

# Reforming Gaming in NSW Pubs and Clubs

February 2023

“This is a once-in-a-generation opportunity to do the right thing and create a better NSW”



## Message from the Premier



When I read the NSW Crime Commissioner’s report from the Inquiry into Money Laundering via Electronic Gaming Machines (EGMs) in Pubs and Clubs, I knew we had to take decisive action.

The report is confronting. It lays bare the ways in which serious criminal elements have been hiding in plain sight in neighbourhoods across NSW, using gaming machines in local pubs and clubs for criminal purposes.

These new revelations add to a substantial body of evidence detailing the harm problem gambling causes to too many people and families in NSW - people who simply cannot afford it, particularly in some of the most disadvantaged towns and suburbs in our state.

For any society genuinely concerned for community safety and wellbeing, the evidence is impossible to ignore. It’s time for change.

Of course, change isn’t easy. Taking action to stamp out crime and help our most vulnerable community members is a complex task. It has consequences for us all, especially the pubs and clubs that are the lifeblood of so many communities across NSW.

Our response, set out in this document, navigates the complexities and charts a way forward. It’s a plan to address the problems head-on, building on the action we have already taken in casinos, and ensuring our pubs and clubs - and all of the people who benefit from the amazing work they do in the best and worst of times - can continue to thrive and be a force for good in our communities.

We will take real action against money laundering and problem gambling, including a full transition to a new state-wide cashless gaming system. And we will take the time to get it right, with a legislated deadline of 31 December 2028.

That transition deadline means certainty for the future, while also ensuring pubs, clubs and communities have the time they need to adapt and ultimately thrive within the new system. And we will set out a clear roadmap with phased implementation, so stakeholders have certainty every step of the way.

We know this journey will be challenging, and there will be bumps in the road. So we will conduct extensive and ongoing consultation with experts, industry bodies and the wider community to adjust and adapt the finer details, and smooth out any obstacles we encounter on the way.

But this is a once-in-a-generation opportunity to do the right thing and create a better NSW, and we must not let the challenges hold us back.

With this plan, and the support of so many people of good will across our state, we can get the job done. And I have every confidence that we will change our state for the better, so that our communities, our pubs, our clubs, and our people are stronger, safer, more secure, and better prepared than ever for a brighter future.



# The challenge

The NSW Crime Commission (NSWCC) was tasked by the NSW Government with investigating the nature and extent of money laundering across our state, in particular through gaming machines. The Commission's report laid bare the extent of the challenge, identifying vulnerabilities within gaming machine regulations and legislation that could be exploited for the purposes of money laundering.

Though the cash-based nature of machines prevents our law enforcement agencies from seeing the full picture, the Inquiry found money laundering via EGMs to be "widespread and significant".

In 2020-21, \$95 billion in cash flowed through poker machines in pubs and clubs in NSW. The NSWCC estimates that billions of those dollars are the direct proceeds of crime.

At the same time, clubs and pubs play a vital role in the social fabric of our community. They bring people together, offer a refuge in times of crisis, and support live music and entertainment, sport, community events and much more. The social benefits clubs and pubs offer are especially important in regional NSW.

The NSW Government's gaming solutions have been designed to take the action required to address money laundering and problem gambling while also securing a safe, inclusive and vibrant future for our pubs and clubs and the communities they support.

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# Generational gaming solutions – at a glance

The NSW Government will deliver significant, once-in-a-generation reform to gaming, aimed at reducing criminal money laundering in pubs and clubs and helping to address problem gambling. The NSW Government's comprehensive response:

- Supports all eight of the NSW Crime Commission's Report recommendations
- Commits to universal and mandatory cashless gaming for electronic gaming machines by 31 December 2028, and will require people to set limits that cannot be changed for a week and take breaks from play
- Establishes a Transition Taskforce to advise Government on the detailed implementation of cashless gaming. The Taskforce will be supported by extensive consultation

- Prioritises a roadmap for progress and transparent biannual health checks
- Supports community and industry through the changes to ensure pubs and clubs continue to thrive right across NSW, especially in our regions.

These reforms span legislation and regulation, data, certification, education and training. They build on action already underway on money laundering and problem gambling in casinos.

The reforms also recognise the vital role that clubs and pubs play in communities across NSW and will help ensure the long-term sustainability of this sector and its importance to our state.

# NSW Crime Commission Report Recommendations

The NSWCC's Report made eight recommendations to Government. The NSW Government supports all eight of these recommendations.

