

**Independent Panel
on Gaming Reform**



Roadmap for Gaming Reform

**Report from the Independent Panel on Gaming Reform
to the Minister for Gaming and Racing**

Volume 1 – November 2024

Independent Panel on Gaming Reform

Contents

Glossary and abbreviations	4
Letter from the Executive Committee of the Independent Panel on Gaming Reform	10
1. Executive Summary	14
2. Summary of recommendations	26
3. Roadmap for Gaming Reform	32
4. The Independent Panel on Gaming Reform	34
4.1. Establishment of the Panel	35
4.2. Panel responsibilities and scope	37
4.3. Development of the Roadmap for Gaming Reform	39
4.4. Stakeholder engagement	40
4.5. Expert support	40
5. NSW gaming machine environment	41
5.1. Complexities of NSW gaming machine environment	42
5.2. Current NSW cashless gaming environment	44
6. NSW cashless gaming trial	46
6.1. Overview	47
6.2. Trial design	48
6.3. Monitoring, adaption and learnings throughout the trial	60
6.4. Trial findings	63
7. Account-based gaming	66
7.1. Introduction of mandatory statewide account-based gaming system	68
7.2. Account-based gaming principles	72
7.3. Considerations for design and build of an account-based gaming system	80
7.4. Technical and system standards and privacy and data protections	82
7.5. Infrastructure investment	84
7.6 Scope of the Implementation Committee	86
8. Gaming machine operations and trading	87
8.1. Gaming machine entitlement trading	88
8.2. Reducing the number of Gaming Machine Entitlements	93
8.3. Gaming machine operating hours	98
8.4. Reducing the cash input limit on older gaming machines	100

Independent Panel on Gaming Reform

9. Harm minimisation measures	103
9.1. Loyalty programs	105
9.2. Community awareness and outreach	106
9.3. Gambling harm minimisation research	109
9.4. Gaming machine features	110
9.5. Gaming machine advertising	112

10. Legislative reform	113
10.1. Modernising terminology	114
10.2. Evaluation of the Roadmap reforms	115
10.3. Statutory review of the <i>Gaming Machines Act 2001</i>	116

11. Allocation of funding	117
11.1. Implementation of account-based gaming	118
11.2. Development and implementation of a statewide exclusion register	119
11.3. The Responsible Gambling Fund	120
11.4. Introducing a buy-back scheme	122

12. Sequencing of Roadmap reforms	123
12.1. Phase one: 2024	126
12.2. Phase two: 2025 – 2026	127
12.3. Phase three: 2027 – 2028	128
12.4. Timeframes for NSW Government determination	129

Appendices	130
Appendix A. Independent Panel on Gaming Reform Terms of Reference	131
Appendix B. Meeting agendas and attendance	135
Appendix C. Exclusion and facial recognition feedback report	144
Appendix D. Panel feedback on draft recommendations (Volume 2)	150
Appendix E. Evaluation of the NSW digital gaming wallet trial 2024 (Volume 3)	280

Glossary and abbreviations



Glossary and abbreviations

Term	Definition
Account-based gaming	A system in which a player loads credits onto an EGM from a 'gaming' account linked to a verified individual.
Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Act	The Commonwealth legislation designed to deter, detect and disrupt money laundering and terrorism financing. Entities that provide a "designated service" (including gambling services) as prescribed in the Act must register with AUSTRAC and comply with the minimum obligations outlined in the legislation.
Australian Transaction Reports and Analysis Centre (AUSTRAC)	Commonwealth financial intelligence unit and AML/CTF regulator.
Band	Each Statistical Area Level 2 (SA2) in NSW is classified into three Bands to help assess the impact of additional gaming machines into the area.
Buy-back scheme	A scheme where Government purchases GMEs from venues.
Cash input limit (also known as a load up limit)	The maximum amount of cash that can be inserted into an EGM at any one time for a session of play. This term is often used interchangeably with 'load-up limit'.
Cashless card-based gaming	A system where player cards are linked to venue-based player accounts which are topped-up with cash via a cashier. The funds loaded on player cards are credited onto the EGM digitally (as opposed to cash being inserted directly into the gaming machine).
Cashless gaming technology	Technology that allows a player to transfer funds into their gaming account (which may be linked to either a physical or digital player card) from a bank account or a debit card using a mobile application ('App'), without the need for cash. This term is often used interchangeably with 'account-based gaming'.
Centralised Monitoring System (CMS)	A system that monitors and ensures the integrity of EGM operations and calculates a venue's EGM tax. All EGMs operating in NSW must be connected to the CMS.
Club	Defined under the <i>Gaming Machines Act 2001</i> as a venue with a club licence which meets the requirements in the <i>Registered Clubs Act 1976</i> .

Term	Definition
Cybersecurity	Cybersecurity refers to measures used to protect the confidentiality, integrity and availability of information technology and operational technology systems, applications and data.
Department of Creative Industries, Tourism, Hospitality and Sport (DCITHS)	The Panel Secretariat, Liquor & Gaming NSW, is part of the Hospitality and Racing group within DCITHS.
Digital gaming wallet	A digital gaming wallet (known on mobile devices as a mobile wallet) is an app or service that allows users to store payment information, transfer funds or make transactions to fund gaming machines. Users are required to verify their identity when registering for this digital wallet, and transfer money into it from their external bank account.
Electronic Funds Transfer (EFT)	The electronic transfer of money from one bank account to another.
Electronic Gaming Machine (EGM) (also known as a 'poker' machine)	Defined under the <i>Gaming Machines Act 2001</i> as any device that is designed for the playing of a game of chance, or game that is partly a game of chance and partly a game requiring skill, and for paying out money or tokens or for registering a right to an amount of money or money's worth to be paid.
Facial Recognition Technology (FRT)	Technology capable of matching a human face from a digital image or video against an existing image or video from a database.
Forfeiture	Under the NSW trading scheme, GMEs must be transferred (sold) between venues in blocks of 2 or 3. For each block traded, 1 GME must be forfeited to ILGA.
Gambling harm	A negative consequence experienced by an individual, family or community due to participation in gambling. These harms can include financial, legal, social and health and wellbeing issues.
Gaming Machine Entitlement (GME)	Defined under the <i>Gaming Machines Act 2001</i> to refer to a gaming machine entitlement held in respect of a hotel or club licence. Each entitlement permits one EGM to be authorised and operated by a club or hotel.
Gaming Machine National Standard (GMNS)	Australian/New Zealand Gaming Machine National Standard. The National Standard is the approved technical standards for EGMs in Australia and New Zealand.
Gaming Machine Threshold (GMT)	The maximum number of GMEs (and PMPs for hotels) authorised for a club or hotel.

Term	Definition
Harm minimisation	Refers to policies, programs and practices aimed at reducing the harms associated with gaming behaviour.
Hotel	Defined under the <i>Gaming Machines Act 2001</i> as premises to which a hotel licence relates. Also referred to as a 'pub'.
Hybrid gaming model	A model where players can use the digital gaming wallet to fund EGM play or continue to use cash or cash-equivalents (e.g. TITO) to fund EGM play anonymously.
Independent Liquor and Gaming Authority (ILGA)	The independent administrative decision-maker in NSW responsible for some liquor, registered clubs, and gaming machine regulatory functions including licensing and disciplinary matters.
Know Your Customer (KYC)	The mandatory process regulated entities (including gambling operators) must undertake to identify and verify a customer's identity and assess risks before entering a transaction at certain thresholds. The KYC process is intended to stop the use of funds from illegal activities (including fraud, identity theft or other crimes) at the applicable entity.
Legacy system	The systems operational on an EGM prior to the cashless gaming trial for funding EGM play, including cash, ticket-in-ticket-out and player card.
Local Impact Assessment (LIA)	The process venues must undertake to seek approval to increase their GMT. An LIA aims to inform and support the community consultation process that helps ILGA to assess the impact of introducing additional gaming machines into the local area.
Load-up limit	Same as the 'cash input limit'.
Mandatory shutdown period	Under the <i>Gaming Machine Act 2001</i> , registered clubs and hotels must not operate gaming machines between 4:00am and 10:00am each day of the week unless they have an approved exemption.
Maximum bet limit	The maximum amount of money a person can gamble on a gaming machine in a single spin.
Money laundering	A criminal offence related to the dealing with proceeds of crime in contravention of Part 4AC of the <i>Crimes Act 1900</i> . Money laundering activity includes receiving, possessing, concealing, disposing or engaging directly or indirectly with the proceeds of crime. Money laundering with EGMs include gambling with proceeds of crime for entertainment and gambling with proceeds of crime to convert funds acquired through illegal means into legitimate assets.

Term	Definition
Player activity statement	A record of a player's gaming machine activity in connection with their player account. A venue must make this available to players on request on a monthly basis under the <i>Gaming Machines Regulation 2019</i> .
Poker Machine Permit (PMP)	A PMP is held by a hotel and authorises it to operate an EGM. Each PMP held by a hotel allows one EGM to be authorised and operated.
Pre-commitment	A feature that permits EGM players to set a time and/or spend limit on their gaming play.
Prize	Winnings resulting from playing on an EGM.
Problem Gambling Severity Index (PGSI)	A standardised measure of at risk gambling. It is the most commonly used tool in Australia and internationally to screen for harmful gambling behaviour.
Responsible Gambling Fund (RGF) Trust	Provides advice and guidance to the NSW Government on the funding of responsible gambling initiatives and programs, including research, community education & awareness, intervention, support and treatment services and public policy development.
Self-exclusion agreement	A voluntary agreement under which an individual experiencing gambling harm enters into a formal agreement to exclude themselves from the gaming areas of a hotel or club or from the entire hotel or club for a set period of time.
Self-exclusion scheme	In NSW, all gambling venues must offer a self-exclusion scheme. A venue can run its own scheme if it meets the minimum requirements as set out in the <i>Gaming Machines Regulation 2019</i> or use a provider.
Session of play	The period of time a player engages in gaming activity on an EGM.
Socio-Economic Indexes for Areas (SEIFA) Index	An index produced by the Australian Bureau of Statistics to rank areas across Australia on the basis of socio-economic advantage or disadvantage. The SEIFA Index used with respect to gaming machines is the Index of Relative Socio-Economic Disadvantage.
Statistical Area Level 2 (SA2)	Medium-sized statistical areas set by the Australian Bureau of Statistics to represent a community that interacts together socially and economically.
Technology providers	Gaming systems companies that develop solutions including games, systems and technologies for EGMs.

Term	Definition
Third-party exclusion	The banning of an individual from entering a gambling venue that is initiated by a third-party, including family members or law enforcement.
Ticket-In Ticket-Out (TITO)	A system that allows EGM users to be provided with a ticket with a printed value of the remaining credits at the conclusion of a session of play. This can then be redeemed at a terminal or via a cashier or inserted into another EGM to fund play.
Trial participants	Technology providers and venues that participated in the NSW cashless gaming trial.
Two-way protocol	Communication protocol for EGMs that allows two-way communication between EGMs and the CMS.

Letter from the Executive Committee of the Independent Panel on Gaming Reform

Letter from the Executive Committee Independent Panel on Gaming Reform

The Hon. David Harris MP
Minister for Gaming and Racing

Dear Minister Harris

Roadmap for gaming reform in NSW

We are pleased to provide this roadmap for gaming reform in NSW (the Roadmap) to the NSW Government for consideration.

The case for reform is clear, with NSW home to the highest number of gaming machines in Australia, a large proportion of which are operated and accessible to the local community in clubs and hotels.

Following almost 70 years of gaming machine operations, the NSW regulatory environment has evolved into a complex arrangement of legislation, regulations, standards, licence conditions and policies.

For the past 30 years there has been a continued emphasis on reducing gambling harm by undertaking research to inform policy settings and regulatory change, introducing harm minimisation measures and providing support services.

In addition to the potential gambling harm risks, the NSW Crime Commission inquiry found a significant amount of money put through gaming machines were proceeds of crime.

Continual advances in the technology environment now provides an opportunity to better address these two major challenges. Following two regulatory sandbox trials in 2022 and 2023 involving cashless gaming technologies, you established an independent panel to oversee a larger trial of cashless gaming and to provide the NSW Government with a roadmap for gaming reform.

The trial of new technology represents an important step to understand the benefits and challenges for its implementation – it gives technology providers, venues, patrons and government important insights and learnings surrounding operational issues when tested in the real world.

One example of this is the trial finding of negative patron perception of the term 'cashless gaming' due to their reluctance about the removal of cash as an option to play gaming machines. Incorporating this finding has resulted in a shift to the term 'account-based gaming' as an interim measure in the trial and in the Roadmap, noting that further work is needed to identify the most appropriate terminology that will resonate with consumers.

Independent Panel on Gaming Reform

The trial learnings, advice from experts and stakeholders, research and evidence have informed the design of necessary safeguards to manage gambling harm and money-laundering risks and to inform reasonable implementation timeframes to minimise impacts on industry.

With consideration of the trial's intended purpose to examine the feasibility and acceptance of implementing the technologies and in doing so obtain critical insights and learnings to inform a future account-based gaming model, the NSW cashless gaming trial has been a great success.

While there were trial limitations, a key one being low patron uptake of the technology, these provided critical learnings and demonstrated that while the technology was feasible, several issues must be addressed ahead of implementation. Our recommendations are informed by this and are aimed at addressing these issues to ensure meaningful uptake of the new technology.

Key takeaways include:

- reluctance from patrons to engage with the technology on a voluntary basis, and as such mandatory implementation of a statewide account-based gaming system is necessary to ensure meaningful and effective anti-money laundering and harm minimisation is achieved through widespread utilisation of the technology
- there should be an ongoing role for cash, to a certain limit, when linked to identity
- additional work is required to be undertaken to implement mandatory account-based gaming, including:
 - additional analysis on the impact on industry such as revenue and employment and other relevant factors including the social cost of gambling
 - research and consumer testing on appropriate terminology, effective ways to implement harm minimisation tools and design aspects
 - significant education and cyber-readiness for venues and technology providers, developing communication/marketing and change management activities
 - determining appropriate industry support and transitional requirements including appropriate considerations for regional areas and border towns.

Given the relatively new and innovative nature of these technologies and its implementation being limited to only a few jurisdictions in the past couple of years in a limited context, the value of the trial insights and learnings to inform Government's decision on a final account-based gaming model for statewide implementation should not be overlooked or understated.

The Panel's work to develop the Roadmap

Roadmap recommendations were refined following Panel discussions, and all Panel members were given the opportunity to provide comments on our draft recommendations and have their differing views published together with the Roadmap.

In developing the Roadmap, the Panel also reviewed several reports referred for Panel advice. This work further informed the development of the Roadmap including recommendations to remove unnecessary regulatory complexity and further streamline existing gaming regulatory schemes.

Independent Panel on Gaming Reform

The Roadmap includes a suite of recommendations intended to progress the Government's commitment to reduce the overall number of Gaming Machine Entitlements (GMEs) in NSW. These include amendments to simplify the Local Impact Assessment process, revise the GME leasing scheme and simplify the GME forfeiture scheme.

The Panel also provided separate (but related) advice on gaming reforms outside Roadmap implementation. These include the mandating facial recognition technology and the establishment of a statewide exclusion register with third-party exclusions.

The Panel recognises these measures as critical to informing the future design of account-based gaming and as part of an overarching and comprehensive plan by the NSW Government to mitigate gambling harm and money laundering risks in NSW clubs and hotels.

The work going forward

We have put forward an ambitious roadmap for gaming reform for your consideration. The Executive Committee has suggested implementation timeframes and the establishment of an implementation committee that includes independent technical and cyber experts to provide advice and support the Government's implementation.

We also note that some further work is needed to be undertaken by Government in developing its preferred approach to gaming reform.

Acknowledgements

We thank each member of the Panel for their commitment to the Roadmap and for their generosity of time, expertise and enthusiasm over these last sixteen months in contributing their views to the development of recommendations.

We would further like to thank all trial participants including the patrons who registered and participated in the trial, non-users of the technology who agreed to participate in the trial research, venue management and staff and gambling harm support advisors for their time and valuable contributions to informing the Roadmap.

We also extend our thanks to all other industry trial participants that contributed insightful feedback on the trial development including the gaming technology providers and partnering payment providers. Further we would like to thank the subject matter experts and guests that presented to the Panel and accommodated onsite visits of the Panel.

Finally, we thank the tireless efforts of the Panel Secretariat, consisting of staff from Liquor & Gaming NSW supported by The Cabinet Office. Our journey on this rigorous and comprehensive process to deliver an informed and ambitious roadmap for gaming reform would not have been possible without their exceptional support.

Executive Committee

Michael Foggo (Chair), The Hon. Niall Blair, Dr Ursula Stephens

01

Executive Summary

1. Executive Summary

The Independent Panel on Gaming Reform

The Independent Panel on Gaming Reform (the Panel) was established by the NSW Government in July 2023 to oversee a cashless gaming trial (the trial) and provide advice by November 2024 on:

- cashless gaming in NSW
- the use of the \$100 million harm minimisation fund (*the Fund*)
- a Roadmap for Gaming Reform in NSW (*the Roadmap*).

The trial was in response to an inquiry by the NSW Crime Commission that found a significant amount of money put through EGMs were the proceeds of crime.

The inquiry report made a suite of recommendations to minimise EGM related money laundering in pubs and clubs including the introduction of mandatory cashless gaming to remove anonymity and increase traceability of EGM related transactions.

The Panel consisted of representatives from law enforcement, industry, experts and academics in the field of gambling and health and a member with lived experience of gambling harm.

The Executive Committee (the Chair and two independent members) was responsible for providing advice to Government in consultation with the broader Panel.

The Panel's Terms of Reference are set out in **Appendix A**. Membership of the Panel is at **section 4.1**.

The Minister for Gaming and Racing requested the Panel provide advice on some of the Government's election commitments including reducing the number of gaming machine entitlements, reducing cash input limits on older gaming machines, expanding the self-exclusion register statewide, introducing third party exclusion and mandating the use of facial recognition technology in hotels and clubs.

In June 2024, the Panel provided advice to the Minister for Gaming and Racing on the implementation of the election commitments of mandatory facial recognition in hotels and clubs, third party exclusion and the statewide exclusion register (see **Appendix C**).

The Minister for Gaming and Racing also referred several reports to the Panel for its consideration including evaluations of the two regulatory sandbox cashless gaming trials, evaluation of 2018 gaming machine reforms, research into the impact of EGM late night play on EGM player behaviour, a review of the gaming machine shutdown hours framework, and the Grattan Institute report on preventing gambling harm. The Panel considered these matters in developing the Roadmap.

The Panel met 19 times between August 2023 and November 2024 to discuss a range of topics related to the trial and gaming reform in NSW (see **Appendix B** for meeting agendas).

The Panel engaged with multiple stakeholders and experts, reviewed 218 papers and reports, totalling over 2,450 pages of material, as part of its consideration and deliberations on the trial and gaming reform to inform the Roadmap.

The Executive Committee developed and finalised the recommendations in consultation with the broader Panel, considering the extensive material, evidence, trial findings, expert advice and a variety of stakeholder views and positions. Panel members provided their views on the final draft recommendations (**Appendix D**). Minor edits were made to the recommendations for clarity post-feedback.

Independent Panel on Gaming Reform

The Roadmap includes recommendations for gaming reform on the following topics:



principles and framework for account-based gaming



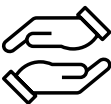
opportunities for legislative reform



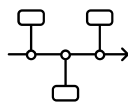
gaming machine operations and trading framework



allocation of the \$100 million Harm Minimisation Fund



harm minimisation measures



timeframes and sequencing of the Roadmap reforms.

NSW gaming machine environment

The highly complex EGM environment in NSW presents challenges in designing and implementing a unified statewide gaming system.

NSW has the highest number of GMEs in Australia with

95,768 GMEs

(including 2,300 PMPs) across almost

2,270

venues¹ and numerous gaming systems operated by a range of manufacturers.

As venues operate their EGMs independently and have commercial relationships with different gaming manufacturers, implementing a cashless gaming system, whilst possible, is challenging.

NSW's geographical diversity, with EGMs distributed widely across both metropolitan and regional areas, presents distinctive issues. Venues in regional and remote areas often have unique circumstances in terms of access to essential support infrastructure (e.g. stable internet connectivity) and have varying levels of technological maturity and resources.

