

ISSUES PAPER 2

Data and Transaction Monitoring

**INQUIRY INTO MONEY LAUNDERING THROUGH
ELECTRONIC GAMING MACHINES IN LICENSED PREMISES IN NSW**

8 July 2022



**New South Wales
Crime Commission**

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ISSUES PAPER 2: Data and Transaction Monitoring Opportunities

The purpose of this issues paper is to seek information relevant to the Inquiry into Money Laundering through Electronic Gaming Machines in Licensed Premises in New South Wales (the Inquiry). The Inquiry is being conducted by the NSW Crime Commission in conjunction with the Australian Criminal Intelligence Commission (ACIC), the Independent Liquor and Gaming Authority (ILGA) represented by Liquor & Gaming NSW, and the Australian Transaction Reports and Analysis Centre (AUSTRAC) with assistance from other law enforcement agencies.

This paper focuses on issues relating to data and transaction monitoring opportunities. Electronic gaming machines (EGMs) and associated software systems constitute a data-rich computing environment. The Inquiry has received information to suggest that opportunities may exist to enhance the way that EGM data and transactions are monitored and recorded to prevent and detect money laundering, and to decrease the vulnerability of the sector to this type of criminal activity.

This issues paper is informed by current information, is not intended to be prescriptive or exhaustive and should be read with the Inquiry [Terms of Reference](#).¹ The questions at the end are intended to guide persons who wish to make submissions to the Inquiry in response to the specific issues raised.

The issues paper is seeking to elicit additional information regarding the subjects that have been raised; however, the raising of a matter in this paper does not necessarily indicate that it will be the subject of findings or recommendations in any report arising from the Inquiry. Any submissions in response to the matters raised in the issues paper will be assessed in light of other material and evidence gathered during the course of the Inquiry.

¹ Terms of Reference: www.crimecommission.nsw.gov.au/inquiry-into-money-laundering-in-pubs-and-clubs

1. EGM load-up (credit) limits

Under the legislation governing EGMs in licensed clubs and hotels in NSW, the ILGA may approve technical standards in relation to gaming machines for the purposes of ensuring the integrity of gaming.² The current approved technical standards for EGMs in licensed clubs and hotels in NSW are the “*Australian/New Zealand Gaming Machine National Standard: Revision 11.1*” dated February 2022 (the National Standards).³ The National Standards provide guidance to manufacturers for the design of gaming machines, gaming software and related equipment to ensure that manufacturers meet legal requirements. Each participating jurisdiction may publish its own Appendix to the National Standards, to indicate requirements which are additional, not required, or different in that jurisdiction.

In addition to the National Standards, the following technical standards are used in NSW for the manufacture of gaming machines and published on the Liquor & Gaming NSW website:⁴

- a) NSW Appendix to the NS2021;
- b) NSW Gaming Machine Communications Protocol;
- c) NSW Jackpot Technical Standard; and
- d) Ticket In–Ticket Out (TITO) technical standard.

The National Standards set limits and parameters for gaming machines, one example being the maximum credit balance which may exist before a machine’s note acceptor must be disabled (BKNTLIM). This is otherwise known as the “credit”, “cash-input” or “load-up” limit. The credit limit in NSW is currently \$5,000 for EGMs approved for use in licensed clubs and hotels.⁵ By comparison, it is:

- a) \$1,000 in Victoria (in clubs and hotels);
- b) \$1,000 in the Northern Territory (in clubs and hotels);
- c) \$100 in Queensland (in clubs and hotels); and
- d) \$99.99 in South Australia (in clubs, hotels and casinos).⁶

The current credit limit in NSW only applies to EGMs approved for use since May 2020.⁷ Many EGMs in NSW therefore have higher credit limits, namely:

- a) \$7,500 (if manufactured between about 2015 and May 2020); or
- b) \$9,999 (for older EGMs dating back to the 1990s).

The Australian Capital Territory (ACT) Government does not currently set a credit limit for EGMs. However, EGMs approved in the ACT have typically mirrored the historical

² *Gaming Machines Act 2001* (NSW) (*GM Act*), s. 62.