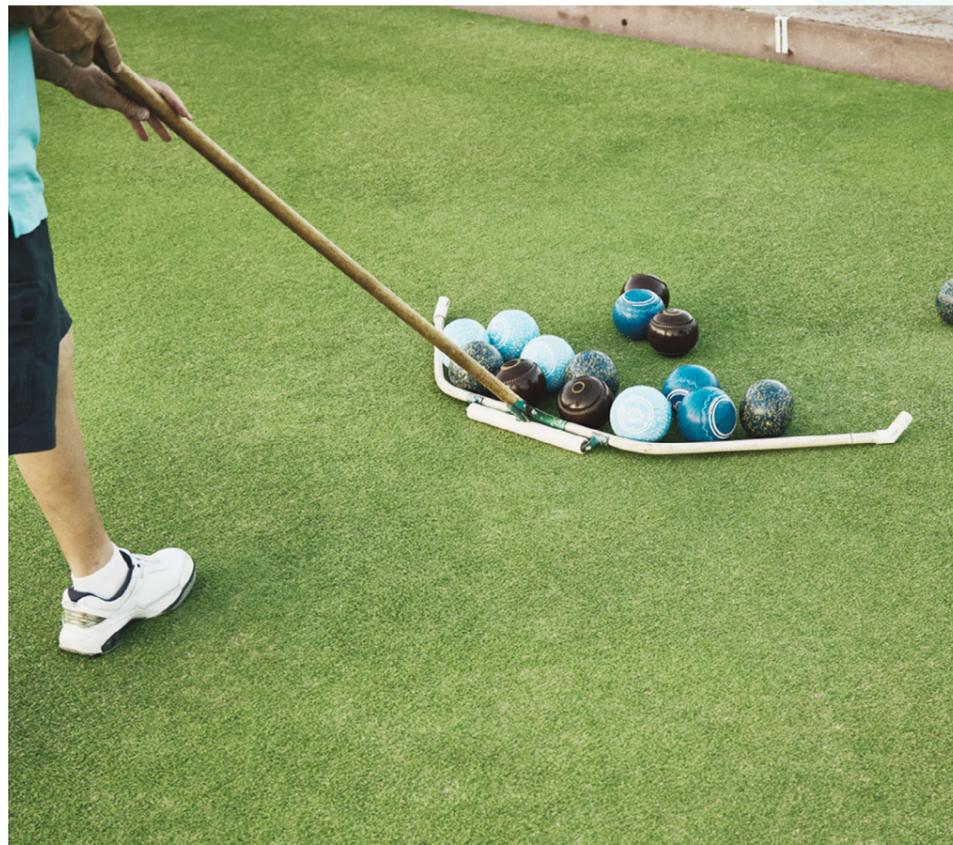
- 1 Introduce a mandatory cashless gaming system to minimise EGM related money laundering risks. ✓
- 2 Create a framework requiring data be maintained for EGMs to better flag suspected money laundering. ✓
- 3 Engage with industry to:
  - (a) identify ways that collection and analysis of EGM data could be enhanced for the purposes of money laundering identification;
  - (b) explore solutions to better utilise data collected by EGMs; and
  - (c) identify ways of creating real-time alerts for money laundering.✓
- 4 Amend the frameworks governing EGMs in NSW to clarify the steps required to prevent money laundering. ✓
- 5 Introduce a mechanism that enables the cancellation/revocation of Responsible Conduct of Gambling (RCG) certification, and a mechanism for the regulator to revoke an RCG certification in appropriate circumstances. ✓
- 6 Create a mechanism to support the exclusion of persons suspected of dealing with the proceeds of crime from venues with EGMs, supplementing the existing rights of venues to exclude patrons. ✓
- 7 Update education requirements to include further education on money laundering and increase the frequency of the training provided to venues from internal and external sources to support venues in discharging their legal obligations. ✓
- 8 Work with industry to build the sector's investment in AML/CTF training and education and secure support for training from external sources. ✓

# Key elements of our reform

The NSW Government will:

- support all 8 recommendations of the NSW Crime Commissioner to eliminate money laundering in pubs and clubs
- introduce mandatory cashless gaming in NSW spanning all venues
- legislate 31 December 2028 as the date by which the full transition must be complete
- require that all new machines purchased once the rollout commences be cashless, and that any new cash machine purchased after July 2023 have a load up limit of \$500
- enable player identity verification linked to a single bank account
- ensure funds for gaming come from a bank account rather than allowing credit to be used
- require players to set limits that cannot be increased for a week
- mandate breaks in play and the ability for players to self-exclude
- implement a state-wide self-exclusion register and support third party exclusion
- ensure personal player data can only be used for law enforcement, not for other government or commercial purposes
- legislate the best possible player privacy protections for all system generated data
- prohibit the use of VIP Lounge signage and political donations from both pubs and clubs
- introduce an optional buy-back scheme targeted to acquire 2,000 machines over 5 years.