The current framework in NSW operates on a model where individuals anonymously engage with an EGM and individual play cannot be traced unless they are using a player card, which is usually part of a venue-based loyalty scheme. All EGMs in NSW are assigned a unique ID that facilitates EGM data collection via the CMS whilst individual user data is not tracked. The ability to trace transactions for AML purposes will require a transition from this machine-centric approach to a user-centric model which is a significant shift.

Under the current regulatory framework cashless card-based gaming is already permitted but it is linked to player loyalty programs and requires the use of cash. Many patrons continue to use cash to pay for gaming machine credits.

These legacy systems are not optimal for addressing risks related to money laundering and gambling harm as they either allow for anonymous gaming play and/or do not provide contemporary harm minimisation features.

With the gradual shift by society towards cashless transactions, the gaming industry has expressed interest in trialling cashless gaming technologies. In NSW, two trials were conducted under the regulatory sandbox framework, one at Wests Newcastle from October 2022 to June 2023 and one at Club York from April 2023 to October 2023.

¹ As at 1 October 2024. Liquor & Gaming NSW, (2024). Licensed premises data: Premises List as at October 2024. <https://www.liquorandgaming.nsw.gov.au/resources/licensed-premises-data>.

NSW cashless gaming trial

Trial design

Following its establishment, the Panel's priority was to set up the NSW cashless gaming trial, including developing a framework that covered processes and assessment criteria in accordance with its Terms of Reference. The Panel carefully considered the design and framework of the trial including its structure, minimum requirements and objectives.

A key consideration by the Panel was whether the trial would be voluntary or mandatory with a fully cashless or hybrid model. While a fully cashless model would address the findings from the regulatory sandbox trial regarding patrons reverting to cash systems rather than new technology in a hybrid voluntary model, the Panel also acknowledged the risks of this approach for the broader trial including:

- patronage and revenue displacement to other venues leading to a biased trial environment as well as potential for venues to seek compensation from Government for any lost revenue
- difficulty in forcing patrons to participate in a mandatory trial without incentives, which could be considered inducements to gamble as it's intrinsically linked to gaming machine play
- the higher cost impact for trial participants as a result of imposing a fully cashless model for the trial as older EGMs would require manual retrofitting to physically stop cash and TITO input
- loss of support for the trial, due to industry making a significant investment that may not produce meaningful outcomes.

The Panel discussed the challenges under a hybrid model. A key challenge identified was the difficulty in extrapolating the impact of the technology in a hybrid model.

Ultimately the Panel determined that the trial would use a hybrid voluntary model where it would be voluntary for industry to participate and venues could offer both existing cash-based technologies as well as the new technology.

Other key considerations of the Panel related to the trial design and minimum requirements included:

- development of strong AML, harm minimisation measures and robust data security and privacy protections
- the landscape of existing technologies including the varying levels of complexity, investment and installation requirements of solutions across gaming manufacturers
- insights and early learnings from the Wests Newcastle regulatory sandbox trial including the importance of a streamlined sign-up process with an effective communication strategy
- the Crime Commission Inquiry recommendations for a mandatory cashless gaming system including customer identification requirements.

Trial objectives

The Panel recognised that given the timeframes outlined in its Terms of Reference, it would not be possible to assess the effectiveness or impact of the measures and thus determined that feasibility and acceptance of the technology would be the main objective of the trial.

Given the timeframe, the trial could only offer insights on the other aspects such as gambling harm, employment and industry and infrastructure and cost requirements.

Based on these considerations, the Panel determined the trial objectives were to examine the feasibility and acceptance of implementing cashless gaming technologies in hotels and clubs across NSW and gain insights from the technology on:

- reducing gambling harm in NSW hotels and clubs
- reducing money laundering in NSW hotels and clubs
- the hotel and club industry and the people they employ
- the infrastructure and cost requirements for hotels and clubs in relation to any rollout of cashless gaming technology.

Trial evaluation

The Panel considered a high-level trial evaluation methodology and identified that it should adopt a mixed methods approach combining qualitative and quantitative research that included surveys of EGM users, data analysis of technology use, venue EGM revenue and venue employment data and interviews with impacted parties including patrons that used the technology, patrons that chose not to sign up to the trial and venue management and staff.

Independent social research company 3arc Social in partnership with academic Professor Paul Delfabbro (University of Adelaide) was appointed to undertake the trial evaluation.

Assessment of trial applications

In response to the Panel invitations to industry in September 2023, ten technology providers sought approval to participate in the trial with varying levels of sophisticated technology solutions proposed.

Forty-three venues entitled to operate EGMs also sought approval to participate in the trial. These ranged from small regional venues to large metropolitan venues and represented a mix of socio-economic environments and varying levels of gaming revenue.

The Panel considered all applications and assessed these against the minimum requirements established. There were two key challenges in this application process. Firstly, technology providers had limited capacity to partner with all the venues that wanted to participate and some were not approved due to their product not meeting minimum requirements. This resulted in many eligible venues that were unable to be accommodated in the trial.

Additionally, there was a limited number of applications from regional venues especially in remote areas. Technology providers highlighted the challenges of partnering with regional venues both in terms of the maturity of the technology and logistical challenges. The Panel liaised with technology providers and venues to accommodate more venues into the trial where feasible to ensure there was a balanced mix and diversity of venues, in alignment with the Terms of Reference.

Trial participation

Of the ten technology providers that applied, five were conditionally approved by the Panel in December 2023 and three successfully participated: eBet, Light & Wonder, and IGT.

For differing reasons, Aristocrat and Independent Gaming both withdrew from the trial resulting in the withdrawal of their partner venues however, the Panel found both providers remained supportive of the trial and the journey towards cashless gaming.



Of the 43 venues that applied, 28 were conditionally approved by the Panel.

Some venues withdrew from the trial for operational and cybersecurity reasons as well as due to withdrawal of their technology partner. Two additional venues were subsequently approved by the Panel.

The trial commenced on 26 March 2024 and concluded on 30 September 2024. Fourteen venues, including ten clubs and four hotels, across twelve Local Government Areas participated in the trial. Technology was installed on 2,388 gaming machines.

Patron consent and recruitment

The Panel considered the appropriate recruitment approach for the trial noting this was a critical factor in trial adoption and with consideration to the early learnings and anecdotal feedback from the regulatory sandbox trials at Wests Newcastle and Club York.

The Panel recognised the need for oversight and monitoring of patrons to ensure no exacerbation of gambling harm, as well as for data for research and evaluation purposes, and to help alleviate potential privacy concerns.

To address these concerns and ensure the availability of tracked player data for evaluation purposes, a requirement was implemented for patrons to consent to the sharing of their de-identified data for research and evaluation purposes. Patrons were able to choose whether or not to participate in the associated research activities. While research incentives were supported, the Panel noted it would be inappropriate to provide incentives to patrons for signing up to the trial, as they could be considered inducements to gamble.

Monitoring, adaptation and learnings throughout the trial

The trial provided considerable learnings around challenges for the development and implementation of cashless gaming technologies and payment solutions.

Technology providers and venues experienced delays in trial readiness. One of the causes of this was technology providers requiring additional time to meet more stringent data and cybersecurity requirements due to increased risk profile of digital gambling payments by the financial services industry.

Payment providers also raised concerns about the lack of commercial viability of the product if there is low take-up of the technology. The Panel worked diligently and collaboratively with technology providers to understand and address many of these concerns and adapted the trial approach as necessary.

A key insight provided by the trial was patron concerns regarding financial oversight and monitoring of their gambling activity by banks. The Panel engaged with key stakeholders including financial providers and the Australian Banking Association to consider these concerns.

Promotional materials were developed by the Panel to provide consistent communication on trial objectives and to address concerns about privacy and data protections. Venues and technology providers could also use their own promotional materials in addition to the Panel developed materials, subject to approval.

The Panel received feedback related to negative patron perceptions of the term “cashless gaming” and about privacy concerns due to perceived government involvement. This resulted in a change by replacing ‘cashless’ with ‘digital gaming wallet’ terminology to better resonate with patrons, and additional information provided to help address concerns about data privacy and security.

To help increase patron participation in the trial and research component, the Panel in collaboration with 3arc Social increased the research incentive and expanded the research scope to include interviews with patrons who did not elect to participate in the trial to better understand barriers for participation.

In response to industry feedback regarding uncertainty on the arrangements post-trial and the potential for this to influence patron uptake, the Panel recommended that NSW Government consider permitting trial venues to continue to use the cashless gaming technology post-trial. The Minister for Gaming and Racing subsequently supported trial venues to do so under certain conditions.

Trial findings

Across all venues 243 people signed up for the trial and of these 105 people used the technology at least once.

The trial research found that as of the end of August 2024 there were 14 “genuine and active” users, that had used the technology for at least two or more days and were included in the analysis of player data.

The low patron participation under a voluntary hybrid model was consistent with findings of similar voluntary trials including the regulatory sandbox trials at Wests Newcastle and Club York.

Some of the concerns identified by the research were:

- financial institutions and government agencies (particularly the Australian Taxation Office and Centrelink) having visibility of gambling activity and the potential for this to adversely impact loan applications or government services
- data privacy and cybersecurity risks including potential data hacks and scams
- reluctance to engage with new technology when it's not mandatory, especially with existing legacy systems, as well as strong preferences to use cash by some patrons
- uncertainty around the purpose of cashless gaming, and whether it is to ‘control gambling’ in NSW.

Overall, the trial evaluation found that the technology generally worked well and is technically feasible to implement.

However, several barriers and pain points were identified that would need to be addressed in the design and rollout of a future account-based gaming system including a consumer-centric, seamless sign-up process that maximises choice and flexibility under a mandatory system. Additionally, there was consensus among stakeholders for the system to accept cash which would improve the overall feasibility and acceptability of the technology without interfering with the objectives of the technology.

Industry experts recognised cashless gaming systems were well-established and had gained acceptance over time. For the gaming industry this technology aligns with changing consumer preferences for cash-free transactions and positions the industry to remain relevant and accessible to digitally-savvy, younger audiences. Technology providers and venues generally expressed a positive attitude toward the implementation of cashless gaming, viewing it as a step forward for the industry.



Gaming venue staff experiences of the trial were relatively positive, with most feeling that the expectations of their roles/responsibilities were clear and reasonable.

There was also widespread agreement that staff would hold significant responsibility for encouraging patrons to adopt the technology and in the ongoing management of any issues.

The trial also provided insights and learnings related to the harm minimisation tools integrated into the technology such as player activity statements, take a break or self-exclusion and support contact information. While these features were widely perceived as positively impacting patrons’ ability to self-manage their gambling, it was identified that further work is needed to normalise the use of harm minimisation tools (including updating relevant terminology) to support utilisation of the features and improve its effectiveness in addressing harmful gambling. Furthermore, to be most effective, voluntary limit setting and exclusions should be applied across all NSW venues.

As to whether the technology should be rolled out as voluntary (i.e. with a ‘hybrid’ model) or mandatory, the evaluation found a voluntary hybrid model was preferred by interviewed industry stakeholders and patrons.

Independent Panel on Gaming Reform

However, the trial demonstrated in practice that a hybrid model with voluntary limits would have limited impact on gambling harm due to lack of uptake at least in the short to medium term. Industry stakeholders interviewed expressed concerns that a mandatory model would have detrimental impacts on the industry (including potential closure of some venues).

However, in order to implement the recommendations of the Crime Commission inquiry regarding AML and meaningful and effective harm minimisation through this technology, its implementation must be mandatory.

Despite the low take-up of the technology and therefore limited user feedback from the trial, the expanded evaluation methodology ensured the evaluation included a range and depth of insights into the acceptability and feasibility of the technology from a wide variety of stakeholders which is critical to informing the design of a future cashless gaming system.

Roadmap recommendations

Account-based gaming (previously referred to as 'cashless gaming')

Due to negative perceptions of the terminology 'cashless gaming' and the continued use of cash, the Executive Committee has reframed 'cashless gaming' to 'account-based gaming' when referring to the system throughout the Roadmap.

Recommendations have been developed based on a broad range of evidence – the learnings from the trial, insights from the regulatory sandbox trials, experiences of other jurisdictions, expert advice provided to the Panel, stakeholder feedback, research and past reports, inquiries and literature.

The Executive Committee recommend that the NSW Government introduce a mandatory statewide account-based gaming system, with a phased implementation approach allowing for voluntary adoption until a centralised system is fully operational, estimated to be by 2028, and subject to NSW Government completing additional analysis regarding impact on industry such as revenue and employment impacts with appropriate considerations for regional areas and border towns and other relevant factors including the social cost of gambling.

The Executive Committee developed a series of recommended principles and framework elements to inform the design of an evidence-based account-based gaming model including:



a statewide integrated system that links to a centralised database for players and has in place common standards for user-interfaces to allow for multiple providers. The centralised database/system would ensure limit settings (and possibly ID verification, if that is to be included) are universally applied across venues, while still allowing for multiple providers and solutions



opt-out default non-binding spend, deposit and time limits and universal balance limit (default limits to be determined by Government and the universal limit retained at \$5,000) to provide a 'nudge' for players whilst facilitating flexibility and choice



all players to be identified and linked to a player account to achieve AML benefits of identity linked to gaming play and winnings with consideration for reduced identification verification requirements for casual players and visitors subject to stringent criteria



reduction of the threshold for cash payouts of winnings (threshold to be determined by Government)



interoperability with other key systems including the statewide exclusion register and facial recognition technology



continued role of cash to a certain threshold (with maximum cash threshold to be determined) as trial findings highlight patron concerns about banking institutions having visibility of their gaming activity via digital payments and indicate some patrons' preference for cash



ongoing data collection for regulatory purposes and to enable automated risk monitoring and early intervention



post-implementation evaluation to assess whether intended aims of AML and harm minimisation benefits are being met.

In conjunction with these principles the Executive Committee identified key considerations to improve the design and build of the account-based gaming system to increase patron engagement and overall effectiveness.

These considerations include adoption of the term 'account-based gaming' (instead of 'cashless gaming') as an interim measure and the commissioning of technical advice and/or consumer testing to determine and adopt:

- the most appropriate terminology for the technology from a user perspective
- the most effective language and description of harm minimisation tools to enhance player engagement and ways to implement these tools
- the most effective way to leverage data analytics to flag harmful gambling and initiate early intervention action.

The Executive Committee also made recommendations related to technical and system standards and privacy and data protections that should be enacted in the rollout of the account-based gaming system, including ensuring the rollout builds on the trial experience with further advice from data privacy and cybersecurity experts and significant education and cyber-readiness for venues and technology providers.

While the trial provided some insights into the infrastructure investment costs as intended, the Executive Committee recognised there were critical gaps.

Accordingly, it has recommended establishing an Implementation Committee which includes independent technical experts and cyber experts to provide advice on the implementation of the account-based gaming system and any necessary transitional arrangements to support industry and the ongoing sustainability of the sector.

The scope of the Implementation Committee includes providing advice to Government on the future design, build and implementation of the statewide system.

This should cover technical aspects (such as data privacy and security protections, system integration for multiple providers and venues) and change management strategies to help stakeholders transition to the new system including providing advice on potential impacts on industry and employment, considerations for regional areas and border towns, training and education programs.

Gaming machine operations and trading framework

The Roadmap includes several recommendations to streamline and improve the NSW gaming machine operations and trading framework including:

- simplifying the LIA process, noting the challenges of creating a more efficient LIA process that remains accessible and meaningful for community participation without placing undue administrative burden on the industry
- revising the GME leasing scheme to address certain drawbacks identified including its impact on forfeiture, while still supporting the benefits of the scheme such as providing opportunities for small country hotels to improve financial viability and continue servicing their communities
- simplifying the forfeiture scheme and any current exemptions to best achieve the objectives of reducing GME numbers in NSW noting its complexity presents significant challenges and requires further analysis.

The Executive Committee considered the merits of a buy-back scheme but noted that such a scheme is expected to be costly and unlikely to impact GMEs in a significant way and in comparison, increased forfeiture was a more sustainable and cost-effective approach.

Following consideration of the Gaming Machine Operating Hours Framework Review, research and Panel discussions, the Executive Committee recommend the minimum six-hour shutdown period (commencing no later than 4am) be retained.

Independent Panel on Gaming Reform

The repeal of all existing variations is also recommended to allow for a uniform shutdown period, and if a new hardship variation is introduced that it be time-limited with very stringent criteria and subject to the continuous six-hour shutdown period.

The Executive Committee recommend a staged approach to reducing the cash input limit on existing EGMs to minimise disruption and duplication for industry, noting the limitations of older EGMs necessitate replacement as two-way protocol rolls out and/or to meet AUSTRAC's proposed changes to customer due diligence. Additionally, the natural 'replacement' rate of EGMs in the industry is evident in the rapid acceleration of the new \$500 cash input limit machines being installed.

Harm minimisation measures

While account-based gaming remained the primary focus for harm minimisation, the Executive Committee also discussed broader issues surrounding gambling harm and identified further opportunities to reduce harm including recommendations that the NSW Government:

- undertake a review of loyalty programs in NSW gaming venues to assess how these programs impact gambling behaviour risks and determine how they can be utilised for harm minimisation purposes
- consider improving community awareness, support and outreach through:
 - implementing mandatory and more detailed signage in venues that explicitly explains how games on EGMs calculate outcomes for each spin
 - increasing community outreach as part of GambleAware
 - supporting financial literacy school programs
 - ensuring the statewide register effectively complements support services
- engage with the Commonwealth and other governments to explore a national approach to gambling research and funding

- pursue the Gaming Machine National Standards reforms at a state level if these are not realised through the multi-jurisdictional forum
- consider aligning the maximum bet amount per spin with other states to move toward a nationally consistent approach
- retain the restriction of gaming machine advertisements including on new account-based gaming technologies.

Opportunities for legislative reform



Legislative reform will be required to implement many of the Roadmap recommendations.

The Executive Committee recognise the opportunity this presents to examine and uplift the gaming regulatory framework in NSW, including modernising the terminology to reflect contemporary practice and align with a public health approach.

Further, a statutory review of the *Gaming Machines Act 2001* is also recommended in 2028, to ensure the statutory regime including the current decision-making process and penalty provisions remain fit for purpose and appropriate.

To ensure the Roadmap reforms are effective, an evaluation is also recommended in future with the appropriate time to be determined by the NSW Government.

Use of the \$100 million Harm Minimisation Fund

Under its Terms of Reference, the Panel was required to make recommendations on the allocation of the \$100 million Harm Minimisation Fund for gaming reform to facilitate the cashless trial, implement recommendations from the trial, reduce gaming machine entitlements and fund harm minimisation programs.

Independent Panel on Gaming Reform

The Executive Committee supports use of the Fund to implement the account-based gaming system including communication and marketing, change management activities, evaluation and monitoring and any appropriate industry support and transitional requirements.

While the Executive Committee recommend use of the Fund for development and implementation of the statewide exclusion register, it is recommended that the ongoing maintenance and adoption of the register be industry funded to ensure long-term sustainability. Similarly, the Executive Committee support the use of the fund for system-wide costs associated with the implementation of facial recognition technology with installation to be industry funded.

The predominant way in which gambling harm minimisation activities are administered is through the RGF, therefore the funding arrangements for the RGF need to be proportionate to the level and source of harm in the community, robust and sustainable. The Executive Committee recommend the NSW Government work with the RGF Trust to identify how additional funds can be directed to support services and independent gambling research and to identify potential alternative sustainable sources of funding to ensure it continues to meet its objectives.

Sequencing of the Roadmap reforms

In developing the sequencing of reforms, the Executive Committee carefully considered the current complex regulatory landscape and changes including the simultaneous implementation of multiple recent and proposed reforms and broader considerations related to industry.

The phased approach outlined in the Roadmap is intended to provide a balanced way forward that prioritises implementation of critical harm minimisation measures while also allowing for an appropriate transition time to support industry viability and employment.

The implementation of account-based gaming is proposed to be rolled out across three phases:

phase 01

2024

The first phase of the implementation of account-based gaming commenced in September 2024 with the voluntary adoption of account-based gaming technology by venues that participated in the trial.

phase 02

2025
2026

Under the second phase, early adopters will be able to implement account-based gaming technology on a venue basis, while the development of a centralised account-based gaming system is underway.

phase 03

2027
2028*

The final phase is the introduction of mandatory account-based gaming. This timeframe is underpinned by the assumption that the centralised account-based gaming system will be available for onboarding and fully operational at this time and is expected to allow the industry sufficient time to transition to the new technology.

* Provided the centralised account-based gaming system is fully operational.

In conjunction with the staged implementation of account-based gaming, the Roadmap also outlines proposed timeframes for the delivery of other gaming reforms across a 4-5 year period.