³ Australia/New Zealand Gaming Machine National Standard – Revision 11.1 (February 2022): [Australian/New Zealand Gaming Machine National Standard \(nsw.gov.au\)](https://www.nsw.gov.au/australian/new-zealand-gaming-machine-national-standard) (accessed 22/6/2022)

⁴ Liquor & Gaming NSW: [Designing gaming machines and technical standards](#) (accessed 22/6/2022)

⁵ In NSW casinos are regulated under the *Casino Control Act 1992* and *Casino Control Regulation 2019*.

⁶ In Victoria, South Australia and the Northern Territory, the credit limits in casinos differ but are also set out in the National Standards.

⁷ ILGA Circular, 11 September 2019, “APPROVED NSW Technical Standards: ‘GM Banknote Acceptor Limit’ Change”: [ilga-technical-standard-circular-11-september-2019.pdf \(nsw.gov.au\)](#) (accessed 1/7/2022).

credit limits set in NSW. The ACT Government is currently proposing to reduce the credit limit in that jurisdiction to \$100 and has invited public feedback on that proposal.⁸

The Inquiry is considering whether the credit limit for EGMs in NSW should be reduced on the basis that it may deter potential money launderers seeking to exploit the relatively higher limits in this State to conceal the source of illicit funds. Lowering the credit limit would reduce the amount of cash that can be inserted into an EGM at any one time, thereby making it harder for criminals to cleanse illicit money by claiming it back via a “winning” ticket or cheque. Reducing the credit limit would not prevent legitimate gamblers from engaging in genuine play but would necessarily reduce the amount that could be wagered per session of play.

2. Gaming machine tickets

The *Gaming Machines Regulation 2019* (NSW) (*GM Regulation*) prescribes the requirements for information that must be clearly legible on gaming machine tickets issued by EGMS in licensed clubs and hotels.⁹ Currently, tickets must display the value of accumulated credits not otherwise redeemed in the course of play; the unique identification number of the gaming machine ticket;¹⁰ the name of the hotel or registered club issuing the ticket; and a notice regarding assistance for problem gambling.¹¹ There is no requirement for tickets to display the amount of money inserted, the amount wagered (bet) or the amount won or lost during the course of play. It is therefore not possible to determine from the face of ticket alone what proportion of accumulated credits represents actual winnings.

Gaming machine tickets are also anonymous. There is no legal requirement under the *GM Regulation* for a ticket to identify the person who played the EGM, whether by name or player card identification number. In many circumstances this anonymity continues at the ticket redemption stage. That is because, while licensed clubs and hotels are required to keep a record of redeemed tickets (including by recording the name, address, signature and details of documentary proof of identity of the claimant; and the date and time of ticket redemption), this rule only applies when the value of accumulated credits is over \$5,000; or when a ticket valued at \$5,000 or less is redeemed after the day following the date of issue.¹² The Inquiry notes that, as reporting entities under the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cth), clubs and hotels with EGMs have separate identification and record-keeping obligations connected to their Know Your Customer (KYC) and Enhanced Customer Due Diligence programs.

The lack of detail and transparency of information on gaming machine tickets creates a potential avenue for exploitation by persons who may seek to conceal the source of funds in their possession. The current legal requirements leave open the potential for a person to claim that illicit funds in their possession were derived from a gambling win by

⁸ ACT Government, Justice and Community Safety Directorate, “Discussion paper: Lowering bet and credit limits for electronic gaming machines”, p. 3: [Discussion Paper - Bet and Credit Limits.pdf](#) (accessed 15/6/2022).

⁹ *GM Regulation*, Pt 7.

¹⁰ *GM Regulation*, cl. 100; and cl. 102.

¹¹ *GM Regulation*, cl. 104(2); and cl. 22(1)(b).

¹² *GM Regulation*, cl. 107.

producing a “winning” ticket to law enforcement as evidence. The anonymity of tickets and gap in recording requirements placed on venues also reduces the ability of law enforcement to detect and trace people who may be engaging in this type of conduct. The first hypothetical scenario below demonstrates how a person might exploit the current system.

The Inquiry is considering whether the information required to be shown on EGM tickets should, in addition to the current requirements, include the value of money inserted by the player, the amount bet and won, and the identity of the player. The Inquiry is also considering whether the identity of all ticket claimants should be verified and recorded by venues, regardless of when a ticket is redeemed, once the value of credit redeemed hits a certain threshold. The threshold would be above a nominal amount but lower than the current threshold to trigger recording requirements, being \$5,000.