The NSW Government will support all 8 recommendations of the NSW Crime Commissioner to eliminate money laundering at pubs and clubs



## How we'll get there:

- A Transition Taskforce will be established in April 2023 including NSW Police, Liquor and Gaming NSW, NSW Treasury, the Department of Customer Service, the Information and Privacy Commission NSW, industry representatives and harm minimisation experts.
- The Taskforce will be chaired by the Secretary of the NSW Department of Premier and Cabinet and supported by expert panels advising on:
  - system settings, including for gaming harm minimisation and anti-money laundering
  - technology and system rollout
  - industry sustainability and jobs maintenance
  - regional transition management
- The Taskforce will:
  - expand the present technology testing arrangements to 2,000 machines in 2023
  - by the end of 2023, set a Roadmap for delivery of the reforms by 31 December 2028
  - monitor delivery against the Roadmap, and publish a status update every 6 months
  - make recommendations to address any barriers to the completion of the transition
  - advise on settings and eligibility criteria for the various industry loans and grant programs available to support the transition, and oversee their rollout
  - ensure jobs and the economic viability of venues all across NSW, including in border communities, are maintained during and following the transition.

## How we'll support industry along the way:

- No interest loans will be available to small medium sized pubs and clubs
- A Community Grant for small and medium sized pubs and clubs will be available to cover the full cost of all non-tax deductible donations they make to their communities. This Grant will be paid every year until 2028 once a venue has confirmed its order and transition plan for cashless technologies
- A once-off Diversification Grant of up to \$50,000 will be paid to small and medium sized pubs and clubs to support their pursuit of new revenue streams. Examples of purposes to which the Grant could be put include refurbishing a bowling green, installing an outdoor pizza oven, installing a stage to encourage live music and building a pool room. This Grant will also be paid once a venue has confirmed its order and transition plan for cashless technologies
- A Regional Contingency Fund of \$40 million will be established to ensure the transition to cashless gaming in regional communities does not compromise the viability of operations, acknowledging the particularly vital role pubs and clubs play to the social fabric of these communities
- A Small Venue Contingency Fund of \$20 million will be established to ensure the transition to cashless gaming for small venues does not compromise the viability of operations, acknowledging small venues have less resources than larger ones
- The legislation will include scope for the deadline for the transition to be amended by regulation if:
  - the Taskforce confirms it has received independent expert advice that cashless gaming technology is not available in the quantities required in the timeframe required; or
  - with respect to a regional pub or club, the Taskforce advises that meeting the deadline for the transition to cashless gaming would put that pub's or club's viability at risk
- The Taskforce will constantly monitor the rollout of these reforms, including with a focus on industry viability and jobs maintenance, and make recommendations where required.