02

Summary of recommendations

Summary of recommendations

1. Account-based gaming

- | | |
|---------------------------|--|
| Recommendation 1.1 | The NSW Government introduce a mandatory statewide account-based gaming system, with a phased implementation approach allowing for voluntary adoption until a centralised system is fully operational, estimated to be by 2028, and subject to the NSW Government completing additional analysis regarding impact on industry such as revenue and employment with appropriate considerations for regional areas and border towns and other relevant factors including the social cost of gambling. |
| Recommendation 1.2 | The account-based gaming system should comprise a statewide integrated system that links to a centralised database for players, with common standards for user-interfaces to allow for multiple providers. Noting there are technical challenges to be worked through for this. |
| Recommendation 1.3 | The account-based gaming system should require all players to be identified and linked to a player account, with consideration to reduced identity verification processes for casual players and visitors to NSW, subject to stringent criteria. |
| Recommendation 1.4 | The account-based gaming system should permit the continued use of cash to top up a player account (whether at cashier or at gaming machine) up to a certain amount (this daily cash deposit threshold to be determined by the NSW Government). |
| Recommendation 1.5 | The account-based gaming system should include opt-out default non-binding spend, deposit and time limits (to be determined by NSW Government) which players can amend, and retain existing universal limits of a maximum of \$5,000 on balance limit. |
| Recommendation 1.6 | The account-based gaming system should reduce the threshold for paying out winnings in cash to be consistent with either the daily cash deposit threshold or the cash input limit for new machines of \$500, whichever is lower. |
| Recommendation 1.7 | The account-based gaming system should be interoperable with other key systems including the statewide exclusion register and facial recognition technology. |
| Recommendation 1.8 | The account-based gaming system should include requirements on the collection of data on transactions and to enable automated risk monitoring. |
| Recommendation 1.9 | The account-based gaming system should be evaluated as part of the broader reforms evaluation. |

Recommendation 1.10

The NSW Government ensure that the design of the account-based gaming system includes commissioning technical advice and/or research and consumer testing to determine and adopt:

- the most appropriate terminology for 'account-based gaming' from a customer perspective
- the most effective ways to implement breaks in play and augment activity statements to enhance their effectiveness as harm minimisation tools
- the most appropriate language and description of harm minimisation tools and design aspects of account-based gaming to encourage lower-risk gambling including awareness of spend and the most appropriate ways to communicate with regular players to enhance meaningful engagement with deposit limits
- the most effective ways to leverage data analytics to identify and mitigate harmful gambling behaviour, including incorporating targeted interventions to encourage lower-risk gambling including awareness of spend.

Recommendation 1.11

The NSW Government:

- ensure the rollout of the account-based gaming system includes significant education and cyber-readiness for venues and technology providers
- ensure the rollout of the account-based gaming system builds upon the NSW cashless gaming trial experience with advice from data privacy and cybersecurity experts
- undertake a Privacy Impact Assessment as part of its considerations for implementing the account-based gaming system.

Recommendation 1.12

The NSW Government establish an Implementation Committee which includes independent technical experts and cyber experts to provide advice on the implementation of the account-based gaming system and appropriate transitional arrangements to support industry and the ongoing sustainability of the sector.

2. Gaming machine operations and trading

Recommendation 2.1

The NSW Government consider ways to simplify the Local Impact Assessment process and increase transparency.

Recommendation 2.2

The NSW Government retain the Gaming Machine Entitlement leasing scheme subject to the following revisions:

- ensure the lease agreement prices are reasonable with reference to market rates
- ensure only venues that are actively trading can utilise the scheme, with exceptions for temporary closures in certain circumstances
- require the scheme to be subject to forfeiture.

Recommendation 2.3

The NSW Government consider ways to simplify forfeiture requirements and exemptions to best achieve the objective of reducing the number of Gaming Machine Entitlements in NSW.

Recommendation 2.4

The Executive Committee notes that a buy-back scheme will be costly, estimated to be at least \$60 million, and not likely to impact gaming machine numbers in a significant way. However, should the NSW Government choose to implement a scheme, it should:

- be voluntary and open to NSW clubs and hotels
- be simple and transparent
- target the existing commitment of 2,000 Gaming Machine Entitlements over five years
- be priced at \$30,000 for a Gaming Machine Entitlement
- be used to assist and incentivise venues to implement account-based gaming.

Recommendation 2.5

The NSW Government:

- retain the minimum six-hour shutdown period, commencing no later than 4am
- repeal all existing variations, allowing a transition period for venues.

If the NSW Government chooses to implement a new hardship variation it should be time-limited with very stringent criteria and still provide for a continuous six-hour shutdown period.

Recommendation 2.6

The NSW Government reduce the cash input limit on existing gaming machines in a staged approach, targeting the higher limit machines first with all machines reduced to a \$500 limit when two-way protocol or account-based gaming system becomes mandatory.

3. Hard minimisation measures

Recommendation 3.1

The NSW Government commission a comprehensive review of loyalty programs in NSW gaming venues to examine the structure and incentives of these programs, identify any potential risks that may influence gambling behaviour, and any harm minimisation opportunities.

Recommendation 3.2

The NSW Government consider:

- implementing mandatory and more detailed signage in venues that explicitly explains how the game calculates outcomes for every spin, emphasising that individuals cannot influence or manipulate the outcome
- increasing community outreach as part of GambleAware
- supporting financial literacy school programs
- ensuring the statewide register effectively complements support services.

Recommendation 3.3

The NSW Government engage with the Commonwealth and other governments to explore a national approach to gambling research and funding.

Recommendation 3.4

If the Gaming Machine National Standards reforms are not realised the NSW Government pursue these amendments at a state level.

Recommendation 3.5

The NSW Government consider aligning the maximum bet amount per spin with other states and move toward a nationally consistent approach.

Recommendation 3.6

The NSW Government maintain current restrictions on gaming machine advertising as a harm minimisation measure, including on new mediums such as account-based gaming technologies.

4. Legislative reform

Recommendation 4.1

The NSW Government modernise the terminology in the legislative framework to reflect a contemporary and public health approach to gambling.

Recommendation 4.2

The NSW Government conduct a comprehensive evaluation of the gaming reforms to assess their effectiveness and impact at the appropriate time.

Recommendation 4.3

The NSW Government undertake a statutory review of the *Gaming Machines Act 2001* in 2028 to:

- ensure that the gaming legislative framework is modern and remains fit for purpose
- review the penalty provisions to ensure they remain appropriate
- review the effectiveness of the current decision-making framework with the legislative framework and identify avenues to allow greater flexibility.

5. Allocation of funding recommendation

Recommendation 5.1

The \$100 million Harm Minimisation Fund be used for the following initiatives:

- the design and build of an account-based gaming system
- communication/marketing and change management activities for the implementation of account-based gaming
- industry support and transitional requirements for account-based gaming implementation
- evaluation and monitoring of the account-based gaming system
- the development and implementation of the statewide exclusion register, with ongoing maintenance to be industry funded
- system-wide costs associated with the implementation of facial recognition technology, with installation to be industry funded.

Recommendation 5.2

The NSW Government work with the Responsible Gambling Fund (RGF) Trust to identify:

- how additional funds can be directed to fund support services and independent gambling research
- potential alternative funding sources for the RGF.

Recommendation 5.3

If the NSW Government implements a buy-back scheme it should be funded outside of the \$100 million Harm Minimisation Fund.

03

Roadmap for Gaming Reform



Independent Panel on Gaming Reform

2024

Allow trial participants to adopt account-based gaming

Roadmap to NSW Government

Commence additional analysis regarding impact on industry (employment, revenue) and the social costs of gambling

Establish account-based gaming Implementation Committee

2025

Allow venues to voluntarily adopt venue-based account-based gaming

Amend legislation to enable adoption of account-based gaming, and to modernise terminology to reflect a contemporary and public health approach to gambling

Commission research/advice/consumer testing on account-based gaming design

Commence development of centralised account-based gaming system

If so determined, introduce a buy-back scheme

2026

2027

Centralised account-based gaming system available for onboarding and estimated to be fully operational by 2028

Mandate account-based gaming statewide, subject to centralised account-based gaming system being fully operational

Reduce all cash input limits to \$500

Undertake a statutory review of the *Gaming Machines Act 2001*

2028

IMPLEMENTATION OF TWO-WAY PROTOCOL IN NSW

CMS changes for two-way protocol enabled

NSW Government determine timeframes for:

- Revising and simplifying existing gaming regulatory schemes of LIA, GME leasing and forfeiture
- Repealing all gaming machine operating hour variations
- Reviewing loyalty programs
- Working with the RGF Trust to improve community awareness, support and outreach
- Evaluating the Roadmap reforms

Roadmap for Gaming Reform

04

The Independent Panel on Gaming Reform

4.1. Establishment of the Panel

The Panel was established by the NSW Government in July 2023 to oversee a cashless gaming trial and provide advice by November 2024 on:

01

cashless gaming in NSW

02

the use of the \$100 million Harm Minimisation Fund

03

a Roadmap for Gaming Reform in NSW (the Roadmap).

- Mr Tony Chapman, NSW Chief Cyber Security Officer (August 2023 to August 2024) and Mr Andrew Karvinen, A/NSW Chief Cyber Security Officer, Cyber Security NSW (August 2024 to November 2024)
- Ms Rebecca Riant, Chief Executive Officer, Clubs NSW
- Mr John Whelan, Chief Executive Officer, Australian Hotels Association NSW
- Mr Jinesh Patel, Chief Executive Officer, Gaming Technologies Association
- Mr Don Hammond, Chief Executive Officer, Leagues Clubs Australia
- Professor Joel Negin, Trustee, Responsible Gambling Fund
- Ms Joanna Quilty, Chief Executive Officer, NSW Council of Social Services (August 2023 to September 2023) and Ms Cara Varian, Chief Executive Officer, NSW Council of Social Services (February 2024 to November 2024)
- Reverend Stuart Cameron, Chief Executive Officer and Superintendent, Wesley Mission
- Mr Dario Mujkic (August 2023 to August 2024) Executive Director, United Workers Union and Mr Aaron Jones, Political Coordinator, United Workers Union (October 2024 to November 2024)
- Professor Sally Gainsbury, Director, Gambling Treatment and Research Centre, Brain and Mind Centre, Sydney University
- Professor Melanie Randall, Dean of Research, Development and Integrity, Wollongong University (August 2023 to February 2024)
- Mr Nick McGhie, lived experience Panel member.

The Panel's Terms of Reference approved by the Minister for Gaming and Racing in consultation with the Premier is at **Appendix A**.

The Panel consisted of representatives from law enforcement, industry, experts and academics in the field of gambling and health, and a member with lived experience of gambling harm.

The Panel comprised:

- Mr Michael Foggo, Chair
- Dr Ursula Stephens, independent member
- The Hon Niall Blair, independent member
- Mr David Hudson, Deputy Commissioner, NSW Police

Independent Panel on Gaming Reform

The following standing guests also attended Panel meetings:

- Ms Elizabeth Mildwater, Secretary, Department of Creative Industries, Tourism, Hospitality and Sport²
- Mr William Murphy, A/Secretary (August 2023 to November 2023) and Ms Kate Boyd, Secretary, The Cabinet Office (December 2023 to November 2024)
- Ms Sonia Minutillo, Privacy Commissioner, Information and Privacy Commission New South Wales (April 2024 to November 2024).

On occasion, Panel members elected a delegate to attend meetings on their behalf. The meeting attendance of delegates is outlined in **Appendix B**.

The Chair and the two independent members formed an Executive Committee responsible for providing advice to Government in consultation with the broader Panel.

Liquor & Gaming NSW, supported by The Cabinet Office, provided secretariat support, including:

- providing meeting support, such as:
 - managing meeting invitations and attendance
 - developing agendas and papers
 - preparing and circulating minutes and action items
 - recording conflicts of interest
- researching and authoring papers for the Panel to provide information on areas determined by the Panel as its priorities for the Roadmap
- coordinating papers by Panel members and Panel member feedback on papers
- undertaking the day-to-day management of the NSW cashless gaming trial and overseeing the research activities
- coordinating the provision of external expertise to the Panel, including procuring an independent technical specialist, as well as other experts.

² Department of Enterprise, Investment and Trade at the time of Panel's establishment. It became Department of Creative Industries, Tourism, Hospitality and Sport from 1 July 2024 due to machinery of government changes.

4.2. Panel responsibilities and scope

The Panel's responsibilities are outlined in the Terms of Reference in **Appendix A**. They include reviewing research findings from the NSW cashless gaming trial and developing recommendations and preparing a Roadmap for Government.

Terms of Reference for the Independent Panel on Gaming Reform

Purpose

The Independent Panel on Gaming Reform (the Panel) will provide advice on the mandatory cashless gaming trial, the use of the \$100 million fund for harm minimisation programs and a roadmap for implementation of further gaming reform across New South Wales out to 31 December 2024.

The Chair and two independent members of the Panel will form an Executive Committee responsible for providing advice to Government on the above issues in consultation with the Panel.

Responsibilities

The Executive Committee will be responsible for the following, in consultation with the Panel:

- a. Providing advice on the 12-month cashless gaming trials in NSW hotels and clubs, including:
 - i. finalising a framework for the trial covering processes and assessment criteria
 - ii. recommending venues to participate in the trial, with a mix of hotels and clubs across metro areas of highest use, other metro areas, and regional areas
 - iii. approving updates as requested to the Minister for Gaming and Racing on progress and early findings
 - iv. reviewing research findings of the trial
 - v. developing recommendations for Government, taking into consideration infrastructure investments required, impact on employment and industry, impact on gambling harm, options to further reduce gambling harm, and impact on reducing money laundering.
- b. Providing advice to inform a gaming reform implementation roadmap by November 2024 detailing:
 - i. principles governing the development and implementation of further gaming reform in NSW, and the critical considerations for communities, law enforcement, harm minimisation, anti-money laundering and the industry
 - ii. milestones for the possible delivery of mandatory gaming reform in all NSW hotels and clubs, provided the research findings of the trial support this objective
 - iii. the recommended technical and system standards and privacy and data protections that should be adopted by Government
 - iv. further measures arising from the trial of cashless gaming that should be taken in consideration to stop money laundering, minimise the harm caused by EGM gaming to individuals and community, and support the ongoing economic sustainability of the sector and the maintenance of jobs, with a particular focus on smaller venues, regional venues, and border town venues.
- c. Making recommendations on the use of the \$100 million harm minimisation fund, which will help:
 - i. facilitate the 12-month cashless trial
 - ii. implement recommendations from the trial
 - iii. reduce gaming machine entitlements; and
 - iv. fund harm minimisation programs.
- d. Consulting with additional industry representatives, harm minimisation experts, academics and relevant experts and other relevant representatives as the Panel determines.
- e. Consulting with Liquor & Gaming NSW, the Cabinet Office and NSW Treasury as required on a proposed review of the ClubGRANTS Scheme which will be undertaken separately to, but concurrently with, the work of the Panel.

While the Executive Committee will be responsible for the provision of advice to Government, this advice will be prepared in consultation with the broader Panel.

Independent Panel on Gaming Reform

The Minister for Gaming and Racing also requested the Panel provide advice on some of the Government's election commitments including:

- reducing the number of gaming machine entitlements, including increasing forfeiture and a buy-back scheme
- reducing cash input limits on older gaming machines
- expanding the self-exclusion register statewide and providing for third-party exclusions
- mandating the use of facial recognition technology in hotels and clubs to support the enhanced exclusion schemes.

In June 2024, the Panel provided advice to the Minister for Gaming and Racing on the implementation of the election commitments on mandatory facial recognition in hotels and clubs, third party exclusion and the statewide exclusion register. This is set out in **Appendix C**.

The Minister for Gaming and Racing also referred several reports to the Panel for its consideration and recommendations:

- Evaluation of the 2018 Gaming Machine Reforms Report.³ This report evaluated the various gaming machine reforms that commenced in 2018 as part of the *Gaming Machines Amendment (Leasing and Assessment) Act 2018* including the implementation of recommendations from the 2017 Local Impact Assessment Review⁴ and the introduction of a GME leasing scheme.

- Impact of electronic gaming machine (EGM) late night play on EGM player behaviour research report.⁵ This research found there are risks associated with late-night play.
- Evaluation of the Cashless Gaming Trial at the West Suburbs Newcastle Leagues Club (West's New Lambton).⁶ This report outlined the findings of the Regulatory Sandbox cashless trial at West Newcastle in 2023.
- Evaluation of the Cashless Gaming Trial at Club York.⁷ This report outlined the findings of the Regulatory Sandbox cashless trial at Club York in 2023.
- Review of Gaming Machine Shutdown Hours Framework Report.⁸ This report reviewed the mandatory six-hour gaming machine shutdown period and the use of variations to the shutdown period.
- A better bet: How Australia should prevent gambling harm.⁹ This report, released by the Grattan Institute, explored how Australia should prevent gambling harm.

The Panel has considered these matters as part of developing this Roadmap.

³ Liquor & Gaming NSW. (2022). Evaluation of the 2018 Gaming Machine Reforms. www.liquorandgaming.nsw.gov.au/_data/assets/pdf_file/0015/1215042/Evaluation-of-the-2018-Gaming-Machine-Reforms.pdf

⁴ Liquor & Gaming NSW. (2017). Review of the Local Impact Assessment Review and Government Response. www.liquorandgaming.nsw.gov.au/documents/public-consultations/local-impact-assessment-review/cp5244-review-of-the-local-impact-assessment-review-report-response-recommendations.pdf

⁵ Stevens, M. & Roy Morgan Research. (2023). Impact of electronic gaming machine (EGM) late night play on EGM player behaviours. Commissioned by the NSW Responsible Gambling Fund.

⁶ Delfabbro, P. (2023). Evaluation of the Cashless Gaming Trial at the West Suburbs Newcastle Leagues Club (West's New Lambton). https://www.liquorandgaming.nsw.gov.au/_data/assets/pdf_file/0011/1295588/evaluation-of-the-cashless-gaming-trial-at-west-s-new-lambton.pdf

⁷ Schottler Consulting. (2024, September). Evaluation of a digital card/app trial under the Liquor & Gaming NSW Regulatory Sandbox: An evaluation of a digital card/app for EGM payment at Club York. Prepared for Liquor & Gaming NSW.

⁸ Liquor & Gaming NSW. (2024, August). Review of Gaming Machine Shutdown Hours Framework Report.

⁹ Sathanapally, A., Griffiths, K., and Baldwin, E. (2024). A better bet: How Australia should prevent gambling harm. Grattan Institute.

4.3. Development of the Roadmap for Gaming Reform

The Panel met 19 times between August 2023 and November 2024 to oversee the NSW cashless gaming trial and develop the Roadmap.

This included monthly meetings, two out of session meetings and a full day workshop. The Executive Committee met an additional 30 times between August 2023 and November 2024 including meetings with stakeholders, Panel meeting preparation and Roadmap development meetings.

The Panel's initial focus was on establishing the NSW cashless gaming trial; it then agreed on its priorities for the Roadmap and considered the development of the Roadmap whilst overseeing the trial.

The Panel met to discuss a range of topics related to the trial and gaming reform in NSW. Panel members were required to complete a conflict of interest register, which was circulated to all members prior to each Panel meeting.

The agenda and further details for each Panel meeting are provided in **Appendix B**, along with additional detail on attendance.

The Panel was provided background information for each topic by the Secretariat for discussion either at a meeting or for written feedback out of session. Panel members were also invited to provide written submissions to be circulated to the Panel, when appropriate.

Throughout the Panel's term, members engaged with multiple stakeholders and experts and reviewed 218 papers and reports, totalling over 2,450 pages of material.

The Roadmap provides recommendations for gaming reform on the following topics:

- principles and framework for account-based gaming (previously referred to as cashless gaming) including data and privacy protections, infrastructure investment and impact of a future roll-out on industry and employment
- gaming machine operations and trading framework including current EGM trading and leasing schemes, EGM operating hours framework, reducing the number of GMEs and reducing the cash input limit on older machines
- harm minimisation measures, including a review of loyalty programs, increasing community awareness of support services, gambling harm minimisation research, restricting harmful EGM features and advertising
- opportunities for legislative reform including modernising the terminology in the legislative framework, conducting a comprehensive evaluation of the Roadmap reforms and undertaking a statutory review of the *Gaming Machines Act 2001*
- allocation of the \$100 million Harm Minimisation Fund
- timeframes and sequencing of the Roadmap reforms.

