (the Department) seeks your comment on the changes described within this paper. Comment in relation to the purposes of the Act is particularly valued.

Please send your submission to the Department by 15 February 2016.

Your submission can be sent by email to: [gamingmachineequipmentstandards@dia.govt.nz](mailto:gamingmachineequipmentstandards@dia.govt.nz)

Alternatively, if you have any questions about this consultation paper please contact Hilary Montgomery at: [hilary.montgomery@dia.govt.nz](mailto:hilary.montgomery@dia.govt.nz)

# Background information

## The application

The Department has received an application from a gambling equipment manufacturer to introduce a Cash-In-Ticket-Out (CITO) payment system to Class 4 gaming machines.

Please find the relevant parts of the application at **Appendix A.**

## Relevant legislation

**Section 327** of the Act gives the Secretary for Internal Affairs (the Secretary) the power to prescribe minimum standards for 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.

## Framework for analysis

After receiving your submissions on the application below, the proposals will be assessed to ensure they do not derogate from any purposes of the Gambling Act 2003. The Department seeks your comment on this application. Comment in relation to the purposes of the Act is valued, with particular reference to whether any of the proposed amendments will impact on the purposes to:

* prevent and minimise the harm from gambling, including problem gambling;
* facilitate responsible gambling;
* ensure the integrity and fairness of games;
* limit opportunities for crime or dishonesty associated with gambling and the conduct of gambling; and
* ensure that money from gambling benefits the community.

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. However, in the absence of evidence, a precautionary approach will be taken in decision making where there is reasonable concern that significant and/or widespread harm may occur. In the absence of evidence, the Department assesses these proposals against known harm determinants. It is considered that the proper base for making this assessment is to measure those considerations against the potential for harm that already exists under approved games.

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

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

# Description of the application

The Department of Internal Affairs (the Department) received an application from a gambling equipment manufacturer to introduce a ‘Cash-In-Ticket-Out’ (CITO) system to Class 4 gaming machines in New Zealand.

The applicant has made it clear that the proposed system is ticket-out only - players would still be required to insert cash into the gaming machines in order to play; however payments (i.e. cashing out credits or prizes) would be made via a ticket printed out at the machine. Players would then redeem their funds by presenting the tickets at the cashier.

Compared with *ticket-in* technology (e.g. TITO), *ticket-out* only technology (e.g. CITO) seems to be of comparatively less concern with respect to harm from gambling. Still, there may be some reason to believe that CITO could introduce some additional harm, but also benefits, all of which will need to be carefully weighed up before any final decisions are made.

The Department had previously declined an application to allow for increased CITO functionality with respect to casino gaming machines. While some ‘harm’ concerns were identified, the primary reason for declining this application was the concern that increased CITO technology would significantly facilitate money laundering activity at New Zealand casinos.

Compared to casinos, Class 4 gambling may pose less risk in this respect. Still, there is some money-laundering risk, so this issue has required further assessment.

Relevant parts of the initial application describing this technology in more detail can be found at **Appendix A** below.

### The research

With respect to the prevention and minimisation of harm from gambling, there appears to be little research into CITO technology specifically. Harm minimisation concerns cited in the research about Ticket-in-Ticket-Out (TITO) technology often appear to relate primarily to the *ticket-****in*** function; there appears to be relatively few concerns with the *ticket-****out*** function. However, the very small amount of research that is available seems to suggest that ticket-out payments “are likely to have a minimal impact in exacerbating problem gambling.”*[[1]](#footnote-1)*

### Proposed standards to enable CITO

The Department has held initial conversations with the applicant about the potential gaming machine standards which would enable the CITO technology to be operated in New Zealand. The Department’s primary objective is to prescribe standards to ensure this technology will uphold the Act’s objectives to prevent and minimise the harm from gambling, ensure the integrity and fairness of games, and to limit opportunities for crime or dishonesty associated with gambling. The applicant has also been made aware of any potentially relevant obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act (2009).