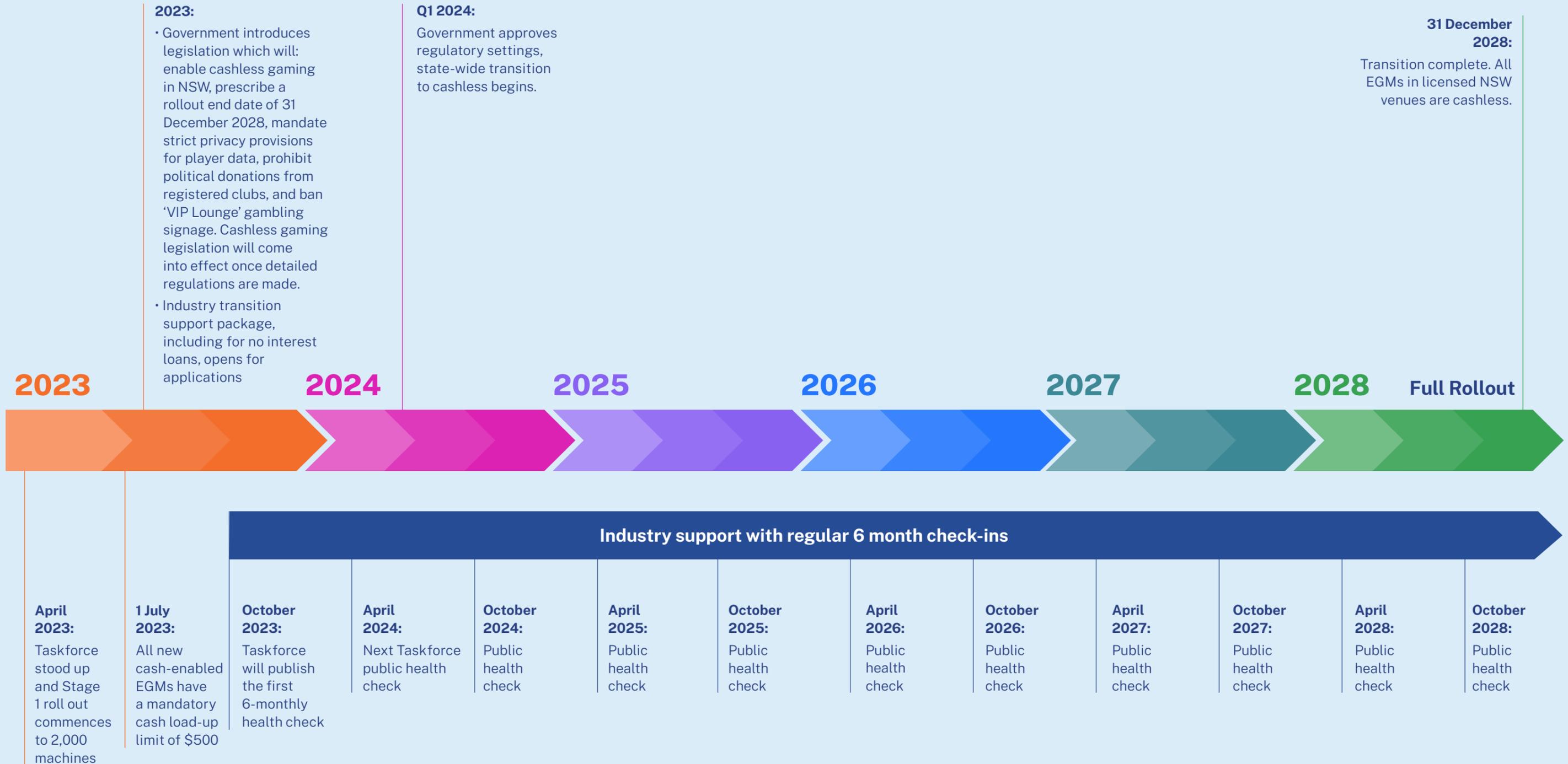
# Roadmap For Reform

A Transition Taskforce will be established in April 2023 to provide advice to the Government on the detailed implementation of cashless gaming, and will continue for the duration of the roll-out of the reforms to 31 December 2028.

This includes identifying venues for the Stage 1 rollout, as well as providing advice on detailed regulatory settings and the development of the Industry Transition Support Package.

Their work will be informed by extensive consultation with an Expert Panel including industry representatives, technical advisers, harm minimisation advocates, law enforcement, money laundering experts, academics and others as required.

Ensuring these reforms remain on track, the Taskforce will provide a health check on progress published publicly every six months.





# A legislative framework

To support these reforms, the NSW Government will introduce a Bill to Parliament in 2023. These legislative amendments will enable cashless gaming in NSW, prescribe a rollout end date of 31 December 2028, and ensure that there are strict privacy provisions protecting player data. The Bill will also prohibit political donations from registered clubs and ban VIP Lounge gambling signage.

Detailed regulatory requirements and system settings that support anti-money laundering and harm minimisation outcomes will be made following advice from the Taskforce. The full rollout to cashless gaming will commence once these regulatory settings are approved by Government.

# Support for industry & communities

The NSW Government will lock in behind venues and communities as these changes are implemented.

Industry supports for small, medium, and regional venues will open by mid-2023 and include:

- No-interest loans to assist in the upgrade and replacement of EGMs to enable cashless gaming
- An industry revenue Diversification Grant program, which will support small and medium sized venues to create new offerings for their customers. Grants could support

initiatives including upgraded food and beverage offerings, and sporting, entertainment and recreational upgrades

- A Community Grant for small and medium sized pubs and clubs, to cover the full cost of all non-tax deductible donations they make to their communities for the period of the transition to cashless gaming
- A Regional Contingency Fund of \$40 million and a Small Venue Contingency Fund of \$20 million
- A voluntary EGM entitlement buyback scheme, with a reduction to the overall NSW

entitlements cap with all forfeitures

Both the Community Grant and the Diversification Grant will be available once a venue has confirmed its order and transition plan to cashless gaming.

The final design and delivery of these investments will be developed by the Taskforce, and in close consultation with industry, venues and communities. The package of support will be available throughout the transition period.