The Executive Committee developed and finalised the recommendations in consultation with the broader Panel, considering a variety of views and positions. Panel members provided alternative views on the final draft recommendations (**Appendix D**). Edits were made to the draft recommendations post-feedback.

4.4. Stakeholder engagement

Under the Panel's Terms of Reference experts were invited to provide advice, including external experts and government bodies such as the NSW Crime Commission, NSW Information and Privacy Commission, and AUSTRAC. The Panel consulted with the following stakeholders in gathering information to help inform its deliberations:

- AUSTRAC
- Australian Banking Association
- ILGA
- Victorian Gambling and Casino Control Commission
- South Australian Government
- Office of the Cross-Border Commissioner
- GambleAware Mid and Northern NSW
- North Coast Aboriginal Development Alliance
- MAX Gaming (NSW CMS provider)
- Hotel and club gaming machine entitlement brokers
- Cashless trial venues and technology providers.

4.5. Expert support

Liquor & Gaming NSW, on behalf of the Panel, engaged third-party experts where necessary to support the Panel's oversight of the trial and development of the Roadmap. 3arc Social were engaged to conduct the research and evaluation of the trial, including interviews with patrons and trial participants. The 3arc Social report is set out in **Appendix E**.

Gaming Consultants International was also engaged to provide advice on technical aspects and options related to account-based gaming. This information informed the Panel's consideration of the trial findings and the account-based gaming related recommendations of this report.

05

NSW gaming machine environment

5.1. Complexities of NSW gaming machine environment

The EGM environment in NSW is highly complex which presents challenges in implementing a unified statewide gaming system such as account-based gaming.

NSW has the highest number of GMEs in Australia, with 95,768 GMEs (including 2,300 PMPs) across almost 2,270 venues. This comprises 1,210 hotels with 23,228 GMEs (including 2,300 PMPs) and 1,057 clubs with 72,540 GMEs.¹⁰ There are numerous gaming systems operated by a range of manufacturers which further adds to the complexity.

An extensive legislative and regulatory framework of interrelated laws, regulations, standards, license conditions and policies oversee the NSW gaming environment, in conjunction with applicable federal legislation including (but not limited to) AML/CTF and privacy laws.

**NSW has the
highest number of
GMEs in Australia**

A significant number of gaming reforms have recently been implemented and/or announced by the NSW Government, including:

- reducing cash input limits on new gaming machines from \$5,000 to \$500 from 1 July 2023
- banning of external gambling signage from 1 September 2023
- introduction of Responsible Gambling Officers in venues with more than 20 GMEs from 1 July 2024, together with gambling incident registers, gaming plan of management and requirement for advanced training for senior management
- restrictions on the signage of cash dispensing facilities in gaming venues, and on their location and visibility, from 1 July 2024 and 1 January 2025 respectively
- review of the ClubGRANTS Scheme conducted by Liquor & Gaming NSW in consultation with NSW Treasury and The Cabinet Office
- implementation of a statewide exclusion register, third-party exclusion scheme and mandating the use of facial recognition technology (FRT) in hotels and clubs to enhance the exclusion scheme.

Examining other jurisdictions assists in understanding the scale of the NSW gaming environment. Jurisdictions, such as Victoria and Tasmania, have vastly different environments, including significantly fewer machines and fewer venues.

For every 1000 adults, there are:

- 13.6 gaming machines in NSW
- 13.1 machines in Northern Territory
- 10.3 machines in Queensland
- 9.7 machines in ACT
- 8.6 machines in South Australia
- 7.2 machines in Tasmania
- 5.4 machines in Victoria.¹¹

¹⁰ As at 1 October 2024. Liquor & Gaming NSW, (2024). Licensed premises data: Premises List as at October 2024. <https://www.liquorandgaming.nsw.gov.au/resources/licensed-premises-data>.

¹¹ Queensland Government Statistician's Office (2024). Australian Gambling Statistics, 39th edition, 1997-98 to 2022-23. <https://www.qgso.qld.gov.au/statistics/theme/society/gambling/australian-gambling-statistics>. ABS (2024). National, State and Territory Population, March 2024. Australian Bureau of Statistics. <https://www.abs.gov.au/statistics/people/population/national-state-andterritory-population/latest-release>.

5.1.1. Victoria

The total number of EGMs allowed in Victoria is 30,000, and there are currently approximately 480 venues with EGMs.



The distribution of machines also differs. In Victoria, 2,628 are allocated to the Melbourne casino and half of the remaining 27,372 are allocated to clubs, and the other half to hotels.¹²

Victoria has YourPlay, a carded system that is mandatory for venues, but voluntary for players, and was designed for pre-commitment purposes. There is currently no similar universal system in NSW that supports this type of technology, noting that the carded play system is less sophisticated than the digital wallet technology trialled in NSW.

5.1.2 Tasmania

Tasmania has approximately 3,300 EGMs across about 90 venues (approximately 4 per cent of the number of EGMs in NSW).



In 2021, the state moved from a single gaming operator model to an individual venue operator model that took effect from 1 July 2023.

Tasmania also established a Licensed Monitoring Operator to monitor the hotel and club EGM network from 1 July 2023 which included the provision of a card-based solution in the tender. This allows Tasmania to have the cashless gaming system administered centrally via a single host to manage the registered cards and pre-commitment limits and facilitate storage of player data.

5.1.3. Comparison to NSW

EGMs are distributed widely across NSW in both metropolitan and regional areas.



In contrast, smaller states like Victoria and Tasmania have fewer remote areas and more concentrated populations, making it comparatively easier to implement statewide systems. NSW's geographical diversity presents unique challenges that are less pronounced in states like Victoria but more similar to those in larger states like Queensland.

Regional and remote areas often face limitations in essential support infrastructure, such as stable internet connectivity, which is critical for real-time system operations. Additionally, venues in remote regions often have varying levels of technological maturity and resources, further complicating efforts to implement and maintain an advanced system such as account-based gaming.

NSW currently lacks a central system to manage gaming operations. Instead, it operates a CMS primarily designed to monitor and ensure the integrity of gaming machine operations and calculate a venue's gaming machine tax. All gaming machines operating in NSW must be connected to the CMS.

All EGMs in NSW operate with a one-way communication protocol that only allows for data to be sent from an EGM to the CMS. NSW is in the process of transitioning to a two-way protocol which would allow for two-way communication between the CMS and EGMs.

¹² Victorian Gambling and Casino Control Commission. (2016). Gaming machine caps and limits. <https://www.vgccc.vic.gov.au/gambling/gaming-venue-operator/understand-your-gaming-licence/caps-and-limits>

Another key challenge in NSW is the number of operators. There are almost 2,270 venues entitled to operate EGMs, as compared to Victoria's 480 and Tasmania's 90 venues. The decentralised operator model in NSW makes it more difficult to implement a cohesive gaming system across the state as each venue operates its EGMs independently and has commercial relationships with different gaming manufacturers for its venue management system (VMS).

This also means that data storage is managed locally through a VMS. All gaming machines in NSW clubs and hotels are currently X Series machines, operating on X Series protocol. These are standalone devices, responsible for all aspects of its own functioning and can operate without a VMS. However, many venues choose to operate with a VMS for purposes of internal data gathering or offering player loyalty features. The CMS does not connect to or draw any data from a VMS. This set-up limits the capacity to implement a cross-venue gaming system as there is no unified infrastructure for sharing data.

The current framework in NSW operates on a model where individuals anonymously engage with an EGM and individual play cannot be traced unless they are using a player card, which is usually part of a venue-based loyalty scheme. All EGMs in NSW are assigned a unique ID that facilitates EGM data collection via the CMS whilst individual user data is not tracked.

The ability to trace transactions for AML purposes will require a transition from this machine-centric approach to a user-centric model which is a significant shift.

5.2. Current NSW cashless gaming environment

While many patrons continue to use cash to pay for credits on gaming machines, cashless card-based gaming is already permitted under the current regulatory framework.

Cashless card-based gaming is where player cards linked to venue-based player accounts are topped-up with cash via a cashier. Funds on the card are credited onto the gaming machine digitally as opposed to cash being inserted directly into the gaming machine.

Player cards are often linked to player reward schemes. Patrons can track their spending with a player card by requesting activity statements from the venue. Patrons can only track their gaming play while the player card is inserted into the EGM. Player gaming activity information is not made available to the regulator. This cashless card-based gaming is also referred to as 'carded play', where the player card is linked to a player's identity.

Ticket-In Ticket-Out (TITO) tickets are also considered cashless gaming. Cash is deposited into an EGM, and any unused credits are stored on a ticket which can then be used to fund gaming play on another machine.

However, some of these legacy systems are not optimal for addressing concerns related to money laundering and gambling harm as they either allow for anonymous gaming play and/or do not offer sufficient harm minimisation tools.

Independent Panel on Gaming Reform

Cashless payment technology, on the other hand, allows for the card (either physical or digital) or EGM to be funded digitally without the need for cash. The current regulatory framework does not allow for cashless payment technologies for EGMs.

With the decline in cash transactions throughout the economy, the gaming industry has been eager to trial cashless gaming technologies. To facilitate this, Liquor & Gaming NSW has been working with gaming manufacturers since 2021 to establish trials of cashless payment technologies for EGMs within its Regulatory Sandbox.¹³

The cashless payment technologies developed by manufacturers and trialled within the NSW Regulatory Sandbox vary in their levels of complexity, investment and installation. These range from a cashless player card (a physical magnetic stripe card) to more complex solutions such as digital wallets which have more technical and implementation costs and barriers to be managed in addition to greater benefits for users.

In NSW, two industry funded trials were completed via a 'Regulatory Sandbox' framework that was established under section 66 of the *Gaming Machines Act 2001*.

01 The Wests Newcastle trial commenced in October 2022 and concluded in June 2023. The trial started with 36 gaming machines and expanded to 144 machines. The independent research report for this trial is available on the [Liquor & Gaming NSW website](https://www.liquorandgaming.nsw.gov.au/operating-a-business/gaming-licences/regulatory-sandbox-trials).¹⁴

02 The Club York trial commenced in April 2023 and included all 112 gaming machines at the venue. The trial concluded in October 2023 and the independent research report for the trial has been published on the [Liquor & Gaming NSW website](https://www.liquorandgaming.nsw.gov.au/operating-a-business/gaming-licences/regulatory-sandbox-trials).¹⁵

The trials allowed for new technologies to be tested in a real-world setting, in a small and controlled manner, to allow for impact assessment and the identification of safeguards mitigate potential risks.

¹³ Liquor & Gaming NSW. (2022). Regulatory Sandbox Trials. <https://www.liquorandgaming.nsw.gov.au/operating-a-business/gaming-licences/regulatory-sandbox-trials>

¹⁴ Liquor & Gaming NSW. (2022). Regulatory Sandbox Trials. <https://www.liquorandgaming.nsw.gov.au/operating-a-business/gaming-licences/regulatory-sandbox-trials>

¹⁵ Liquor & Gaming NSW. (2022). Regulatory Sandbox Trials. <https://www.liquorandgaming.nsw.gov.au/operating-a-business/gaming-licences/regulatory-sandbox-trials>

06

NSW cashless
gaming trial

6.1 Overview

The NSW Government committed to a trial of cashless gaming in NSW hotels and clubs on at least 500 EGMs and to establish an independent panel to oversee the trial and to provide Government with a roadmap for gaming reform.

The trial was in response to an inquiry by the NSW Crime Commission into EGMs in hotels and clubs in 2021–2022. The inquiry found that a significant amount of money put through gaming machines were the proceeds of crime.¹⁶

The inquiry noted that:

- EGMs constitute a money laundering risk because they primarily accept cash
- the extent of money laundering via EGMs cannot be precisely quantified, but was assessed to be widespread and significant
- mandatory cashless gaming will minimise money laundering associated with EGMs by removing anonymity and increasing traceability of EGM related transactions
- hybrid/voluntary systems will not address money laundering and could be exploited
- EGM cash load-up limits are a money laundering vulnerability because some allowed for up to \$10,000 in cash to go into an EGM at any one time and higher value bank notes can be laundered in a short time.

The Crime Commission recommended the NSW Government introduce a mandatory cashless gaming system to minimise EGM related money laundering within pubs and clubs, allowing gaming play to be linked to identity, movement of funds to be recorded if required for law enforcement purposes, and significantly limit the presence of cash in venues.

The NSW Government proposed a trial to get the balance right and have an evidence-based roadmap for future gaming reforms to reduce gambling harm and prevent money laundering and ensure the industry and sector can smoothly transition in a way to secure its future and protect those employed in clubs and hotels.¹⁷

The NSW Government established the Independent Panel on Gaming Reform in July 2023, with careful consideration of the Panel's composition, having regard to Panel members' backgrounds, experience and skillsets to ensure it is well placed to provide balanced and expert advice about gaming reform.

¹⁶ State of NSW (NSW Crime Commission), 2022, Project Islington – Inquiry into Money Laundering via Electronic Gaming Machines in Hotels and Clubs. <https://www.crimecommission.nsw.gov.au/final-islington-report.pdf>

¹⁷ NSW Government. (2023). NSW Government announces Independent Panel to oversee Gaming Reform Roadmap. <https://www.nsw.gov.au/media-releases/gaming-reform-roadmap>

6.2 Trial Design

The Panel's first priority was to establish the NSW cashless gaming trial.

This involved the development of a framework which covered processes and assessment criteria, in line with its Terms of Reference. The Panel carefully considered the design and framework of the trial, including its structure, minimum requirements and objectives.

6.2.1 Hybrid trial model



A key consideration by the Panel was whether the trial would be voluntary or mandatory with a fully cashless or hybrid model.

The Panel considered that the Regulatory Sandbox trials were conducted under a voluntary hybrid model, which allowed patrons flexibility and choice in how they funded EGM play (i.e. continue using cash-based technology or trial the new technology).

The Panel acknowledged that a fully cashless model requiring venues to only accept cashless payments for EGMs would address a key finding from the Wests Newcastle trial about patrons reverting to legacy (cash) systems rather than new technology.¹⁸ However, the Panel was also mindful of the risks of this approach.

The Panel acknowledged that a fully cashless model on a venue-by-venue basis (as opposed to a statewide basis) may lead to perverse outcomes for the trial, whereby patronage (and thus revenue) would be displaced to other venues that did not have these restrictions on EGM payment methods. This was considered especially for metropolitan areas, where patrons can readily move to another venue, within easy proximity, which operates with cash. This would not only have provided a biased trial environment but could have also led to venues seeking compensation from the Government for any lost revenue.

The Panel also considered the difficulty in forcing patrons to participate in a mandatory trial without incentives, which could be considered inducements to gamble as it's intrinsically linked to gaming machine play.

The Panel considered the higher cost impact and difficulty of imposing a fully cashless model for the trial. The Panel was informed that there were key challenges in implementing cashless technology on older EGMs, specifically that they may not be compatible with upgrades that enable new cashless technology. These EGMs would require a manual hardware retrofit to physically stop cash and TITO tickets being inserted. This would have had significant cost implications for trial venues and technology providers, including additional costs to venues if they then had to uninstall any retrofitted EGM equipment following the cessation of the trial.

The Panel deliberated on the potential benefits and recognised the risks of imposing a mandatory trial model on venues and patrons, including the risk of losing stakeholder support for the trial. This may have resulted in industry making a significant investment that would not produce meaningful outcomes and potentially lead to venues seeking compensation from the Government. In addition, as patrons could not be compelled to use the technology, they could simply go to another venue, which would have yielded biased trial findings.

¹⁸ Delfabbro, P. (2023). Evaluation of the Cashless Gaming Trial at the West Suburbs Newcastle Leagues Club (Wests New Lambton). https://www.liquorandgaming.nsw.gov.au/_data/assets/pdf_file/0011/1295588/evaluation-of-the-cashless-gaming-trial-at-wests-new-lambton.pdf

The Panel discussed the challenges under a hybrid model. A key challenge identified was the difficulty in extrapolating the impact of the technology in a hybrid model. There were concerns that players could use cash to circumvent the protections being put in place by the minimum requirements.

The Panel considered all these factors and weighed up the risks and benefits of these models. Ultimately the Panel determined that the trial would use a hybrid voluntary model, where it would be voluntary for industry to participate, and venues could offer both existing cash-based technologies as well as the new technology.

Design options for the trial were considered by the Panel. This included a trial designed to cover an entire town/area which would eliminate the issue about displacement to other venues in nearby proximity due to the trial venue having certain requirements/restrictions.

However, the Panel acknowledged that the purpose of the trial was to better understand the issues and practical challenges of rolling out cashless gaming and such an approach would not address this purpose. The Panel discussed that, depending on the venues that applied to participate in the trial, this may organically eventuate.

6.2.2 Minimum requirements

The Panel established minimum requirements to ensure the trial had strong AML and gambling harm minimisation measures as well as strong data security and privacy protections in place.

The Panel also acknowledged having minimum requirements allowed for uniformity when testing different products in different areas, and determined that the trial evaluation would be carried out by a single independent researcher to allow for consistency across the trial.

The Panel acknowledged the complex gaming ecosystem in NSW (see **section 5.1**) and considered the age and location of EGMs in NSW, with distribution of machines of all ages spread out across metropolitan and regional venues.

The Panel considered the existing technologies in place to fund EGM play and the outcomes of previous trials under the Regulatory Sandbox. Insights from the Regulatory Sandbox process and early learnings from the trial in Wests Newcastle that ended in June 2023 were considered carefully by the Panel in designing its trial framework. This included the need for:

- mandatory minimum standards or requirements for new technology
- rigorous data and privacy protections to safeguard patron data and privacy
- providing patrons with options and flexibility in terms of which EGMs (i.e. most or all EGMs in a venue)
- sufficiently trained staff that were equipped to engage with patrons
- an easy and simple sign-up process for patrons
- an effective communication strategy to increase patron awareness of trial.

The Panel also considered the features recommended by the Crime Commission Inquiry for a mandatory cashless gaming system,¹⁹ including:

- customer identification requirements consistent with AML/CTF requirements
- the ability to record amounts, times, turnover, losses/wins, and types of games played on an EGM against a player's gaming account (the Inquiry referred to a player card)
- only allowing one-to-one links between a player's gaming account and a bank account and limits on changing accounts

¹⁹ State of NSW (NSW Crime Commission), 2022, Project Islington – Inquiry into Money Laundering via Electronic Gaming Machines in Hotels and Clubs. pp19-21.
www.crimecommission.nsw.gov.au/final-islington-report.pdf

Independent Panel on Gaming Reform

- limiting the amount of cash able to be loaded on to a player gaming account in a single day to a maximum of \$1,000 (in line with the casinos)
- ensuring only a single player gaming account per person, and that the maximum cash-load limit apply and be monitored across all venues (pubs, clubs, and casinos).

The Panel also considered the need for any cashless gaming technology to be interoperable with any EGM or system especially for a potential future rollout, however, was informed that many solutions currently developed by technology providers are tailored to specific gaming venue systems and remain distinctly separate solutions. This was factored in by the Panel when considering the minimum requirements.

Relatively recent high-profile privacy and data breaches and incidents, such as the Medibank²⁰, Optus²¹ and Latitude²² issues also reinforced to the Panel the need for stringent cybersecurity, privacy and data handling and storage controls and safeguards. The storage of personally identifiable patron gaming and financial data was a significant concern and the Panel considered this in designing the minimum requirements for cyber protections.

Taking all of these factors into account, the Panel established the following minimum requirements for the trial for technology providers:

- **basic specifications including:**
 - requiring the proposed solution to be a digital payment platform or a cashless player card
 - preferably able to be operable with any EGM/system
 - discretionary requirement to allow the Panel to consider other innovative solutions if it met all other requirements.