With the above objectives in mind, and to ensure that the benefits described by the applicant (see **Appendix A**) will be achieved, the Department proposes to prescribe requirements such as those described below:

1. Venue of ticket redemption: Requirements to ensure that any ticket can only be redeemed from the venue where it was printed: *Refer to requirements 1.2.3 and 4.1 at* ***Appendix B.***
2. Only venue staff can make ticket payments: Requirements to ensure that tickets can only be redeemed from venue staff (i.e. at the cashier) and that automated kiosks are prohibited: *Refer to requirement 1.2.3 at* ***Appendix B.***
3. Prohibition on ticket-in: Requirements to prohibit ticket-in functionality. Ticket-in functionality is not in scope of this application: *Refer to requirement 1.5 at* ***Appendix B.***
4. Harm prevention information printed on tickets: A requirement that tickets have responsible gambling messaging and problem gambling help contact details*: Refer to requirements 6.3.8 and 6.3.9 at* ***Appendix B.***
5. System can only print tickets with a value of less than $999: *Refer to requirement 1.2.2 at* ***Appendix B.***
6. Security and integrity features: *Refer to requirements 4.2 – 6.6 at* ***Appendix B****.*
7. A new game rule: Requirement that tickets that have been redeemed must be clearly defaced, voided, and securely stored for at least 90 days: *Refer to final sentence on last page at* ***Appendix B.***
8. Ticket expiry: A requirement for a ticket expiry date: *Refer to requirement 6.4 at* ***Appendix B.***

# 4. Questions for submitters

*1) Do you think that CITO technology on Class 4 gaming machines would have positive, neutral or negative implications in regards to the* ***prevention and minimisation of harm*** *from gambling and* ***responsible gambling****? Why?*

*2) Do you think that CITO technology would have positive, neutral or negative implications in regards to the* ***ensuring the integrity and fairness of games****? Why?*

*3) Do you think that CITO technology would have positive, neutral or negative implications in regards to* ***limiting opportunities for crime or dishonesty****? Why?*

*4) Do you think that CITO technology would have positive, neutral or negative implications in regards to* ***ensuring that money from gambling benefits the community****? Why?*

*5)* ***What are your views on the amount of time in which the ticket remains valid after the players gambling session has ceased (e.g. the expiry date)?***

* *For example, do you think that the ticket should expire on the day of play, after 24 hours has elapsed, or after one week has elapsed since the player has finished their gambling session? Why?*

*6) Are you aware of any additional research or evidence into the harms and benefits that may be associated with CITO technology? If so, please provide this in your submission.*

Proposed requirements for the Cash-in-Ticket-Out system are set out in full at **Appendix B**.

# Appendix A – CITO Application

Please find the relevant parts of the original application set out below:

*“…[We] would like to introduce a “Ticket Out” System to the New Zealand Class 4 gambling sector..”*

*“To be very clear, we are talking about a ticket out system only. For reasons that will become apparent shortly we are not in any way advocating a Ticket In system.*

*At present, if a player of a gaming machine a wins less than $200, they press the collect button and the gaming machine will dispense their payout in $2 coins.*

*“Ticket Out” removes this whole component of the payout process completely as there will no longer be a hopper.*

*“Ticket Out” is very complementary to the Cancel Credit initiatives already in place for payments of $200 or more.*

*The Cancel Credit process was lauded as being a critical part of the Department’s harm minimisation strategies because it prevented players from being able to immediately reinvest large sums of money upon pressing the Collect Button. “Ticket Out” takes this initiative one step further by applying the same principles to all payouts and jackpot wins regardless of the value.*

*“Ticket Out” leaves the player with only one choice and that is to cash the ticket in for payment at the counter/bar. This has the benefit of automatically creating a time out situation for the gambler as they not only have to leave the room to get a payout but they also then have to make a conscious decision as to whether or not they return to the gaming machine area.*



*There will be protagonists that will be opposed to removing hoppers from the gaming machines because it then forces players to use notes only. This point of view is easily countered by the indisputable fact that the bulk of players using the “coins in” slot at present are those that have already collected coins from another machine prior to them sitting down.*

*[System] Principle Components*

*[The system] is a ‘Ticket out’ solution for providing secure cash payout from a Gaming Machine, which can be redeemed for cash at a redemption location….”*

*“Product Summary*

*• Ticket out only. When a person wishes to transfer credit from one machine to another they need to redeem their ticket for cash at the cashier. When a person has finished playing and wishes to redeem their credit they also need to redeem their ticket for cash at the cashier.*

*• The rear of the ticket will have printed in colour problem gambling information and will be a miniature problem gambling brochure.*

