

NSW Government Response to the NSW Crime Commission and Independent Liquor & Gaming Authority NSW Project Islington - Inquiry into Money Laundering via Electronic Gaming Machines in Hotels and Clubs (the Inquiry)

The NSW Government welcomes the Inquiry into the nature and extent of money laundering in licensed premises in NSW via electronic gaming machines (EGMs, also known as poker machines), potential vulnerabilities in legislation and regulation, and matters relating to money laundering via poker machines under the *Crime Commission Act 2012 (NSW)*, *Australian Crime Commission Act 2022 (Cth)*, *Gaming and Liquor Administration Act 2007 (NSW)*, *Gaming Machines Act 2001 (NSW)*, *Registered Clubs Act 1976 (NSW)* and the *Liquor Act 2007 (NSW)*.

The Government thanks Commissioner Michael Barnes, and the Inquiry team for this Report, and acknowledges all the organisations and individuals who contributed to the Inquiry.

The NSW Government is committed to eliminating the billions of dollars in proceeds of crime estimated to be put through poker machines, and minimising the harms to individuals, families and the community associated with problem gambling.

The Inquiry found large amounts of proceeds of crime were likely being wagered via poker machines, however current detection systems are insufficient for sophisticated money laundering operations. Current NSW arrangements also create a vulnerability for large amounts of cash to be loaded into EGMs.

The Inquiry made eight recommendations, the first and foremost to introduce a mandatory cashless gaming system to minimise money laundering risks in pubs and clubs. The recommendations span gaming legislation and regulations, data, Responsible Conduct of Gambling certification, education and training.

The NSW Government supports all eight recommendations. Where there is need to undertake further analysis and consultation to implement the recommendation, a Transition Taskforce will do so in close collaboration with industry, law enforcement agencies, harm minimisation organisations, technology experts, and other experts as required.

Recommendation	Government Response
<p>1. Government introduce a mandatory cashless gaming system to minimise EGM related money laundering risks in pubs and clubs.</p>	<p>Supported</p> <p>The NSW Government supports the introduction of a mandatory cashless gaming system to minimise Electronic Gaming Machine (EGM) related money laundering risks in pubs and clubs, and to minimise harm from gambling. Cashless gaming solutions will be developed by industry and regulated by a Government-imposed framework.</p> <p>The cashless payment system will feature limits that players must self-select (and cannot lower during a ‘cooling-off’ period), provide for mandatory breaks in play, and feature anti-money laundering measures consistent with the Crime Commissioner’s recommendations. Cashless gaming solutions will also require identify verification, be linked to a single bank account, and prohibit the transfer of funds from credit cards, automatic top ups, and transfers from overdrawn accounts.</p> <p>Cashless gaming will be introduced in two stages – commencing with a Stage 1 rollout to 2,000 EGMs from 1 April 2023 to inform a detailed regulatory framework. Remaining EGMs will transition by 31 December 2028, following Government approval of the detailed regulatory framework at the start of 2024. At the point at which this detailed regulatory framework is approved, all new EGMs must be cashless. In addition to the above rollout, from 1 July 2023</p>

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	<p data-bbox="1072 164 2125 252">Government will mandate that all new cash machines must have a load up (cash feed) limit of \$500.</p> <p data-bbox="1072 339 2074 427">Smaller, medium, and regional venues will be supported through an industry transition support package, which will include:</p> <ul data-bbox="1122 459 2125 1137" style="list-style-type: none"><li data-bbox="1122 459 2125 547">- no-interest loans made available to pubs and clubs to assist with the cost of transitioning to cashless technology;<li data-bbox="1122 579 2125 667">- a diversification grant program for one off grants to pubs and clubs to support capital investments that diversify revenue streams;<li data-bbox="1122 699 2125 786">- a community support fund to ensure that venues will continue to support community activities;<li data-bbox="1122 818 2125 962">- a contingency fund available to regional venues to ensure that the transition to cashless gaming does not compromise ongoing economic viability or solvency; and<li data-bbox="1122 994 2125 1137">- a contingency fund available to small venues to ensure that the transition to cashless gaming does not compromise ongoing economic viability or solvency. <p data-bbox="1072 1225 2107 1433">The Government will also introduce a voluntary buyback scheme for Gaming Machine Entitlements (GMEs). This buyback scheme will target 2,000 machines within the club GME pool over a five year period. Government will reduce the state cap on entitlements with each GME forfeited.</p>