- **robust AML protections including:**
 - customer due diligence and KYC process as per AML/CTF laws
 - only one account per player
 - account to be linked to an Australian bank account/debit card
 - cash top-ups of proposed solution up to \$1,000
 - trackable movement of funds between technology and EGMs
 - ability to make tracked player data available for law enforcement purposes on request.
- **data security and privacy protections including:**
 - effective risk assessment and management systems in place that identify risks, establishes and maintains controls designed to mitigate these risks, and monitors these controls to ensure they are effective
 - an incident management and response plan detailing the actions to be taken in the event of a cyber attack, major outage, or significant disruption to the system
 - a list of the roles and responsibilities of all parties that are contracted or subcontracted to provide services connected to, or in association with, the cashless gaming technology solution
 - contemporary information security practices including technological controls to ensure player funds and information cannot be accessed or used by third parties
 - deployment of a robust digital financial system that is Payment Card Industry Data Security Standard (PCI DSS) compliant to ensure integrity and security of payment transactions and/or storage of funds

²⁰ Australian Federal Police. (2024). Statement by AFP Commissioner Reece Kershaw on Medibank Private data breach. Medibank Newsroom. <https://www.medibank.com.au/livebetter/newsroom/post/statement-by-afp-commissioner-reece-kershaw-on-medibank-private-data-breach>

²¹ Queensland Government. (2022). Optus data breach. <https://www.qld.gov.au/community/your-home-community/cyber-security/cyber-security-for-queenslanders/case-studies/optus-data-breach>

²² Latitude Financial. (2023). Latitude Cyber Incident. <https://www.latitudefinancial.com.au/latitude-cyber-incident/>

Independent Panel on Gaming Reform

- assurances that all data collection, storage, security, use, disclosure, access and correction of information associated with the cashless gaming technology (including gaming systems, payment systems, cloud storage etc) comply with the relevant provisions from the *Privacy Act 1988* (Cth) including the Australian Privacy Principles and the *Gaming Machines Act 2001*
 - the ability to provide the Panel or the regulator with high level system architecture documentation outlining the flow of information, data storage and governance
 - data and privacy rules to ensure player data cannot be unlawfully accessed or shared, used for target marketing or other strategies intended to encourage or increase gambling
 - the ability to provide authorised researchers with secure and de-identified player data with consent for the purpose of the trial evaluation
 - a decommissioning plan that includes archiving of project information but does not preclude access to the data set for researchers.
- **harm minimisation protections including:**
 - minors prevented from accessing/using the technology
 - opt-out individual daily deposit limit immediately prior to first deposit
 - opt-out customisable gambling spend and time limits. 24-hour delay to increase limits, immediate for decreasing limit. Gaming machine play using the technology to be disabled when limits are surpassed
 - players able to get real-time access to easily interpretable play information summaries using the technology
 - ability to interface with external systems to verify excluded patrons and prevent them from using the technology to fund gaming machine play
 - players able to self-exclude (six months or more) or 'take-a-break' (24 hours minimum) from venue using the technology
- support services information easily accessible for players
 - inability to gamble on credit, i.e. prevented from using credit card to fund the technology
 - players actively choose to deposit funds into the technology (i.e., no automatic top-ups), no default to transfer entire gaming wallet, no pre-set or suggested transfer amounts (e.g. no anchors)
 - maximum limits - \$5,000 gaming balance limit, \$500 top-up limit, \$5,000 payout limit that can be directly credited to the wallet. Prize amounts exceeding \$5,000 either quarantined for a minimum of 24 hours or transferred to the player's bank account
 - players actively choose what to do with prize money if it exceeds \$500 but is \$5,000 or less (i.e., quarantine funds, withdraw to bank account, continue playing)
 - provide for a delay in accessing additional funds to mirror breaks in play associated with leaving gaming areas to obtain funds from ATMs
 - ability to support automated risk monitoring to alert staff to excessive play periods and significant expenditure.

The Crime Commission Inquiry recommendation for a one-to-one link between player account and bank account (i.e. restricting a player account from receiving money from multiple accounts and from transferring money to multiple accounts) was incorporated by the Panel in requiring the movement of funds to be from an Australian bank account. The solutions also needed to ensure that only one Australian bank account was linked to the player account at any one time. This approach allows for the players to update their bank account if required.

Independent Panel on Gaming Reform

In determining the minimum requirements for harm minimisation protections, the Panel considered research and existing harm minimisation measures in place in NSW.²³ For example:

- the requirement to provide a delay in loading additional funds reflected the existing break in play of accessing cash from an automatic teller machine (ATM)
- the gaming balance limit reflected the existing player account limit
- the requirement for payouts exceeding \$5,000 to be automatically quarantined or withdrawn is consistent with the maximum cash prize money allowed under gaming regulation.

The Panel acknowledged the need for tracked player data for research and evaluation purposes but highlighted that this would need to be de-identified to protect patrons' privacy.

The Panel considered the increasing role being played by financial institutions in gambling harm minimisation and sought to understand more about the protections that financial institutions may offer. The Panel considered setting a minimum requirement on preventing transfers from overdrawn accounts to fund the technology, however accepted advice that this was outside of the technology providers' ability to verify and noted it could be a future consideration of any rollout.

The Panel established the following minimum requirements for the trial venues:

- a current licence and no adverse gambling-related compliance history in last five years
- a minimum of 10 EGMs (although the Panel was lenient when assessing against this criterion if a venue with less EGMs applied to participate)
- willing to have the technology installed
- willing to facilitate staff training to support patrons to use the cashless technology
- willing to support the trial evaluation by providing authorised researchers with access to venue employees and patrons, and relevant finance and operations statements
- compliant with the relevant State/Commonwealth privacy, data protection and cybersecurity legislation and guidelines.

Given potential risks of venues seeking compensation, the Panel also required applicants to acknowledge that the NSW Government could not be held liable for any revenue decrease or disruptions to operations resulting from participation in the trial and/or any costs incurred.

²³ Gainsbury, S. M. & Blaszczynski, A. (2020). Digital gambling payment methods: Harm minimisation policy considerations. *Gaming Law Review*, 24(7), 466-472. <https://doi.org/10.1089/glr.2020.0015>; Catania, M., & Griffiths, M. D. (2023). Analysing consumer protection for gamblers across different online gambling operators: A replication study. *International journal of mental health and addiction*, 21, 1882-1897. <https://doi.org/10.1007/s11469-021-00695-9>; Blaszczynski, A. Sharpe, L. Walker, M. (2001). The Assessment of the Impact of the Reconfiguration on Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling. University of Sydney Gambling Research Unit, 1-90. https://www.researchgate.net/publication/237461242_The_Assessment_of_the_Impact_of_the_Reconfiguration_on_Electronic_Gaming_Machines_as_Harm_Minimisation_Strategies_for_Problem_Gambling; Hare, S. (2021). What is the impact of cashless gaming behaviour and harm? Victorian Responsible Gambling Foundation, <https://responsiblegambling.vic.gov.au/resources/publications/what-is-the-impact-of-cashless-gaming-on-gambling-behaviour-and-harm-1021/#:-:text=Findings,gambling%20harm%20in%20some%20consumers>; Santon, T. B. (2023). Exploring the Harm Reduction Potential of Cashless Gambling Payment Systems for Electronic Gaming Machines. [Doctoral thesis, School of Psychology, Faculty of Science, The University of Sydney]; Livingstone, C. Rintoul, A & Francis, L. (2014). What is the evidence for harm minimisation measures in gambling venues? Evidence Base 2014, 1-24. <https://anzsog.edu.au/research-insights-and-resources/research/what-is-the-evidence-for-harm-minimisation-measures-in-gambling-venues/>; Riley, B.J.; Oakes, J.; Lawn, S. (2024). Gambling Harm-Minimisation Tools and Their Impact on Gambling Behaviour: A Review of the Empirical Evidence. *Int. J. Environ. Res. Public Health* 21(998). 1-17. <https://www.mdpi.com/1660-4601/21/8/998>; Harris, A. & Griffiths, M. D. (2016). A Critical Review of the Harm- Minimisation Tools Available for Electronic Gambling. *J Gambli Stud* 33, 187-221. <https://doi.org/10.1007/s10899-016-9624-8>

6.2.3. Trial objective

The Panel considered a range of matters in determining the objective of the trial, including the Government's commitment and the Panel's Terms of Reference.

The Terms of Reference required the Panel to develop recommendations for Government in relation to the possible introduction of cashless gaming in hotels and clubs, taking into consideration:

- infrastructure investment required
- impact on employment and industry
- impact on gambling harm
- options to further reduce gambling harm
- impact on reducing money laundering.

The Panel discussed the timeframes set out in the Terms of Reference to deliver recommendations and noted that given the time constraints, it would not be possible to assess the effectiveness or impact of the measures. This was because a trial of this nature would be unlikely to elicit this information, even if it was to run for two or three years.

The Panel therefore determined that feasibility and acceptance of the technology would be the main objective of the trial. Given the timeframe, the Panel determined that the trial could only offer insights on the other aspects such as gambling harm, employment and industry, and cost and infrastructure requirements.

The Panel discussed the difficulties in measuring impact on money laundering, especially in a trial setting where potentially, those seeking to engage in this activity would be deterred due to trial monitoring.

Following these discussions, the Panel resolved that the primary practical objective of the trial was to ensure any cashless gaming rollout is feasible without unduly impacting industry viability, whilst also minimising gambling harm and money laundering risks.

NSW cashless gaming trial objectives

To examine the feasibility and acceptance of implementing cashless gaming technologies in all hotels and clubs in NSW, and in doing so gain insights from the technology on:



reducing gambling harm in NSW hotels and clubs



reducing money laundering in NSW hotels and clubs



the hotel and club industry and the people they employ



the infrastructure and cost requirements for hotels and clubs in relation to any rollout of cashless gaming technology.

Feasibility and acceptance were defined as follows:

- **feasibility:** the extent to which the cashless gaming technology can be effectively implemented into clubs and hotels across NSW. This includes factors that may affect implementation including demand, ease of delivery, practicality (in terms of costs, required resources etc.), flexibility, fit to population, and some aspects of acceptance (see definition below).
- **acceptance:** the willingness of key stakeholders, especially end users, to adopt and use cashless gaming technology upon implementation and in a real-world setting. Acceptance is made up of multiple factors including (among others) usability, perceived usefulness, level of security, and social norms.

6.2.4. Trial evaluation

The Panel considered a high-level trial evaluation methodology, noting that it needed to be flexible enough to allow the successful supplier to design its own methodology.

As part of this, the Panel identified that the evaluation would likely require a mixed methods design with qualitative and quantitative research including potentially:

- surveys of EGM players
- analysis of technology usage data
- analysis of trial venue EGM and other revenue data
- analysis of trial venue employment data
- interviews and focus groups with technology users
- interviews and focus groups with trial venue managers and gaming floor staff
- interviews and focus groups with key stakeholders.

The Panel noted that the successful supplier would need to design a methodology incorporating the elements above, and also seek ethics approval. Liquor & Gaming NSW, on behalf of the Panel, undertook a procurement process to engage a research supplier and 3arc Social was appointed.

6.2.5. Assessment of trial applications

The Panel issued invitations for technology providers and venues to apply to participate in the NSW cashless gaming trial in September 2023. There was significant interest from industry in participating in the trial, from both technology providers and venues.

Ten technology providers sought approval to participate in the trial. These ranged from minimum viable product (MVP) solutions that were developed and 'release ready' to solutions still in development or concept phase.

Forty-three venues entitled to operate EGMs sought approval to participate in the trial. These ranged from small regional venues to large metropolitan venues and represented a mix of socio-economic environments (as indicated by diverse Socio-Economic Indexes for Areas scores) and had varying levels of gaming revenue. The venues were also diverse in terms of patron demographics.

The Panel considered all applications and assessed these against the minimum requirements established for venues and technology solutions. Some venues submitted joint applications, having already partnered with technology providers. These venues often had existing commercial relationships with the technology providers as they provided the venue's gaming system.

Independent Panel on Gaming Reform

As many of the proposed technology solutions were built in connection to the technology providers' gaming system, not all solutions were compatible with all venues. Additionally, the technology providers were limited in how many venues they could partner with for the trial, given capacity, resource and cost implications. It should be noted that technology providers were expected to bear the costs of the technology (development, installation and maintenance) for the trial. This became a key challenge for the Panel, with many venues that applied being eligible to participate in the trial, but unable to be accommodated due to either not having a technology provider partner or their preferred technology provider being unsuccessful in its application to join the trial.

Another key challenge for the Panel was the limited number of applications from regional venues, especially in remote areas. Technology providers highlighted the challenges of partnering with regional venues in terms of the maturity of the technology in these venues and the feasibility and logistics of being able to install the technology within the trial timeframe.

The Panel liaised with technology providers and venues in an effort to accommodate more venues into the trial, to ensure there was a balanced mix and diversity of venues, in alignment with the Terms of Reference which required the Panel to recommend a mix of hotels and clubs across metropolitan areas of highest use, other metropolitan areas, and regional areas. This resulted in more venues, particularly regional venues, being approved to participate in the trial.

In assessing the applications against the minimum requirements, the Panel sought further information and clarification from providers and provided limited dispensation from requirements where warranted.

One of the main dispensations provided was regarding the solutions being interoperable with all EGMs in all venues. As previously noted, many solutions are tailored to specific gaming venue systems and remain distinctly separate solutions (i.e. venue-based).

Other dispensations were granted from the following requirements:

- mechanism to ensure players hold only one account per cashless product, given that this was a common design limitation with the solutions being developed on a venue basis. While the solutions restricted a player to only one account per venue or per commercial entity (group of venues), they did not restrict this across multiple trial venues
- mechanism to ensure any cash top-ups of a cashless product were limited to \$1,000 a day via an EGM, given that cash top-ups via the EGM could not be limited to this threshold without making broader changes to the EGM's cash input limit
- ability for players to self-exclude or 'take-a-break' from the trial venue using the technology, given that the multi-venue self-exclusion system used by a venue did not support integration with any other systems (including the technology) and the solution allowed the patrons to at least start the self-exclusion process. The latter was qualified on the basis that the provider had other conditions in place including instantaneous notification to the venue of a self-initiated request in a player's mobile app to self-exclude and a strict timeframe of one business day from receipt of notification for the venue to follow up with the player and finalise the self-exclusion process with them in person. The Panel also noted the Government commitment to introduce a statewide exclusion register and that further work on this register could impact a future design of cashless gaming
- ability to support automated risk monitoring for excessive play or expenditure, with the Panel accepting that timing constraints prevented this functionality from being ready for the trial launch, but development work was underway by the providers.

Independent Panel on Gaming Reform

The Panel considered that these technical issues could be explored and addressed for a future design. The Panel was also cognisant that the trial would allow for digital wallet technologies to be tested in 'live' environments in clubs and hotels and effectively function as a pilot to better understand the challenges relating to a possible rollout on a much larger scale and allow the opportunity to identify and address any unexpected issues along the way.

These issues were anticipated to be related to:

- the technology and its development and implementation
- installation in venues
- patron engagement and integration with other systems in venues.

The Panel recognised that the trial would also enable the NSW Government to:

- ensure the technology works as intended to minimise gambling harm
- support enhanced player tracking
- not lead to unacceptable negative consequences.

6.2.6. Trial participation

Technology providers

Of the ten technology providers that applied to participate in the trial, the Panel conditionally approved five in December 2023: Aristocrat, ebet, IGT, Independent Gaming, and Light & Wonder. The Panel acknowledged the providers' proposals in their applications to commence the trial in early 2024, given the limited staffing and resources available during the lead up to and during the Christmas period.

The Panel, through the cybersecurity project team comprising Cyber Security NSW and the DCITHS cyber security team, identified that further investigations needed to be carried out to be satisfied that the technology providers and venues met the cybersecurity and data privacy requirements. However, cognisant of potential delays to the proposed trial commencement in early 2024, the Panel supported an iterative and effective cyber assurance process which would allow for continuous assurance through the trial period.

The differing levels of cyber-readiness of the providers required ongoing engagement to satisfy the critical pre-trial cybersecurity requirements, with the Panel only able to approve the providers as having sufficiently satisfied the cybersecurity and data privacy requirements in February and March 2024. Providers were required to continue to provide further information during the trial.

Of the five providers approved, only three successfully participated: ebet, Light & Wonder, and IGT.

In July 2024, Aristocrat formally advised the Panel of its withdrawal from the trial citing concerns about the trial length, patron communication and the need for additional time to be trial-ready due to more stringent data and cybersecurity requirements from the financial services industry and cybersecurity experts. As the proposed technology solution was built in connection to the technology provider's gaming system, Aristocrat's withdrawal resulted in the withdrawal of its eleven partnered venues from the trial.

The Panel engaged with the partnered venues and Aristocrat regarding the withdrawal and found that despite the withdrawal, the venues and Aristocrat remained committed to the journey of account-based gaming and indicated a willingness to re-engage in the future.

In late July 2024, Independent Gaming also advised the Panel of its withdrawal from the trial, citing commercial considerations by its financial services partner specifically regarding the low uptake of digital gaming wallets and financial activity. The Panel noted that the same financial services provider had also partnered with another technology provider in the trial. Independent Gaming's withdrawal resulted in the withdrawal of its partner venue from the trial. The Panel also engaged with Independent Gaming and its financial services partner and the partnered venue regarding the withdrawal and found that all three still strongly supported the trial.



These have been some of the key learnings from the trial, discussed further in **section 6.4**.

Trial venues

Of the 43 venues that applied to join the trial, the Panel conditionally approved 28 venues, subject to meeting cybersecurity requirements in December 2023. As previously noted, more venues were eligible but unable to be accommodated into the trial.

The venues were determined by:

- the number of EGMs and venues that technology providers could install cashless technology on for the purposes of the trial
- geographic and demographic considerations.

While the providers and venues had indicated an early 2024 trial commencement was feasible, it took longer than expected for providers and venues to prepare and install the trial technology. This resulted in trial venues joining the trial in a staged approach as they became 'trial-ready'.

A number of venues approved by the Panel withdrew from the trial for various reasons, including:

- technology partner withdrawing from the trial (as outlined above)
- operational reasons including changes in business priorities and resources
- cybersecurity reasons where the venue had a third-party integration to their systems and the technology provider identified this integration as a gap in cybersecurity posing potential threats to its systems.

On advice from technology providers that additional venues had expressed interest in joining the trial, the Panel worked with technology providers to secure partnerships with them. This was a key step in maintaining a diverse mix of venues for the trial as required under the Terms of Reference. Two additional venues were subsequently approved by the Panel to join the trial. One of these venues advised it had changed its gaming system to a technology provider participating in the trial, thus allowing for it to be accommodated.

Fourteen venues, including ten clubs and four hotels, across twelve Local Government Areas, participated in the trial. Technology was installed on 2,388 gaming machines.

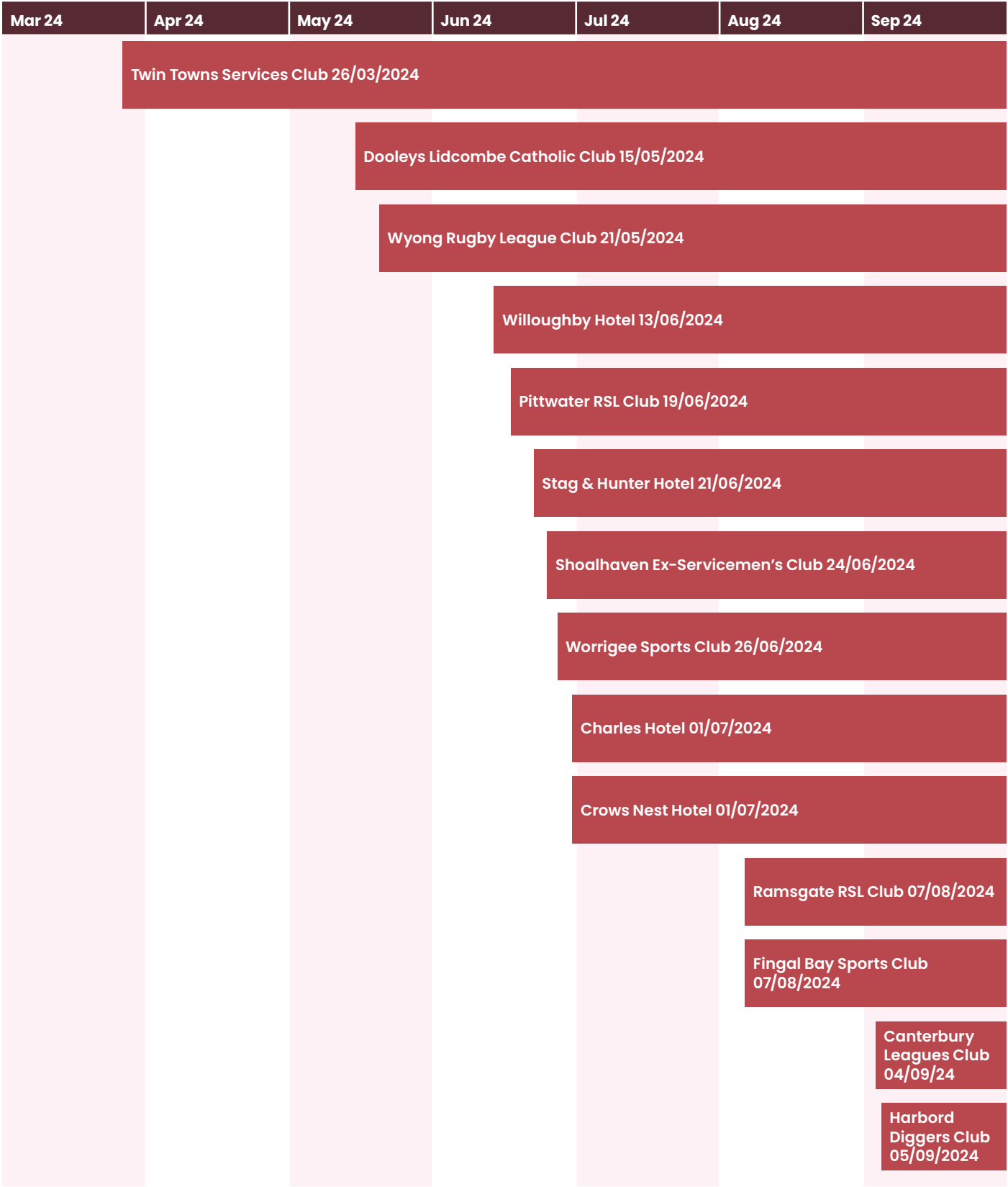
The participating venues included:

- Canterbury League Club
- Charles Hotel
- Crows Nest Hotel
- Dooleys Lidcombe Catholic Club
- Fingal Bay Sports Club
- Harbord Diggers Club
- Pittwater RSL Club
- Ramsgate RSL Club
- Shoalhaven Ex-Servicemen's Club
- The Stag & Hunter Hotel
- Twin Towns Services Club
- Willoughby Hotel
- Worrigee Sports Club
- Wyong Rugby League Club.