*• The front of the ticket will have printed in black the following statement “If gambling isn’t fun anymore talking to someone can really help. Ring the Gambling Helpline 0800 654 655.”*



Example Ticket - Front

* *“…The …System replaces the physical hopper, avoiding the need to purchase a hopper and to have a float that includes a large amount of $2.00 coins.*
* *The system eliminates the need to undertake hopper refills and make cancel credit payments.*

*ARN*

*All society costs must be actual, reasonable and necessary.*

*The purchase of the equipment will be an actual cost.*

*The cost of the system will be reasonable. This can be assessed by benchmarking the cost of the system with other similar systems available overseas. The cost of the system is offset by avoiding the need to purchase a hopper and the ongoing savings of eliminating hopper refill and cancel credit labour costs, even taking into account customer service (redeeming vouchers) and the time it takes to replenish the ticket printers.*

*“Necessary” means more than merely desirable, convenient or expedient, but less than essential. A necessary cost is therefore a cost that falls somewhere between what is merely desirable and what is essential. The system meets the “necessary” test and is more than merely desirable due to the following benefits:*

*Harm Minimisation Benefits – Minimising the Risk of Problem Gambling*

*The main purpose of the Gambling Act is to prevent and minimise the harm caused by gambling, including problem gambling, and to facilitate responsible gambling.*

*• The “Ticket Out” system enables targeted harm minimisation measures to be provided. A player may feel embarrassed reaching out for a problem gambling brochure in a gaming room. This system gives everyone who wishes to transfer credit between machines, or cash out for the day, a miniature problem gambling brochure that they must physically hold.*

*• As stated previously, Ticket Out has the benefit of automatically creating a time out situation for the gambler as they not only have to leave the room to get a payout but they also then have to make a conscious decision as to whether or not they return to the gaming machine area.*

*The added benefit during this particular time away from the gaming machine area is that the player has no choice but to interact with a staff member during the payout process.*

*This also inhibits the ability of a player to move between machines simply by taking their coin cup from one to another. In the past the Department has highlighted one of the downsides to locating gaming machines in smoking areas is that it does not create an opportunity for the player to have a break in play.*

*• Ticket out results in quicker cash out, allowing gamblers to exercise will power. A ticket is instantly printed when the player pushes the collect button. Currently, when a player has over $200.00 of credit and wishes to cash out they need to wait until a staff member becomes available and cancels off the credit. During this time a player can be tempted to continue to gamble (by cancelling the cancel credit request and continuing to play). EMS reports show a large number of cancel credit requests being generated and then subsequently cancelled by the player.*

*• The ticket out collect is silent, compared with the distinct sound of coins hitting a metal tray (this sound may entice other players in the room to continue to gamble, or entice people who are not gambling to start gambling).*

* *The research is clear that problem gamblers generally want to be anonymous. The requirement to interact with staff when a player wishes to transfer credit between machines, or cash out, reduces the ability to play without attracting the attention of venue staff.*

*• Because the system is ticket out only, cash is still required to put credit on a machine. The system therefore does not remove the ‘reality of spend’ and/or ‘reality checks’ that may facilitate problem gambling.*

*Underage Gambling – Being satisfied that the Possibility of Persons Under 18 Years Old Gaining Access to Class 4 Gambling at the Venue is Minimal*

*• The ticket out system provides a strong deterrent to underage players. The system will make it impossible for an underage player to play a machine, and cash out their winnings, without coming to the attention of venue staff.*

*Reducing Opportunities for Crime*

*Another purpose of the Gambling Act is to limit opportunities for crime or dishonesty associated with gambling.*

*• Although it is common for notes to be cleared from gaming machines each night and stored in a safe, it is not common for hoppers to be removed from machines each night and placed in a safe (due to the size and weight of the hoppers). During robberies machines are often damaged as attempts are made to access the coins located inside the machines. The removal of the coins from the machines will avoid the temptation to rob a gaming venue and therefore limit the opportunity for crime associated with gambling. The removal of coins from the machines will reduce the costs incurred by societies in repairing or replacing machines that have been damaged during a robbery.*

*• Venue staff are currently vulnerable to threats of violence and theft when they undertake a hopper refill as they have cash with them, they have the keys to the machine with them, and they physically open the machine when the venue is open to the public and when players are nearby. Reducing the need to open the machine while the venue is open to the public, reduces criminal opportunities.*