Issues Paper 2 – Gaming machine tickets

Scenario 1

A person inserts \$5,000 cash being the proceeds of crime into an EGM at a hotel. They place one losing bet to the value of \$5 and request a ticket from the machine. The ticket displays accumulated credits (described as “Cash Out Amount”) to the value of \$4,995 but does not display the value of money bet (\$5) or won (-\$5) during the course of play. The person takes a photo of their ticket; and then redeems the ticket at a cash redemption terminal located at the hotel. They leave the venue with \$4,995 in cash. The person repeats this process several times a week at different licensed venues. If questioned by law enforcement about the source of cash in their possession, the person produces photos of their tickets.

3. Winning cheques

The legislative requirements for licenced clubs and hotels in relation to the payment of gambling winnings via cheques or electronic funds transfer (EFTs) also present avenues for exploitation by money launderers. At present, a hotelier or registered club must pay so much of the total prize money from an EGM that exceeds \$5,000 either by means of a crossed cheque, or by EFT to a bank account nominated by the person seeking payment.¹³ If requested to do by the claimant, the hotelier or club must pay out the whole amount of the total prize money via one of those methods (i.e. not just the portion exceeding \$5,000).¹⁴ Relevantly, “total prize money” is defined in the *Gaming Machines Regulation* to mean:

“[T]he total monetary value of credits displayed on an approved gaming machine at the end of a session of play on that machine. To avoid doubt, the total monetary value of credits is not subject to any deduction for the value of money inserted into the machine by the player”.¹⁵

¹³ *GM Regulation*, cl. 26 (1).

¹⁴ *GM Regulation*, cl. 26 (2).

¹⁵ *GM Regulation*, cl. 26 (3).

The effect of these requirements is that money inserted into an EGM by a person and later redeemed by that person is characterised as “prize money”, regardless of the fact that the money has some other source, including a nefarious one. Further, the following statement *must* appear on a prize winning cheque issued by a licensed club or hotel: “*Prize winning cheque—cashing rules apply*”.¹⁶ This requirement would apply even in circumstances where the entire value of the cheque originated from the player in the form of cash – that is where there were no actual winnings at all. In this sense, the statutory scheme itself requires venues to apply rules which increase the vulnerability of the sector by people seeking to launder money.

Under cl. 12 of the *Gaming Machine Regulation*, licensed clubs are required to keep a written record with respect to the awarding or payment of each prize from an EGM kept on the club premises, unless the winnings are redeemed via a gaming machine ticket.¹⁷ As noted above, not all credits redeemed via gaming machine tickets need to be recorded by a venue. The Inquiry also notes that the cl. 12 record-keeping requirement does not apply to hotels, although hotels are subject to record-keeping requirements in relation to awards or payments from progressive jackpot prizes;¹⁸ and the same requirements as clubs in relation to records of redeemed tickets (see above).

The above demonstrates that there are vulnerabilities and inconsistencies in the legislation in relation to the payment of money from EGMs to patrons in licensed clubs and hotels. Further, there is no centralised cheque, EFT or ticket redemption register which records money paid out from EGMs across different venues, meaning there is no way of identifying suspicious patterns or people who frequently engage in this behaviour. At present, a person could exploit transaction monitoring loopholes and move across multiple venues converting illicit cash into cheques and EFTs or collecting “winning” tickets to legitimise cash in their possession, and this would be very difficult to detect.

Issues Paper 2 – Winning cheques
Scenario 2

A person attends at a hotel and inserts \$7,000 cash being the proceeds of crime into an EGM with a credit limit of \$7,500. They place one losing bet to the value of \$10. The person requests that the hotelier pay to them the whole value of the “total prize money” (in other words, the accumulated credits in the EGM) via a crossed cheque. It is an offence for the hotelier to fail to do this. The cheque valued at \$6,990 bears the statement: “*Prize winning cheque – cashing rules apply*”. The person deposits the cheque into their bank account and \$6,990 of illicit money enters the financial system under the guise of gambling winnings. The same person repeats a similar process several times a week at different clubs and hotels, who are each not aware of the frequency with which this person claims “winning cheques”.