Independent Panel on Gaming Reform

The trial commenced on 26 March 2024 and concluded on 30 September 2024. Figure 1 outlines trial commencement dates for each of the participating venues.

Figure 1. Trial commencement in participating venues



6.2.7. Patron consent and recruitment

The Panel considered the appropriate recruitment approach for the trial as this would be a critical factor in trial adoption.

Early learnings and anecdotal feedback from the Regulatory Sandbox trials at Wests Newcastle and Club York were considered carefully by the Panel. This included challenges with the Regulatory Sandbox trial requirements such as:

- restrictive eligibility criteria (only players with recent gaming history were considered to allow for a pre- and post-trial comparison)
- requirement to consent to participate in research activities as part of joining the trial to allow for oversight and monitoring to ensure no exacerbation of gambling harm (anecdotal feedback was that this was a deterrent for some patrons)
- tiered incentive protocol, with varying value vouchers for completing certain research-related activities.

The Panel recognised the need for some oversight and monitoring to ensure no exacerbation of gambling harm, as well as the need to enable researchers to gather sufficient data for research and evaluation purposes. The Panel was also mindful that an overly prescriptive recruitment process, with mandatory consent requirements on research, could negatively impact patron uptake.

The Panel acknowledged that a key challenge identified in the Regulatory Sandbox trial was patrons' concerns about privacy. Given that tracked player data was required for trial evaluation purposes, the Panel determined that this would be a mandatory requirement of signing up for the trial. To address privacy concerns, the requirement was for patrons to consent to sharing their de-identified data for research and evaluation purposes. The Panel also provided information on the use of the de-identified data to assure patrons.

The Panel determined that patrons could then choose whether they wanted to participate in the research activities, such as surveys and interviews, and that there would be incentives offered for participating. The Panel acknowledged that financial incentives are standard in research and do not constitute inducements to gamble given the incentive is linked only to participation in the survey/interview and not to the amount of money or time spend at EGMs.

Additionally, the Panel considered requests from trial participants to allow for incentives to be offered to patrons for signing up for the trial. While the Panel noted that such incentives can be normal practice by venues when offering new products, it would not be appropriate in this trial to incentivise a product intrinsically linked to EGM play. The Panel also acknowledged concerns that incentives may distort trial participation data, as well as be viewed as inequitable if only some providers/venues offered them and not others.

6.3. Monitoring, adaption and learnings throughout the trial

The Panel, through the support of the Secretariat, monitored the trial closely, including receiving regular updates on participation rates, weekly meetings with technology providers and fortnightly meetings with venues. This allowed the Panel to gain valuable insights throughout the trial and adapt the approach as appropriate.



Key issues identified and changes made during the trial based on these learnings are outlined further in this section.

6.3.1. Delays in trial readiness

The trial provided considerable learnings around challenges for the development and implementation of cashless gaming technologies and payment solutions.

This included the financial services industry considering digital payments and cashless technologies as a higher risk category and imposing increased risk mitigation requirements for financial services providers partnering with gaming technology providers. This resulted in more stringent data and cybersecurity requirements and therefore, technology providers required more time to be trial-ready due to these unanticipated requirements.

Concerns were also raised from payment providers partnering with technology providers on the complexities and costs of ensuring compliance with the laws and regulations administered by multiple regulators such as Australian Securities and Investments Commission, Australian Prudential Regulation Authority, AUSTRAC and ILGA.

Payment providers also raised concerns about the lack of commercial viability of the product if there is low take-up of the technology. With fewer users of the technology, the volume of transactions would be considered insufficient to generate meaningful revenue to justify the investment in supporting the system by the payment providers.

The Panel worked diligently and collaboratively with technology providers to understand and address many of these concerns. This included rescoping timeframes for trial commencement and adopting an iterative approval process which conditionally approved technology providers for trial participation, allowing them time to become trial-ready while ongoing assessments of requirements were conducted. As noted previously, an iterative cyber assurance process was also implemented by the Panel, which was designed to be thorough but flexible. This approach allowed the trial to commence as long as key criteria were met and allowed more information to be provided to meet other criteria to a sufficient standard.

The Panel worked to resolve other issues and concerns raised by technology providers and venues throughout the trial. This included addressing concerns of venues regarding ancillary trial costs, concerns of technology providers regarding third-party partnerships, and concerns of patrons regarding financial oversight and monitoring that presented barriers for participation. The Panel engaged with key stakeholders including financial providers and the Australian Banking Association to address these concerns.

6.3.2. Communication of the trial

Promotional materials including posters, flyers and factsheets were developed by the Panel to provide consistent communication across all participating venues on the trial objectives.

The materials also outlined key information including how patrons could participate and privacy and data protection practices for information and data collected under the trial.

These materials were distributed to all participating venues at the start of the trial. The Panel supported venues and technology providers using their own promotional materials in addition to the Panel developed materials, subject to approval. This enabled the opportunity for venues to customise their engagement with their patrons, while allowing the Panel to ensure the venue-created materials provided consistent messaging without promoting gambling.

In response to this feedback, the communications strategy was revised, replacing 'cashless' with 'digital gaming wallet' terminology, and making clearer the trial purpose and benefits (i.e. offering new technology to pay for gaming machines in venues, alongside cash).

The Panel also leveraged the opportunity of revising the communications materials to address the concerns of patrons which were presenting barriers to participation. This involved updating the 'Frequently Asked Questions' section of the materials to include a response to the concern that financial institutions would monitor gambling transactions. The materials were also customised to the gaming technology provider utilised at the venues, so that the images and branding were more familiar to patrons.

The updated communication material which referred to the technology as a 'digital gaming wallet' instead of 'cashless gaming' was distributed to venues in early August 2024. The revised materials were received positively by venues.

The original and revised promotional materials for the NSW cashless gaming trial are provided in **sections 9.1** and **9.2** of **Appendix E**.

Following commencement of the trial, the Panel received the following feedback from participating venue staff:



- the term 'cashless gaming' had been negatively received by some patrons, particularly older patrons who were resistant to the broader societal shift away from cash
- perceived Government involvement in the trial concerned patrons who felt that it was an invasion of privacy and were concerned that their gambling behaviour would be tracked.

6.3.3. Revised research scope

The Panel worked closely with 3arc Social to address concerns regarding recruitment of patrons to the trial research and the low numbers of participation.

To encourage patrons to provide feedback on the technology and their experience, the Panel increased the survey incentive and expanded the research scope to include interviews with patrons who elected not to sign up to the trial to better understand barriers for participation.

The Panel also considered a proposal to provide incentives for trial participation and determined that incentives should not be provided for trial participation due to concerns that the provision of incentives for participation may encourage people to gamble, which is against the law and may result in gambling harm.

Furthermore, the Panel considered a proposal by one technology provider that patrons would not be required to consent to have their data collected for research purposes to sign-up to the trial. This was also declined as it would result in the technology being used without oversight and would not provide the required insights on how the technology could influence gambling behaviour.

6.3.4. Retention of technology post-trial

In response to concerns regarding uncertainty of the arrangements post-trial and this impacting patron uptake, the Panel recommended that the NSW Government consider permitting trial venues to continue to use the cashless gaming technology post-trial.

Based on the Panel's recommendation, the Minister for Gaming and Racing supported venues that participated in the trial continuing to use the technology beyond the trial's completion in September 2024 should they wish to do so. This is facilitated by an Order under section 205A of the *Gaming Machines Act 2001*.²⁴

While the technology is retained, Liquor & Gaming NSW will continue to monitor use of the technology and collect data to better understand its impact and provide opportunities for patrons to provide feedback on the technology. This ensures that as player acceptance builds, so will the insights on account-based gaming. As of November 2024, nine trial venues have retained the technology.

²⁴ The Honourable David Harris MP (Minister for Gaming and Racing), (2024). Gaming Machines Act 2001: Section 205A Order: Continued Trialling and Research of Cashless Gaming Technology, No 383

6.4. Trial findings

The trial was evaluated by 3arc Social, an independent research company, and its final trial evaluation report is provided in **Appendix E**.

Across all venues, 243 people signed up for the trial (noting many were identified as industry representatives). Of these, 105 people used the technology at least once.

The trial research found that, as of the end of August,²⁵ there were 14 “genuine and active” users, that had used the technology for at least two or more days and were included in the analysis of player data.

The low patron participation is consistent with other voluntary trials, including the Wests Newcastle trial²⁶ and the Club York trial.²⁷ Some of the key concerns from patrons identified regarding the technology were:

- financial institutions (banks) as well as the government (particularly the Australian Tax Office and Centrelink) having visibility of their gambling activity and the potential for this to adversely impact loan applications or government services
- data privacy and cybersecurity and the potential for data hacks and scamming
- reluctance to engage with new technology when it is not mandatory, especially where legacy systems exist, and some patrons having a strong preference for cash and using it to budget (e.g., only taking a certain amount into the venue)
- uncertainty around the purpose of cashless gaming from the NSW Government’s perspective, and whether it is to track or ‘control’ their gambling
- reluctance to use cashless gaming technologies believing the benefits to them would not outweigh the negatives (i.e., loss of privacy, time and effort to join).

Due to the primarily qualitative nature of the research with patrons, the evaluation was unable to clearly determine the profile of patrons most likely to reject or accept the technology. However, stakeholders interviewed believed those most likely to reject or be excluded from using gaming machines if cashless gaming is required will be:

- patrons with low technological literacy or confidence, particularly older patrons
- casual gamblers, and visitors or tourists who may find the sign-up process too cumbersome and time consuming for only limited play.

However, this should not be generalised to all of these populations. For example, some older patrons interviewed were comfortable using digital payment methods, and some casual gamblers did not anticipate digital wallets having a strong impact on their gambling.

Overall, the evaluation found that the technology generally worked well and is technically feasible to implement. However, several barriers and pain points were identified that would need to be addressed in the design and rollout of a future account-based gaming system.

The KYC sign-up process was highlighted as a concern during the trial. Trial participants and patrons found that it made the overall sign-up process lengthy and cumbersome and noted challenges with some of the identity verification process.

²⁵ Note. To allow adequate time for analysis prior to reporting, the trial evaluation only analysed player data up until the end of August 2024, rather than the trial end date.

²⁶ Delfabbro, P. (2023). Evaluation of the Cashless Gaming Trial at the West Suburbs Newcastle Leagues Club (Wests New Lambton).

https://www.liquorandgaming.nsw.gov.au/_data/assets/pdf_file/0011/1295588/evaluation-of-the-cashless-gaming-trial-at-wests-new-lambton.pdf

²⁷ Schottler Consulting. (2024, September). Evaluation of a digital card/app trial under the Liquor & Gaming NSW Regulatory Sandbox: An evaluation of a digital card/app for EGM payment at Club York. Prepared for Liquor & Gaming NSW.

A consumer-centric, seamless sign-up process is necessary for wider adoption, including addressing the following issues:

- maximise choice and flexibility afforded to gaming machine users under a mandatory system. Industry respondents proposed this should include a 'tiered KYC' arrangement for low or infrequent users. Allowing a low spend threshold with anonymous cash or through basic KYC may greatly reduce the barriers for visitors and casual gamblers, without any AML or harmful gambling consequences. However, controls and monitoring of any such system would need to be put in place to ensure that it does not undermine AML or harm minimisation imperatives.
- minimise the 'cost' to patrons by clarifying data privacy and security implications (i.e. clarifying the Government's role and how this compares to other data collected in venue)
- minimise barriers to uptake by streamlining the sign-up process by reducing the time, number of steps, and requirements from patrons, including developing a universal KYC process that can be applied to multiple venues (but only done once by patrons)
- improve the user experience by addressing technical glitches such as issues with disconnecting and connecting to EGMs
- ensure regulatory compliance and data security by undertaking Know Your Business (KYB) and an information management system audit across all venues in NSW (as required by financial services providers), and have regulators work with the banking industry to establish a mutual understanding of the purpose and requirements of digital gaming wallets.

Furthermore, there was consensus among stakeholders interviewed that the technology system should accept cash, which will increase overall feasibility and acceptability of the technology solution. Account-based gaming can satisfy AML requirements by removing anonymity from play and there is anecdotal evidence that cash is better for some patrons for budgeting and controlling their gambling. Keeping cash is also anticipated to reduce resistance (compared to what was seen in this trial) and increase acceptance, without interfering with the objectives of the technology.

From an industry perspective, cashless and account-based gaming are well-established systems that industry experts claim have gained acceptance over time. For example, patrons express few concerns about data privacy and security issues in localised venue systems, as there are perceived personal benefits from sharing data in loyalty schemes that are not perceived to have government involvement. For the gaming industry, this innovation aligns with changing consumer preferences for cash-free transactions and positions the industry to remain relevant and accessible to digitally-savvy, younger audiences.

Staff experience of the trial was relatively positive, with most feeling that the expectations of their roles and responsibilities were clear and reasonable. There was widespread agreement that staff will bear the brunt of responsibility for encouraging patrons to adopt the technology and managing patron frustrations, and staff will need to act as 'champions' of the technology.

The harm minimisation tools integrated into the technology, such as player activity statements, take a break or self-exclusion, and support contact information, were believed to be features that would enhance patrons' ability to self-manage their gambling. However, normalising the use of harm-minimisation tools (including reconsidering some of the language to describe these features) and enhancing the use of personalised information generated by the technology, will be key to its effectiveness in addressing harmful gambling. Furthermore, to be most effective, limits and exclusions should be applied across all NSW venues that users may visit. However, this does not mean that the digital gaming wallet or gaming accounts need to be centralised across the state.

Regarding whether the technology is rolled out as voluntary (i.e. with a 'hybrid' model) or becomes mandatory, the evaluation found:

- a hybrid model was preferred by industry and interviewed patrons and could enable a more staged approach to reform. However, the trial clearly demonstrates that a hybrid model with voluntary limits will have limited impact on gambling habits and gambling-related harm due to lack of use, at least in the short to medium term
- a mandatory model, according to industry stakeholders, is likely to have a detrimental impact on the industry and could result in the closure of some venues. However, if the Government aims to achieve meaningful and effective AML and harm-minimisation through this technology, its implementation must be mandatory.

Regardless of the model selected for rollout, it will require time and investment to be put in place. As above, there are design improvements and testing that will need to be completed before all providers are able to roll out a solution; the minimum timeline estimated by providers in the evaluation was three years. This may vary depending on whether existing technology infrastructure in venues is used, with the necessary standards and checks in place.

While there was low take-up of the technology and therefore limited user feedback from the trial, the expanded evaluation methodology included qualitative interviews with patrons who chose not to use the technology, venue staff, industry and harm minimisation experts (including those with lived experience of gambling harm), as well as surveys with venue staff and managers.

As such, the evaluation has provided a range and depth of insights into the acceptability and feasibility of the technology from a wide variety of stakeholders who may be impacted, which is critical to inform the design of a future account-based system. Overall, these findings, as well as the learnings throughout the development and implementation of the trial, were extremely valuable to the Panel.

The range and depth of insights from this trial add to the growing NSW trial learnings, including the Regulatory Sandbox trials at Wests Newcastle and Club York, all of which have informed the recommendations in this Roadmap. The various trials in NSW with different providers, different venues and different timeframes and requirements provide a more comprehensive evidence base, which has been taken into consideration. Furthermore, the trial provided an opportunity for participating industry members to learn and resolve glitches and issues associated with implementing the technology, leaving them more equipped to effectively manage any future implementation.

Technology providers and venues generally expressed a positive attitude toward the implementation of account-based gaming, viewing it as a step forward for the industry. Despite the challenges highlighted in the trial, there is recognition that these issues are to be expected and are an important part of the trial process. The lessons learned will be valuable for refining and improving the system as it moves toward broader implementation.

Further details on the research findings are provided in **Appendix E** and are discussed throughout the Roadmap.

In addition, where further analysis and insights are required prior to implementation of recommendations, particularly around the economic impact on industry, this has been addressed throughout the Roadmap.

07

Account-based gaming

The Terms of Reference required the Panel to provide advice on cashless gaming in NSW including potential milestones for delivery, technical and system standards, and privacy and data protections.

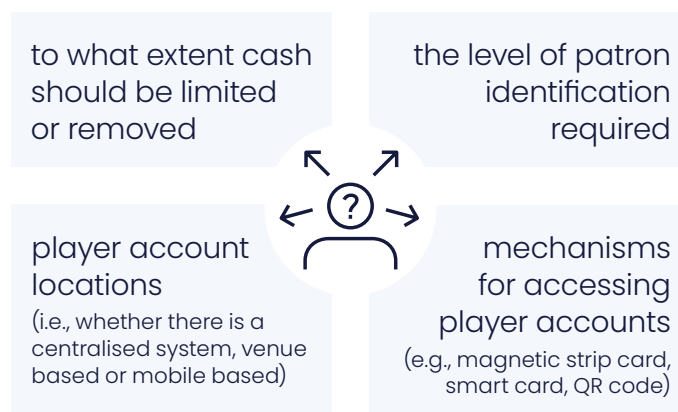
These recommendations are outlined in this chapter and are based on a broad range of evidence, including learnings from the trial as well as from other regulatory sandbox trials, advice provided to the Panel from experts and stakeholders, and research and existing literature (e.g. Crime Commission Inquiry).

In making its recommendations the Executive Committee has also taken into consideration:

- infrastructure investments required
- impact on employment and industry
- impact on gambling harm
- impact on reducing money laundering.

The Panel sought independent advice from a technical expert on key issues for consideration in developing a statewide account-based gaming system.

The technical advice outlined key considerations for a statewide account-based gaming system and associated issues such as:



The Panel considered how other jurisdictions and organisations deliver cashless gaming solutions. Specifically, the Executive Committee visited Crown Casino in Melbourne to discuss the carded play solution implemented there and considered the features proposed for the Tasmanian player card and cashless gaming system.²⁸

The Executive Committee has recommended reframing 'cashless gaming' to 'account-based gaming' (see **section 7.3.1**) and as such, this is how the system is referred to throughout the Roadmap.

²⁸ Tasmanian Treasury. (2024). Player Card and Cashless Gaming, Public Consultation Paper.
<https://www.treasury.tas.gov.au/Documents/Player%20Card%20and%20Cashless%20Gaming%20Public%20Consultation%20Paper.pdf>

7.1 Introduction of mandatory statewide account-based gaming system

7.1.1. Introduction of a mandatory account-based gaming system

Recommendation 1.1

The NSW Government introduce a mandatory statewide account-based gaming system, with a phased implementation approach allowing for voluntary adoption until a centralised system is fully operational, estimated to be by 2028, and subject to the NSW Government completing additional analysis regarding impact on industry such as revenue and employment with appropriate considerations for regional areas and border towns and other relevant factors including the social cost of gambling.