*• Staff theft or staff misappropriation of funds is not uncommon. The most often used method of staff theft is recording hopper refills that are not done or putting less coins in a hopper during a refill than the standard $200.00 refill amount. Eliminating hopper refills and cancel credits significantly reduces the ability for staff to misappropriate money.*

*• The requirement for cashiers to authorise all collects may help to protect against money laundering.*

*Other Benefits*

*• Coins are dirty. The multiple handling of coins is one way that bacteria can transfer between individuals. Reducing coin handing provides a healthier environment for both players and venue staff.*

*• Empty hoppers, hopper jams and runaway hoppers are a very common occurrence. Ticket Out takes these events completely out of the equation.*

* *Removing the need to handle bulk coins reduces venue operating costs and therefore society operating costs (hopper refills and cancel credit transactions are eliminated). Banking costs will also be reduced, along with the costs associated with addressing machine faults and player disputes. There is no longer a need to purchase a hopper (approximate cost $700.00). The need for coin handing equipment (coin scales etc.) is also reduced…”*

# Appendix B

## Minimum technical requirements for Class 4 non-centralised offline cash-in-ticket-out systems

1. **Definition and requirements for system**
   1. For the purpose of this standard, a **non-centralised off-line cash-in-ticket-out system** is a system that:
      1. has or is retrofitted with a ticket printer device in place of the gaming machine coin-out hopper; and
      2. prints tickets equal to the equivalent value of coins that would be dispensed, instead of dispensing coins; and
      3. is connected to the gaming machine as if it were a hopper; and
      4. has no direct real-time communication or other connection with the ticket printer and ticket redemption cashier terminal or other centralised controlling server when a ticket is printed or authenticated for payment.
   2. Any non-centralised off-line cash-in-ticket-out system must:
      1. print tickets to the whole dollar value equal to the equivalent value of coins that would have been dispensed if the hopper had not been removed; and
      2. Must only print tickets with a value of less than $999; and
      3. must only allow machine readable, valid, authenticated printed tickets to be validated and redeemed by a single venue-based, secure ticket redemption cashier terminal; and
      4. must not allow redemption of tickets at automated kiosks; and
      5. must be approved by the Department of Internal Affairs prior to operation; and
      6. must comply with this standard in all respects.
   3. The ticket printer EGM hopper interface connection must be approved by the Department for each connection of the system to a unique manufacturer’s gaming machine model.
   4. Systems must be tested by an accredited test facility to provide assurance that such a system complies with this standard and can be operated safely and securely at a class 4 venue for the printing and redemption of class 4 tickets.
   5. For the avoidance of doubt, ticket-in functionality (i.e. TITO) is prohibited.
2. The Gambling Act (Class 4 Gambling Equipment) Minimum Standard 2004 applies to non-centralised offline cash-in-ticket out systems in respect of all aspects not otherwise detailed in this Standard.
3. **Commencement date**
   1. This standard comes into effect on [insert date]
4. **Non-centralised off-line cash-in-ticket-out system**
   1. Registration of ticket printers installed in gaming machines at venues must be uniquely paired and enrolled with the venue’s cashier ticket redemption terminal so that tickets printed at a specific venue can only be redeemed only by that terminal.
   2. The system must have a secure machine readable method of coding tickets (e.g. using bar code) and providing securely encrypted as to the unique EGM serial number, date and time of all tickets printed.
   3. At a minimum, any barcode should be 2-D format such as PDF417 and use strong encryption keys for generating authentication and encrypted ticket information. It is acceptable for encryption keys to be changed on a regular basis to maintain strong and secure ticket printing and authentication.
   4. Barcode and/or cypher based encryption data must be of sufficient length to ensure authentication of ticket and payment security so that only valid tickets will be accepted and non-valid tickets, e.g. counterfeit or duplicate tickets, will be rejected by the cashier terminal.
   5. Ticket based systems must be able to recover from any system failure:
      1. At a minimum, a system must be able to automatically restart and recover following a power failure.
      2. Sufficient configuration, history and other data necessary to enable the system to be re-enabled in the event of an un-recoverable system failure must be stored either fault redundantly or off-site as appropriate.
   6. The system must prominently display for a reasonable period of time a legible message showing the reason that any ticket is not accepted for payment. These messages may include:
      1. Ticket expired
      2. Ticket invalid
      3. Ticket already redeemed
      4. Ticket system unavailable
   7. Detailed procedures must be in place to instruct venue staff on payment procedures and other procedures necessary to ensure correct and secure operation of the system. Procedures must include the action to be taken for the messages shown in section 4.6[[2]](#footnote-2).
   8. At a minimum, a system must be able to report on the following ticket activity:
      1. Number of tickets redeemed; and
      2. Details of each ticket including the relevant gaming machine and amount of payment; and
      3. Date and time each ticket was issued and redeemed; and
      4. Details of tickets that are not redeemed and the reason for non-redemption.
5. **Ticket printers**
   1. Ticket printers must be installed securely so that access to the ticket printer and/or interface device is only possible when the main door of the gaming machine is opened.
   2. Gaming machines must not be configured with a ‘HOPPER COLLECT’ limit greater than $999[[3]](#footnote-3).
   3. At a minimum, secure ticket-based information should include:
      1. The authentication code
      2. Venue name or identification
      3. Unique EGM serial number
      4. Date and time a ticket is issued
      5. The value of the ticket.
   4. It must not be possible to print out a ticket unless all “coin-out” data has been successfully received and acknowledged by the ticket printer.
   5. The ticket printer must recognise and display an alert for:
      1. No paper
      2. Low paper
      3. Printer jam or failure.
   6. If a gaming machine or ticket printer malfunctions and a ticket is not able to be printed then payment must be made as if for an unsuccessful hopper pay-out.
   7. Ticket printers must not be able to print tickets when the gaming machine is in an alarm state or disabled during coin output for any reason such as coin runaway for example.
   8. Ticket printers must retain a log of the last 25 tickets issued. The log must be accessible if required to assist in validating tickets e.g. in the event of a system failure.
6. **Tickets** 
   1. Tickets must be of a quality and size that ensures that the information on them is legible and the tickets are durable for their expected lifespan.
   2. If a ticket may degrade under environmental conditions (e.g. sunlight), then a warning should be printed on the ticket.
   3. The following information must be printed on the ticket:
      1. Identification that the ticket is **CASH OUT** only
      2. Authentication code
      3. Venue name
      4. The EGM serial number
      5. The date and time the ticket was issued in 12 hour format
      6. The value in dollars in both numerical and word format
      7. The expiry date of the ticket
      8. Details of the local or national Problem Gambling Helpline 0800 telephone number
      9. An appropriate responsible gambling message. Appropriate responsible gambling messages may be (but are not limited to) one or more of the following:

6.3.9.1 “Is your gambling affecting others?”; or

6.3.9.2 “Is your gambling hurting others?”; or

6.3.9.3 “Are you hiding your gambling from others?”; or

6.3.9.4 “Are you feeling worried about your gambling”; or

6.3.9.5 “Is your gambling causing you some worries?”; or

6.3.9.6 “Are you feeling guilty about your gambling?”

* 1. Tickets are valid for [###] days inclusive from the date the ticket is printed. For example, a ticket printed on the 1st of the month is valid up to and including the [###] of the month.
  2. The total dollar amount of unpaid tickets that have expired must be deposited into the society bank account in line with normal GMP banking.
  3. Tickets presented more than 8 days after they were issued must be paid by arrangement with the Society. Societies must have arrangements in place for venues to make payment on tickets that have expired.

Game rules

## Tickets that have been redeemed must be clearly defaced, voided, and securely stored for at least 90 days.

1. Parke, J., Rigbye, J & Parke, A. (2008). *Cashless and card-based technologies in gambling: A review of the literature.* Downloaded from: http://www.gamblingcommission.gov.uk /pdf/Cashless%20and%20card%20based%20technologies%20literature%20review%20-%20Dec%202008.pdf [↑](#footnote-ref-1)
2. Note: the Gaming machine protocol, QCOM, does provide sufficient historical data to allow reconciliation of unpaid tickets for example. However, it would be necessary for the cashiers terminal to at least retain fault redundantly information as to tickets already cashed or to access EGM ticket printer log if available. [↑](#footnote-ref-2)
3. A note may be left in a conspicuous place e.g. logic cage to remind technical staff to reset limit as above following a RAM clear. [↑](#footnote-ref-3)