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	<p>A cross-government Transition Taskforce chaired by the Secretary of DPC and including NSW Police, Liquor and Gaming NSW, NSW Treasury, the NSW Privacy Commissioner, representatives from industry, and gambling harm minimisation experts will be established by April 2023. The Taskforce will be supported by Expert Advisory Panels advising on:</p> <ul style="list-style-type: none">- technology and systems rollout;- technical standards, including for anti-money laundering and gambling harm minimisation settings;- industry economic sustainability; and,- Regional transition management. <p>The Taskforce will provide advice to Government on implementation, including locations included in Stage 1 rollout to 2,000 cashless EGMs, legislative and regulatory settings, eligibility for the industry transition support packages, including eligibility for small, medium, and regional venues, and the technical and data elements. The Taskforce will also consider the ongoing economic viability of the club and pub sector, to ensure jobs are supported and the ongoing sustainability of the industry, with a focus on regional areas. The Taskforce will be required to publish biannual reports tracking progress of the cashless gaming rollout, and will recommend further action to Government where required.</p>

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	<p>A Bill to amend the <i>Gaming Machines Act 2001</i> and any other necessary legislation mandating high-level cashless gaming requirements, will be introduced to Parliament in 2023, with commencement subject to detailed regulations being made. Regulatory requirements will be made following advice from the Taskforce, informed by the outcomes of the Stage 1 rollout. The Government will legislate to require that all EGMs must be cashless by 31 December 2028.</p> <p>The Government will legislate to ensure that cashless gaming player data is stored securely, with strong privacy protections. A single database will provide access only where required to fulfil or comply with regulatory and law enforcement requirements. Players will be able to access information on their own player data.</p>
<p>2. Government, in consultation with industry and regulators, create a legislative or regulatory framework requiring certain standardised data be maintained for EGMs to better flag suspected money laundering.</p>	<p>Supported</p> <p>The NSW Government supports the creation of a requirement for standardised data to be maintained for EGMs. The introduction of cashless gaming is expected to support this outcome as well as potential enhancements and upgrades to the existing Centralised Monitoring System (CMS) which connects all EGMs in NSW. The Taskforce will consult with all responsible entities, including Commonwealth agencies and law enforcement entities, to develop standardised data requirements.</p>
<p>3. Government, engage with industry to:</p>	<p>Supported</p>

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<p>(a) identify ways that collection and analysis of EGM data could be enhanced for the purposes of money laundering identification at a venue level and to improve evidence available for prosecution;</p> <p>(b) explore technical and policy/process solutions to better utilise data collected by EGMs; and</p> <p>(c) identify ways of creating real-time alerts for money laundering flags.</p>	<p>The introduction of cashless gaming is expected to support this outcome, as additional data is created and stored. The NSW Government will engage with policy, regulatory, law enforcement, and industry stakeholders to enhance money laundering identification from EGM data, including ways to create real-time alerts.</p> <p>The Taskforce, to be established in April 2023, will undertake necessary analysis and consultation to implement this recommendation.</p>
<p>4. The legislative and regulatory frameworks governing EGMs in NSW be amended to clarify that persons/entities with functions associated with EGMs must take steps to prevent money laundering.</p>	<p>Supported</p> <p>The NSW Government will work to determine what amendments are required to legislative and regulatory frameworks governing EGMs to give effect to this recommendation.</p>
<p>5. Government introduce a mechanism that enables government agencies or venues to recommend the cancellation/revocation of Responsible Conduct of Gambling (RCG) certification; and a mechanism for the regulator to revoke an RCG certification in appropriate circumstances.</p>	<p>Supported</p> <p>The NSW Government will work to determine what amendments to the RCG training framework are required, including legislative and regulatory amendments, to give effect to this recommendation to ensure significant criminal history and activity is taken into account in the issuing and revocation of RCGs.</p>
<p>6. Government engage with industry and regulators to create a legislative or regulatory 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 from their premises.</p>	<p>Supported</p> <p>The NSW Government considers that the introduction of a mandatory cashless gaming system will mitigate much of the risk of players dealing with the proceeds of crime via EGMs. The NSW Government will work to determine what</p>

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	additional exclusionary measures may be required to manage any residual risk, and will engage closely with industry and regulators.
<p>7. Government, in consultation with industry, 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 obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (AML/CTF).</p>	<p>Supported</p> <p>The NSW Government will work closely with AUSTRAC to determine the appropriate approach to update training content and frequency of delivery for obligations under the Commonwealth <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i>.</p>
<p>8. Government work with industry to build the sector's investment in AML/CTF training and education and secure support for training from external sources.</p>	<p>Supported</p> <p>The NSW Government will work with industry to consider what training and support is required to support the rollout of cashless gaming, including engagement with AUSTRAC on AML/CTF obligations.</p>