A key finding of the trial is that patrons are reluctant to engage with this technology when it is not mandatory, which is reflected in the low adoption rates. This finding is also consistent with the Regulatory Sandbox trials. The Wests Newcastle trial found that people generally had a tendency to revert to the old legacy system rather than use the new technology.²⁹ The Club York trial, with its very low adoption rates, also found that there is limited gambler interest in a digital card/app for gambling when card-based cashless gaming is concurrently available.³⁰

The research findings from the trial found that patrons who had not signed up to the trial, venue staff and industry expert stakeholders preferred a voluntary account-based gaming system, whereas gambling support service providers advocated for a mandatory system.

The research also highlighted that given patrons' reluctance to engage within a voluntary setting, having a voluntary account-based system would mean the AML and harm minimisation benefits would not be realised.

Furthermore, the low patron sign-up rate in the trial and feedback from payment providers indicates that there is little commercial incentive for venues and providers to adopt account-based gaming without it being eventually mandated. With fewer users of the technology within a voluntary model, the volume of financial transactions may be considered insufficient by payment providers to generate meaningful revenue to justify their investment.

The Panel deliberated on the insights from the trial including the supportive response from industry demonstrated by the number of venues that expressed interest in trialling the technology. Panel members in favour of a voluntary model suggested that the anecdotal evidence supported this approach and that incentivising industry to adopt the technology would be more palatable to market and yield a more positive reception than a mandated regime. It was further noted that most venues that participated in the trial were keen to retain the technology post-trial further supporting the argument that industry would continue to independently uptake the technology under a voluntary model.

Some Panel members also raised their reservations about a mandatory model including there being no trial based on a mandatory approach and therefore a lack of insight on its real-life implications. Further, it was seen as potentially over regulating industry, as forthcoming changes to reduce the AUSTRAC cash transaction reporting threshold to \$5,000 would mitigate AML risks in NSW pubs and clubs.

The anticipated decline in venue revenue from mandating account-based gaming was also a concern for some Panel members and consistent with trial research findings that industry believed a voluntary model would have minimal impact on revenue and that a mandatory model could adversely impact venue revenue.³¹ These insights on potential impacts to revenue are outlined further in **section 7.1.2**.

²⁹ Delfabbro, P. (2023). Evaluation of the Cashless Gaming Trial at the West Suburbs Newcastle Leagues Club (Wests New Lambton). https://www.liquorandgaming.nsw.gov.au/_data/assets/pdf_file/0011/1295588/evaluation-of-the-cashless-gaming-trial-at-wests-new-lambton.pdf

³⁰ Schottler Consulting. (2024, September). Evaluation of a digital card/app trial under the Liquor & Gaming NSW Regulatory Sandbox: An evaluation of a digital card/app for EGM payment at Club York. Prepared for Liquor & Gaming NSW.

³¹ 3arc Social, & Professor Delfabbro, P. (2024). Evaluation of NSW Cashless Gaming Trial.

Independent Panel on Gaming Reform

Some members of the Panel expressed concern about cost implications of mandating account-based gaming for smaller regional venues. These venues, often with limited financial capacity, could face higher costs associated with implementing the new technology, which might disproportionately impact their operations. Additionally, Panel members highlighted that venues in border towns may see displacement of revenue due to the likelihood of patrons crossing state borders to avoid the mandate.

The Panel acknowledged that the NSW Crime Commission Inquiry³² recommended the introduction of a mandatory account-based gaming system to minimise gaming machine related money laundering within clubs and hotels. The Inquiry also found that a voluntary system will not address money laundering and would likely increase the risk as it could potentially be exploited to make laundering cash easier.

To achieve the relevant AML and harm-minimisation benefits, the Executive Committee supports the introduction of a mandatory account-based gaming system in NSW.

In effect, a mandatory account-based gaming system would require a player identity to be established (i.e. via a player gaming account) to enable EGMs for use. This means physical cards or digital wallets could be used by patrons, linked to an account.

The Executive Committee proposes that the NSW Government adopt and build upon the minimum requirements put in place for the trial of account-based gaming, which ensured AML, harm minimisation, cybersecurity and privacy standards were appropriately addressed.

The Executive Committee acknowledges that the mandated account-based gaming system will need to address challenges for regional and border towns and patron concerns regarding the system, particularly around data privacy and cybersecurity and preferences for cash.

The Executive Committee recommends that the NSW Government introduce a mandatory statewide account-based gaming system, with a phased implementation approach allowing for voluntary adoption until a centralised system (see **section 7.2.1**) is fully operational, estimated to be by 2028, and subject to the NSW Government completing additional analysis (see **section 7.1.2**) regarding impact on industry such as revenue and employment with appropriate considerations for regional areas and border towns and other relevant factors including the social cost of gambling.

The Executive Committee highlights that the initial phase of this implementation is already in progress, with most of the trial venues electing to retain the technologies beyond the trial's conclusion on 30 September 2024 under Liquor & Gaming NSW's oversight. These early adopters will pave the way for the broader industry, noting that the account-based gaming systems in place in these venues may need to be revised to meet future regulatory changes (i.e. the design and structure of an account-based gaming system) based on the principles as recommended by this report and finalised by the NSW Government.

The legislative framework that allows for trials of account-based gaming technologies is not intended for open ended approvals. Any legislative reform would necessarily involve amendments to facilitate the ongoing provision of these technologies on a voluntary basis.

The Executive Committee suggests that NSW Government consider ways to allow other venues to also become early adopters of an account-based gaming system that is compliant with the account-based gaming principles as finalised by the NSW Government, ahead of the centralised account-based gaming system being ready.

³² State of NSW (NSW Crime Commission), (2022), Project Islington – Inquiry into Money Laundering via Electronic Gaming Machines in Hotels and Clubs. 19-21.
www.crimecommission.nsw.gov.au/final-islington-report.pdf

The Executive Committee acknowledges that this voluntary adoption would comprise of venue-based systems by necessity, given the centralised database will still be being built/procured.

Mandatory account-based gaming should be fully implemented by a specified date, noting that there will need to be time between the completion of the system and the mandatory implementation for venues. Only a short timeframe is proposed between when the system is ready and when adoption is mandatory, given the extensive transition period in place for industry from 2024 for this journey.

While a timeline of 2028 for mandatory implementation is being proposed, this is on the assumption that the centralised account-based system would be available for onboarding at this time. This should be informed based on further technical advice and analysis in the implementation phase.

7.1.2. Impact on industry and employment

Under the Terms of Reference the Panel was required to consider the impact on employment and industry in developing its recommendations.

The trial provided some insights into the impact on industry however, this was limited. The Panel discussed the limitations of the trial in providing insights on revenue impacts for a mandatory statewide account-based gaming system, noting that a hybrid voluntary model may not have a significant impact on revenue given that patrons have alternative options including legacy systems.

The trial research findings highlighted that similar views were held by industry, with interviewed gaming staff generally of the perception that a voluntary model would minimally impact revenue.³³

This is also consistent with the Wests Newcastle trial which found that revenue essentially remained unchanged for the EGMs that were involved in the trial, as did the expenditure rate per hour.³⁴

Conversely, the trial research findings showed gaming staff were less optimistic of the potential revenue impact under a mandatory model, as staff anticipated a significant drop in patronage and gaming revenue.³⁵ Staff did not solely attribute anticipated revenue reduction to loss of patrons unwilling to adapt to the new technology, but also acknowledged it as an impact of expected incidental reduction in spend due to the greater prevention of harmful gambling behaviour and/or money-laundering activities.

The Panel considered that in order for an account-based gaming system to be achieving its intended purpose, it is foreseeable that revenue should, to some extent, be impacted as harmful and illegal behaviours are mitigated from the gaming environment.

Patrons interviewed echoed the same opinions by suggesting that they would prefer a hybrid model, but implementation of a mandatory system would address reduction of gaming harm and therefore also impact revenue and industry.³⁶

Alternative views were suggested by industry experts that claimed mandating of account-based technology would impact industry sustainability, forcing some smaller venues to close.³⁷ Gambling support advisors and people with lived experience believed industry impacts would not be as consequential, as their view was most people would continue to engage in gambling under a new system with improved harm minimisation features.³⁸

³³ 3arc Social, & Professor Delfabbro, P. (2024). Evaluation of NSW Cashless Gaming Trial.

³⁴ Delfabbro, P. (2023). Evaluation of the Cashless Gaming Trial at the West Suburbs Newcastle Leagues Club (Wests New Lambton). 163.
https://www.liquorandgaming.nsw.gov.au/_data/assets/pdf_file/0011/1295588/evaluation-of-the-cashless-gaming-trial-at-wests-new-lambton.pdf

³⁵ 3arc Social, & Professor Delfabbro, P. (2024). Evaluation of NSW Cashless Gaming Trial.

³⁶ 3arc Social, & Professor Delfabbro, P. (2024). Evaluation of NSW Cashless Gaming Trial.

³⁷ 3arc Social, & Professor Delfabbro, P. (2024). Evaluation of NSW Cashless Gaming Trial.

³⁸ 3arc Social, & Professor Delfabbro, P. (2024). Evaluation of NSW Cashless Gaming Trial.

Independent Panel on Gaming Reform

The Panel considered insights from other significant reforms in NSW and in other jurisdictions, including Crown Melbourne mandatory carded play, the YourPlay pre-commitment carded system in Victoria, the smoking ban in NSW, the global financial crisis, and COVID-19. The YourPlay evaluation reported that venue managers and staff did not observe any impact to venue revenue, albeit there was a low uptake amongst patrons.³⁹ Whilst broader hospitality reforms such as the incremental introduction of smoking bans in NSW clubs and hotels from July 2005, correlated with a downturn in gaming revenue that ultimately recovered to pre-smoking ban levels.⁴⁰

Some Panel members acknowledged that the patterns observed for these reforms suggest that there is likely to be a negative impact on industry revenue in the short term before recovering to longer term trends.

Another variable considered by the Panel was the progressive move towards a cashless society, with recent research suggesting people spent more on card-based payments than cash.^{41, 42} The Panel acknowledged that this evolving area of research warrants further consideration in relation to how player behaviour using card-based payments may impact industry and revenue over the longer-term.

Based on the available trial insights and jurisdictional experiences, the Panel accepted that a significant influencing factor of venue revenue under account-based gaming is based on the proposed approach for implementation. The limited evidence available suggests a voluntary approach is less likely to adversely impact venue revenue, whilst a mandatory model may have an immediate and significant impact on venue revenue, at least in the short-term.

The Panel acknowledged that as the decision of which model of account-based gaming is to be implemented was yet to be determined by the NSW Government, there was insufficient information on which to form a definitive view on revenue impact.

The trial also provided limited insights into the impact on employment. This was due to several reasons including the voluntary hybrid model, as well as low-patron uptake. During Panel deliberations, some of the Panel raised that, due to the inherent nature of introducing new schemes such as account-based gaming, it is expected that there will be a lack of definitive data particularly in respect of longer-term impacts such as employment and that a trial was not going to deliver this information regardless of timeframe.

The trial research available to the Panel found that staff viewed the impact on their workload to be minimal, however, there were concerns about long-term job security as a consequence of a potential decline in patron gambling revenue if account-based gaming becomes mandatory.⁴³ A notable insight from staff interviews was that although job security was a concern if patron demand for account-based gaming is low, this would be offset to an extent due to staff needing to spend more time to assist interested patrons to sign up and troubleshoot issues with account-based gaming.⁴⁴ Additionally, although staff anticipate a short-term reduction in venue revenue, they were overall optimistic that revenue would recover in the longer term.

Noting the lack of conclusive evidence, some Panel members also raised a gap in data on the social cost of gambling harm in NSW and suggested this as another area for further work.

To provide a more informed understanding of impacts to industry and employment in the short and long term, further analysis and research is needed.

³⁹ The South Australian Centre for Economic Studies, University of Adelaide. (2019). Evaluation of YourPlay Final Report 119. https://files.justice.vic.gov.au/2021-06/Evaluation%20of%20YourPlay%20Final%20Report_0.pdf

⁴⁰ Advice from the Modelling and Data Science team, NSW Premier's Department, as well as analysis by Liquor & Gaming NSW

⁴¹ Delfabbro, P. (2023). Evaluation of the Cashless Gaming Trial at the West Suburbs Newcastle Leagues Club (Wests New Lambton).

https://www.liquorandgaming.nsw.gov.au/_data/assets/pdf_file/0011/1295588/evaluation-of-the-cashless-gaming-trial-at-wests-new-lambton.pdf

⁴² Schottler Consulting (2020). What is the impact of cashless gaming on gambling behaviour and harm? Melbourne: Victorian Responsible Gambling Foundation.

⁴³ 3arc Social, & Professor Delfabbro, P. (2024). Evaluation of NSW Cashless Gaming Trial.

⁴⁴ 3arc Social, & Professor Delfabbro, P. (2024). Evaluation of NSW Cashless Gaming Trial.

The Executive Committee recommends that the NSW Government complete additional analysis as part of any decision on account-based gaming regarding impact on industry such as revenue and employment impacts, with appropriate considerations for regional areas and border towns, and other relevant factors including the social cost of gambling.

7.2. Account-based gaming principles

7.2.1. A statewide integrated system

Recommendation 1.2

The account-based gaming system should enable a statewide integrated system that links to a centralised database for players, with common standards for user interfaces to allow for multiple providers. Noting there are technical challenges to be worked through for this.

The trial was conducted with multiple account-based gaming systems, on a venue-by-venue and technology provider-by-provider basis, often tailored or designed to build on loyalty systems, with varied user experiences. This was necessary to allow for the testing of the feasibility of the technology that was available at the time.

However, there are limitations to this approach, specifically:

- limit setting, activity statements and other harm minimisation initiatives need to be applied across all gaming venues to be effective
- increased barriers for sign-up, for example, by players having to verify their identity by completing KYC checks and establish accounts at every individual venue

- venues being limited to or 'locked in' to individual technology providers who may have different levels of product quality and/or preparedness and cost of switching providers may be prohibitive.

The Panel acknowledged that a single system (with a single technology provider) for account-based gaming could provide uniformity and ensure all data and controls are centralised and streamlined. However, there are major drawbacks to this approach, including the risk of having one provider in the market, higher costs due to no competition, difficulty in managing financial aspects of the system and less functionality and innovation.

The trial demonstrated that there is a reasonably competitive potential market for account-based gaming technology in NSW. Each participating technology provider adopted a different approach suggesting that there is significant scope for innovation in this area. A single system approach could stifle this environment.

The Panel debated that having a single system could also pose a significant risk as the design, development, deployment, support, data storage and management of the system would all be the responsibility of the one provider. The one technology provider responsible for the system could drive delays and lack of competition could result in a sub-standard product. This model also locks venues into a single provider, rather than providing them the flexibility to accommodate their business needs. The trial illustrated this issue, with some venues required to withdraw from the trial due to their technology providers' withdrawal.

The Executive Committee is supportive of an account-based gaming system which facilitates multiple technology provider product solutions. To address the concerns with a multiple provider approach the Executive Committee recommends the development of an integrated framework where all account-based gaming solutions link to a centralised database for players with common standards for user-interfaces to ensure consumer ease of use.

This does not necessarily mean a single digital wallet solution is required across all venues and providers but rather that any solution would need to link to the centralised database for players and also consider avenues to facilitate settlement of funds across multiple solutions/payment providers to enable a seamless experience for the player.

This approach will allow venues to have a choice of technology providers while ensuring seamless communication and control across all platforms by linking to the centralised database. The centralised database/system would ensure limit settings (and possibly ID verification, if that is to be included) are carried across venues.

The Executive Committee notes that although an integrated approach will most likely have technical challenges and further technical advice on what is feasible will be required as part of the implementation process, it is the preferred model.

7.2.2. Anonymous play should not be permitted

Recommendation 1.3

The account-based gaming system should require all players to be identified and linked to a player account, with consideration to reduced identity verification processes for casual players and visitors to NSW, subject to stringent criteria.

The Panel discussed that signing up to an account-based gaming account could present a considerable barrier to EGM play for infrequent casual players and players from outside of NSW given that the sign-up processes for the technologies trialled were perceived as onerous.

However, the Crime Commission Inquiry⁴⁵ highlighted the need to ensure that identity is tied to gaming including winnings. Additionally, the advice from AUSTRAC noted that any scenario that has anonymous cash flowing through the economy has a higher money laundering risk. Furthermore, allowing any level of anonymous play would create complexities to an account-based gaming system and would have the potential for exploitation.

The Panel reflected on other industries and jurisdictions where reduced identification requirements are permitted for visitors to the state and considered the possibility of implementing reduced KYC identity requirements for casual players or visitors to NSW. This would allow a streamlined registration process for individuals engaging in lower levels of gambling activity, or for those visiting the state temporarily.

⁴⁵ State of NSW (NSW Crime Commission), 2022, Project Islington – Inquiry into Money Laundering via Electronic Gaming Machines in Hotels and Clubs. 19–20.
<https://www.crimecommission.nsw.gov.au/final-islington-report.pdf>

Considering the deliberations of the Panel, the Executive Committee recommends that the account-based gaming system require all players to be identified and linked to a player account however, reduced identification verification requirements can be considered up to a certain level for casual players and visitors to NSW subject to stringent criteria.

TITO is an existing technology which has the same anonymous characteristic as cash. The Crime Commission Inquiry as well as AUSTRAC's National Risk Assessment both noted the purchasing and selling of TITO tickets as a money laundering risk.⁴⁶ As such, under an account-based gaming system, any use of TITO would require it to be linked to an identified account.

The technical feasibility of a reduced identification process as well as an appropriate limit (i.e., the threshold of spend amount with a reduced identification process for an infrequent casual player or visitor to NSW) should be considered further during the implementation of account-based gaming system.

7.2.3. There should be a continued role for cash to a certain threshold

Recommendation 1.4

The account-based gaming system should permit the continued use of cash to top up a player account (whether at cashier or at EGM) up to a certain amount (this daily cash deposit threshold to be determined by NSW Government).

Findings from the trial highlight patron concerns regarding their financial institutions, as well as the government, having visibility of their gaming activity. The concerns related to connecting their bank account or debit card to their player account to transfer funds and thus having gambling expenditure appearing on bank statements.

Patron concerns related to this potentially impacting on their borrowing capacity from financial institutions and/or having this being tracked and visible to government agencies such as the Australian Tax Office or Centrelink.

Feedback from the trial also indicated that some patrons prefer to use cash and use it as a budgeting tool (e.g., only taking so much cash in with them to a venue to gamble). This is consistent with the findings of the Wests Newcastle⁴⁷ and Club York⁴⁸ Regulatory Sandbox trials.

From a user experience perspective, the bank account linkage and the sign-up process were perceived as onerous and time consuming by patrons for this trial.⁴⁹

⁴⁶ State of NSW (NSW Crime Commission), 2022, Project Islington – Inquiry into Money Laundering via Electronic Gaming Machines in Hotels and Clubs. 4, 6. <https://www.crimecommission.nsw.gov.au/final-islington-report.pdf>; AUSTRAC (2024). Money laundering in Australia: National risk assessment. 99. <https://www.austrac.gov.au/sites/default/files/2024-07/2024%20AUSTRAC%20Money%20Laundering%20NRA.pdf>

⁴⁷ Delfabbro, P. (2023). Evaluation of the Cashless Gaming Trial at the West Suburbs Newcastle Leagues Club (Wests New Lambton). https://www.liquorandgaming.nsw.gov.au/_data/assets/pdf_file/0011/1295588/evaluation-of-the-cashless-gaming-trial-at-wests-new-lambton.pdf

⁴⁸ Schottler Consulting. (2024, September). Evaluation of a digital card/app trial under the Liquor & Gaming NSW Regulatory Sandbox: An evaluation of a digital card/app for EGM payment at Club York. Prepared for Liquor & Gaming NSW.

⁴⁹ 3arc Social, & Professor Delfabbro, P. (2024). Evaluation of NSW Cashless Gaming Trial.

Independent Panel on Gaming Reform

The Panel discussed that allowing cash deposits where these are linked to an identified account and digital payments could help alleviate these concerns whilst still realising the anti-money laundering and harm minimisation benefits of an account-based gaming system. A key benefit of this approach is that it links gaming to identity but provides casual players, or those who prefer to not use digital deposits, with the flexibility to still use cash.