¹⁶ *GM Act*, s. 47B(b); and *GM Regulation*, cl. 27.

¹⁷ *GM Regulation 2019*, cl. 12.

¹⁸ *GM Regulation 2019*, Pt 5, Div. 3.

4. EGM data opportunities

In the course of the Inquiry, investigating officers have reviewed data reports generated from the Centralised Monitoring System (CMS) as well as audit reports generated from individual EGMs suspected to have been used for money laundering activities. The CMS reports, called Suspicious Gaming Activity Reports (SGA reports), are provided by the CMS licensee, Maxgaming Pty Ltd, to Liquor & Gaming NSW. The EGM audit reports were sourced via the issuing of statutory notices to venues where it was suspected that money laundering may have occurred on particular dates. While each approved EGM kept at a licensed club or hotel in NSW is required by law to be connected to the CMS,¹⁹ the software associated with individual machines is not the same and varies venue-to-venue.

From an investigative perspective, the usefulness of EGM data obtained and analysed during the Inquiry has varied significantly, depending on the precision of information captured by the software which generates the reports seen. A review of EGM audit reports obtained from individual venues has highlighted that, from a law enforcement perspective, there exist opportunities to enhance the way that EGM data is recorded and reported. Incomplete or amalgamated data sets have the potential to hinder or frustrate investigative efforts once suspicious activity is identified. For instance, if a conglomerate holds the licence for multiple venues, it should be clear from any data reports obtained by law enforcement exactly which machine an individual was playing and the location of that machine at the time in question.

It is understood that EGM meters are capable of recording detailed information about events on a machine, including, relevantly, the precise time (hour:minute:second) that:

- a bill is inserted, including the denomination;
- a ticket is inserted or a retrieved, including the value of the ticket and its barcode;
- credits are cancelled, including the dollar and cents amount; and
- a player card is inserted (including the player ID and a reading of the total turnover, wins, credit and points recorded on that card at that time).

The Inquiry is considering how the data captured by EGMs should be best enhanced to prevent and detect suspicious transactions that may constitute money laundering. It is understood that this could occur at the CMS level and/or through configuring the software installed on individual EGMs. The Inquiry invites feedback from industry and others with technical knowledge of gaming machines and associated applications on ways to enhance EGM data to better assist both venues and law enforcement to analyse and investigate instances of suspected money laundering.

¹⁹ GM Act, s. 133.

Written submissions are sought from interested individuals and organisations on these issues. Of particular interest to the Inquiry are the following questions:

Issues Paper 2 – questions:

1. Should the credit limit for EGMs in licensed clubs and hotels in NSW be significantly reduced? If yes, should the reduced credit limit only apply to new EGMs, or should venues be required to ensure that existing EGMs comply with the reduced limit?
2. Should it be a requirement for gaming machine tickets to display the following information (in addition to current requirements):
 - a. an identification marker for the player eligible to redeem the ticket;
 - b. the value of money inserted by the player during the course of play;
 - c. the value of money bet during the course of play; and
 - d. the value of money won/lost during the course of play?
3. Should the legislative requirements on registered clubs and hotels in relation to the payment of money from EGMs to patrons be modified to ensure that:
 - a. the rules are consistent for all venues;
 - b. the definition of “total prize money” does not include the value of money inserted by the player during the course of play;
 - c. gaming machine tickets and cheques are only permitted to state that they are “prize money” to the extent that their value constitutes gambling winnings;
 - d. records of all redeemed tickets, cheques and EFTs above a nominal amount are kept and only recorded as “prize money” to the extent that the value of the payment constitutes gambling winnings;
 - e. records of all redeemed tickets, cheques and EFTs above a nominal amount are recorded in a central register, accessible to relevant law enforcement agencies.
4. How should the collection and reporting of EGM data be enhanced to assist venues and law enforcement to analyse and investigate instances of suspected money laundering?

When providing a response to this issues paper please confirm whether you are content for your submission, or any parts of it, to be made public.

Submissions should be made by 22 July 2022 (preferably by email) to:

Email: egminquiry@crimecommission.nsw.gov.au or

Post: Electronic Gaming Machine Inquiry
NSW Crime Commission
453-463 Kent Street, Sydney NSW 2000

Michael Barnes
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