The Executive Committee considered that the Crime Commission Inquiry also identified cash in a limited capacity could still be part of an account-based gaming system with a maximum threshold of \$1,000 per day.⁵⁰

Furthermore, the *Casino Control Act 1992* provides that up to \$1,000 cash can be loaded onto a player card in a single day for NSW casinos.

The Executive Committee reviewed the cash deposit limits being proposed in other jurisdictions. While not specifically cash deposit limits, Tasmania is proposing a daily default loss limit of \$100⁵¹ while Victoria is proposing a suggested daily limit of \$50.⁵²

Jurisdictions also impose limits on cash withdrawals in a venue either via an ATM or EFTPOS or both. Victoria currently has \$200 limit for EFTPOS cash withdrawals per transaction per card and \$500 limit for EFTPOS cash withdrawal per card within 24 hours. Tasmania currently has \$200 limit for EFTPOS cash withdrawal, one per day. All these measures impact the amount of cash available to a patron to fund EGM play.

The interplay between the daily cash deposit limit per player and the cash input limit per EGM session was also considered. NSW has \$500 cash input limit for new machines while Victoria is proposing to reduce its limit to \$100 and Queensland and South Australia has it as \$100 and \$99.99 respectively.

The Executive Committee recommends the continued use of cash in the account-based gaming system up to a certain limit. Further advice and consideration on how cash is permitted to be used to fund player accounts (e.g. through venue services or directly at the EGM) and to what amount should be considered further and determined by NSW Government during implementation.

When determining the appropriate cash limit the Crime Commission's recommendation to not exceed \$1,000 should be considered as well as the nature of casinos as destination-gambling venues (opposed to community hubs like clubs and hotels) potentially necessitating a much lower cash threshold.

⁵⁰ State of NSW (NSW Crime Commission), 2022, Project Islington – Inquiry into Money Laundering via Electronic Gaming Machines in Hotels and Clubs. 19.
<https://www.crimecommission.nsw.gov.au/final-islington-report.pdf>

⁵¹ Tasmanian Treasury. (2024). Player Card and Cashless Gaming, Public Consultation Paper.
<https://www.treasury.tas.gov.au/Documents/Player%20Card%20and%20Cashless%20Gaming%20Public%20Consultation%20Paper.pdf>

⁵² The Guardian. (2024, June 20). Victoria moves to introduce default \$50 loss limit on poker machines.
<https://www.theguardian.com/australia-news/article/2024/jun/20/victoria-50-loss-limit-poker-machines-default-pokies>

7.2.4. Inclusion of opt-out non-binding limits and universal balance limits

Recommendation 1.5

The account-based gaming system should include opt-out default non-binding spend, deposit and time limits (to be determined by NSW Government) which players can amend, and retain existing universal limits of a maximum of \$5,000 on balance limit.

The trial findings showed that almost all stakeholders and patrons were in favour of having harm minimisation tools, such as limit setting features, included in account-based gaming technology to some extent.

The trial required account-based gaming technology to include the ability for players to set voluntary limits on daily deposits and playing time. Furthermore, there was a maximum gaming balance limit of \$5,000 (in line with the current limit in NSW for player accounts under clause 95 of the *Gaming Machines Regulation 2019*) and top-up limit of \$500 (in line with the current NSW cash input limit for new gaming machines).⁵³

The Panel discussed the concept of limit setting for players and considered models from other jurisdictions as potential frameworks. In Tasmania, proposed reforms would implement mandatory pre-commitment requiring players to choose to:

- use the default loss limits (\$100 day, \$500 month, \$5,000 year) or
- set lower loss limits or
- set higher loss limits up to \$500 day and \$5 000 month, within \$5,000 year limit or
- request to set higher loss limits above \$500 day, \$5,000 month or \$5,000 year.⁵⁴

Victoria's proposed reforms include mandatory pre-commitment where players must set limits on time and/or spend, but the limits themselves are not prescribed. Instead, players are presented with a default (suggested) limit of \$50 per day or \$100 per week, which they can then amend.

Norway has implemented a similar system where players must set mandatory limits on both time and money. The Panel acknowledged that Norway operates under a monopoly system and raised concerns regarding impacts on revenue. The Panel further considered whether these player set limits should be binding with a 'cooling off' period for players wanting to increase their limits, similar to the trial requirement. While players experiencing gambling harm are more likely to exceed voluntary limits⁵⁵ players also need to be encouraged to engage with pre-commitment systems and set appropriate limits.⁵⁶ Concerns were raised that if player set limits were binding or required a 'cooling off' period to increase it could encourage players to set higher and less appropriate limits thus undermining the intent.

The Panel considered universal binding limits for all players to be set by the regulator however, it was determined that this has many challenges. These challenges include the difficulty in determining a universal limit as what is affordable per player could vary drastically and avenues to verify player affordability (such as conducting affordability checks) could be perceived as intrusive to player's privacy.

⁵³ Independent Liquor & Gaming Authority. (2023). ILGA Circular: 6 June 2023: APPROVED NSW Technical Standards: 'GM Banknote Acceptor Limit' Change. https://www.liquorandgaming.nsw.gov.au/_data/assets/pdf_file/0011/1145666/ilga-gm-tech-std-circular-june-2023.pdf

⁵⁴ Tasmanian Treasury. (2024). Player Card and Cashless Gaming, Public Consultation Paper. <https://www.treasury.tas.gov.au/Documents/Player%20Card%20and%20Cashless%20Gaming%20Public%20Consultation%20Paper.pdf>

⁵⁵ Dawson, A., Tanner, J., Mushquash, C., Mushquash, A. & Mazmanian, D. (2017). The Use of Protective Behavioural Strategies in Gambling: a Systematic Review. *International Journal of Mental Health and Addiction*, 15 (6), 13021319.

⁵⁶ Schottler Consulting. (2019). Literature review of the impact of EGM characteristics on gambling harm. Commissioned by the NSW Responsible Gambling Fund; Myles D, Carter A, Yücel M, Bode S. (2024). Losses disguised as wins evoke the reward positivity event-related potential in a simulated machine gambling task. *Psychophysiology*. 61(6):e14541. <https://doi.org/10.1111/psyp.14541>

While limits followed an 'opt-in' model for the trial, the Panel considered that a default 'opt out' approach where players are automatically given a pre-set limit for depositing funds or on play time as a general part of EGM play (rather than as a targeted harm minimisation feature) which can then be amended by players, would be more likely to influence player behaviour. Behavioural economic 'nudge' theory which suggests that subtle changes in the way choices are presented can influence individuals' behaviour in predictable ways,⁵⁷ also supports a similar approach.

Considering the discussions of the Panel, the Executive Committee recommends the account-based gaming system include opt-out default non-binding limits, to be determined by Government during implementation noting that research may be needed to determine these limits. Furthermore, the Executive Committee recommends the retention of the existing universal limits of a maximum balance of \$5,000 (in line with current requirements for player accounts).

7.2.5. Reducing the threshold for paying out winnings in cash

Recommendation 1.6

The account-based gaming system should reduce the threshold for paying out winnings in cash to be consistent with either the daily cash deposit threshold or the cash input limit for new machines of \$500, whichever is lower.

In NSW up to \$5,000 in cash can be paid out for EGM winnings, with the remainder having to be paid out either via EFT or cheque.

The Panel considered that the \$5,000 limit is intended to reduce the capacity for individuals to immediately gamble with their winnings. EFT payments also increase transparency and accountability of funds which make it easier for players to track their gaming expenditure over time. The Panel discussed that lowering the amount which can be paid out in cash would allow this benefit to apply to more payouts and assist venues which would not be required to stock as much cash to meet potential prize claims.

The Executive Committee also considered the EGM winning cash payout limits for other jurisdictions. Cash payout limits in other jurisdictions are comparatively lower than NSW and Queensland with:

- Victoria currently allowing up to \$2,000 to be paid out in cash with the remaining by EFT or cheque
- ACT and Tasmania currently allowing up to \$1,500 and \$1,000 respectively to be paid out in cash with the remaining by EFT or cheque and both allow players to request for winnings over \$300 to be paid out by EFT or cheque
- South Australia allowing up to \$500 to be paid out in cash, with the remaining by EFT or cheque.

The Panel also considered whether there should be a delay/quarantine period for players to access non-cash prize payouts, similar to the trial requirement, to reflect the historic delay via cheque/EFT payments for players to access these winnings.

⁵⁷ Behavioural Exchange. (2018). Behavioural insights for public policy Case studies from around Australia. <https://behaviouraleconomics.pmc.gov.au/sites/default/files/resources/behavioural-insights-public-policy.pdf>

Given that use of cash to a limited extent is being suggested, the Executive Committee recommend that the amount that can be paid out in cash be reduced to be consistent with either the daily cash deposit threshold (still to be determined) or the cash input limit for new machines (\$500), whichever is lower.

7.2.6. Interoperable with other key systems

Recommendation 1.7

The account-based gaming system should be interoperable with other key systems including the statewide exclusion register and facial recognition technology.

The Panel considered that an interoperable account-based gaming system offers several advantages by ensuring seamless communication and integration with various interrelated systems. For example, the Panel discussed that an account-based gaming system which is interoperable with the statewide exclusion register and facial recognition technology would prevent excluded players from gambling and help notify staff if intervention is required.

The Executive Committee recommends that the account-based gaming system should be interoperable with other key systems including the statewide exclusion register and facial recognition technology.

Final determination on other potential systems to be interoperable with account-based gaming should be considered further during implementation.

7.2.7. Ongoing data collection

Recommendation 1.8

The account-based gaming system should include requirements on the collection of data on transactions and to enable automated risk monitoring.

The Panel conferred that the collection of data, including data on transactions, wins and losses, and date and times of play, would allow for ongoing monitoring of the technology and gambling in NSW clubs and hotels. The Panel also considered that the *NSW Casino Control Regulation 2019*⁵⁸ has similar requirements on the recording of information on gaming tied to player cards.

The Panel discussed the need to be clear on the purpose of data collection via the account-based gaming system (e.g. to support individuals, for the regulator, use in research etc) and suggested that there could be hierarchy of purpose and/or primary use versus secondary uses. It is expected that any requirements would be in line with other legal obligations. The Panel also discussed the importance of having all venues reporting the same way, noting currently clubs, hotels and casinos all have different requirements and different timeframes for reporting.

The Panel considered that the collection of data within an account-based gaming system could enable automated risk monitoring for risky gambling behaviour and facilitate early interventions of varying levels.

⁵⁸ Casino Control Regulation 2019, Division 6 Information and records

The Executive Committee recommends that the account-based gaming system include the ongoing collection of data for regulatory purposes and to enable automated risk monitoring and on transactions.

Based on the trial findings on patron concerns around having their gaming behaviour tracked by Government, the Executive Committee also suggest that further communication material be developed to alleviate these concerns where possible and highlight where only de-identified data may be used.

7.2.8. Evaluation of the system

Recommendation 1.9

The account-based gaming system should be evaluated as part of the broader reforms evaluation.

The Panel acknowledged that all NSW Government agencies are required to regularly examine initiatives to verify they are implemented as planned and delivering intended social, economic, environmental, and cultural outcomes and benefits.⁵⁹

The Panel discussed the importance of evaluating the account-based gaming system to ensure it meets harm minimisation and anti-money laundering objectives. The Panel considered the necessity of evaluations to keep pace with innovations in technology and highlighted the opportunity that an evaluation could provide in terms of insights into ways to adapt to player behaviours.

In light of these discussions, the Executive Committee recommends that the account-based gaming system be evaluated to ensure it is meeting the intended harm minimisation and anti-money laundering benefits and to assess the ongoing impact to industry.

⁵⁹ NSW Treasury. (2023). Policy and Guidelines: Evaluation: TPG22-22. https://www.treasury.nsw.gov.au/sites/default/files/2024-04/tpg22-22_evaluation.pdf

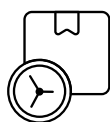
7.3. Considerations for design and build of an account-based gaming system

Recommendation 1.10

The NSW Government ensure that the design of the account-based gaming system includes commissioning technical advice and/or research and consumer testing to determine and adopt:



the most appropriate terminology for 'account-based gaming' from a customer perspective



the most effective ways to implement breaks in play and augment activity statements to enhance their effectiveness as harm minimisation tools



the most appropriate language and description of harm minimisation tools and design aspects of account-based gaming to encourage lower-risk gambling including awareness of spend and the most appropriate ways to communicate with regular players to enhance meaningful engagement with deposit limits



the most effective ways to leverage data analytics to identify and mitigate harmful gambling behaviour, including incorporating targeted interventions to encourage lower-risk gambling including awareness of spend.

7.3.1. Reframing cashless gaming to 'account-based gaming'

A key finding of the trial was the negative perception towards the term 'cashless gaming' by some patrons, as it removes a payment option rather than offering an additional option, and elicits negative responses from those who are resistant to the broader societal shift away from cash.

As discussed in **section 6.3.2**, the revised promotional materials with the 'digital gaming wallet' terminology received very positive feedback from venues. However, 'digital gaming wallet' does not reflect other potential payment methods such as physical cards and the possible continued use of cash (the use of cash in account-based gaming is addressed in **section 7.2.3**).

The Panel discussed reframing the 'cashless gaming' terminology to 'account-based gaming'. The Panel considered that 'account-based gaming' is a more accurate term, particularly as cashless gaming already exists through player cards and TITO tickets (though these are not currently linked to identity and are funded through cash). However, the Panel also raised concerns that the terminology 'account-based gaming' may deter patrons as it may be associated with concerns of monitoring and linking bank accounts.

The Executive Committee recommends reframing 'cashless gaming' to 'account-based gaming' as an interim measure for the Roadmap. Going forward, the Executive Committee recommends that as part of the design and implementation of the account-based system, the NSW Government commission research and consumer testing to determine the most appropriate language and description of the system that should be used from a customer perspective.

7.3.2. Implementation of breaks in play and augmentation of activity statements

The Panel acknowledged that the account-based gaming system could provide a range of harm minimisation features, some of which are already in place in the existing NSW legislative framework (e.g. player activity statements, manual self-exclusion, location of ATMs requiring players to leave gaming areas to access funds etc) but in a way which is easily accessible to patrons and more customised.

The Panel debated that breaks in play, meaningful player activity statements and limit setting features (discussed in **section 7.2.4**) can help reduce gambling harm by enabling players to break a gambling cycle and encouraging them to reflect on their gambling spend and time.

The Executive Committee recommend that these should be fundamental harm minimisation requirements in the design of the account-based gaming system and that the NSW Government commission technical advice and/or research and consumer testing to determine the best approach to implement these requirements in the account-based gaming system.

7.3.3. Defining appropriate language to encourage lower-risk gambling and enhance engagement with harm minimisation tools

The findings from the NSW cashless gaming trial, as well as the Wests Newcastle trial, highlight the barriers and lack of perceived benefits for players to engage with harm minimisation features within an account-based gaming system.

For example, the findings indicate there is a stigma around limit-setting⁶⁰ and an overall perception among players that harm minimisation tools are only for 'other people' who had experienced significant gambling harm, rather than as a preventative or consumer protection tool for all players.⁶¹

The Panel considered that the language, description and overall design of harm minimisation features will need to overcome these barriers and perceptions and consider consumer behaviour, attitudes and preferences to encourage use by players.

For example, in the trial, the account-based gaming technologies were required to provide for a delay in accessing additional funds to mirror breaks in play associated with leaving gaming areas to obtain funds from ATMs. However, the technologies delivered on this requirement in various ways.⁶²

The Panel discussed the importance of ensuring these tools are consistent, so players can engage with them easily.

The Executive Committee recommend that the NSW Government commission technical advice as well as research and consumer testing to ensure that these features are effectively designed and implemented to enhance their effectiveness as harm minimisation tools.

⁶⁰ 3arc Social, & Professor Delfabbro, P. (2024). Evaluation of NSW Cashless Gaming Trial.

⁶¹ Delfabbro, P. (2023). Evaluation of the Cashless Gaming Trial at the West Suburbs Newcastle Leagues Club (Wests New Lambton). 176-177.

https://www.liquorandgaming.nsw.gov.au/_data/assets/pdf_file/0011/1295588/evaluation-of-the-cashless-gaming-trial-at-wests-new-lambton.pdf

⁶² One technology provided for a delay of a fixed period before funds were 'cleared' following a transfer being made (i.e. a count-down). Another technology provided a session and location barrier – i.e. a transfer could only be made if the player was not engaged in a gambling session and left the gaming area.

7.3.4. Leverage data analytics to identify and mitigate harmful gambling behaviour

The account-based gaming system can offer a data-rich environment where data analytics, including player behaviour data, could help identify and mitigate harmful gambling behaviour.

The Panel reflected on the current requirement that venues record incidents in the Gambling Incident Register if patrons display behaviour that indicates gambling harm (e.g., playing for extended periods of time or withdrawing cash multiple times) as well as the staff response.

The Panel acknowledged that the account-based gaming system could enhance this process, where the identification of potentially harmful behaviour is not reliant on staff observations. Data analytics, including player behaviour data, could help identify and mitigate harmful gambling behaviour. This could also inform more effective strategies on incorporating targeted interventions. For example, personalised messaging can serve as a targeted intervention that can reach players at an appropriate time. Staff being alerted where there is extended play or excessive expenditure can also serve as a targeted intervention where warranted and could complement and assist compliance with existing obligations of Responsible Gambling Officers.

The Executive Committee recommends that the NSW Government commission research and/or technical advice to help identify the most effective ways to leverage data analytics to identify and mitigate harmful gambling behaviour and incorporate targeted interventions in the design of the account-based gaming system to encourage lower-risk gambling including awareness of spend.

7.4. Technical and system standards and privacy and data protections

Recommendation 1.11

The NSW Government:

- ensure the rollout of the account-based gaming system includes significant education and cyber readiness for venues and technology providers
- ensure the rollout of the account-based gaming system builds upon the NSW cashless gaming trial experience with advice from data privacy and cybersecurity experts
- undertake a Privacy Impact Assessment as part of its considerations for implementing the account-based gaming system.

The Panel acknowledged that the field of cybersecurity and data privacy has grown in recent years and is now a central issue and key risk for individuals, organisations and government.

Data privacy in Australia is governed by the *Privacy and Personal Information Protection Act 1998* (NSW), the *Privacy Act 1988* (Cth), and the 13 Australian Privacy Principles. These instruments govern standards, rights and obligations around:

- the collection, use and disclosure of personal information
- an organisation or agency's governance and accountability
- integrity and correction of personal information
- the rights of individuals to access their personal information.

Cybersecurity and data privacy are critical considerations for any future account-based gaming system. Any such system will need to protect sensitive player data (including personal and financial information) and ensure system integrity. The system will require robust security controls and mechanisms to prevent, detect and mitigate cyber threats and attacks.

Independent Panel on Gaming Reform

Under its Terms of Reference, the Panel was required to make recommendations on technical and system standards and privacy and data protections that should be adopted for an account-based gaming system.

Technology providers and venues participating in the trial were required to meet data security and privacy protections established by the Panel as minimum requirements (see **section 6.2.2**). The cybersecurity project team comprising Cyber Security NSW and the DCITHS cyber security team developed an iterative cyber assurance process for the trial. Technology providers were also required to undertake data breach training. This training included scenario based exercises simulating a real-world incident to assess the response and action of all parties.

The trial identified that venue readiness and technology provider testing require uplift to address the risks associated with implementing an account-based gaming system. Many venues lacked the necessary infrastructure or expertise to handle the technical demands of a secure account-based gaming system.

Technology provider testing also showed gaps in ensuring that systems could adequately protect against potential cyber threats.

High-profile privacy and data breaches such as those experienced by Medibank⁶³, Optus⁶⁴ and OutABox⁶⁵, have highlighted the risks of insufficient cybersecurity and data security. These events have heightened public concern in this area. This in turn impacted patron perception of the NSW cashless gaming trial. These incidents heightened concerns among patrons about the security of their personal data. Some patrons were hesitant to adopt the technology due to fears that their personal/financial information might be compromised.

The Panel acknowledged the importance of implementing robust data privacy and cybersecurity controls. It also notes that this should consider existing Commonwealth law to ensure there are no conflicts or duplicating requirements.

The Panel discussed the complexity this may cause for border towns and whether this is something that could be considered through existing intergovernmental committees. However, the Panel recognised the leading role NSW plays in reforms and capability building and that other states and territories may not have the same public sector expertise in cybersecurity and therefore may not have an equivalent organisation to Cyber Security NSW.

The Executive Committee recommends that the minimum data privacy and security requirements established for the trial should form the basis for the broader rollout of the account-based gaming system. However, the scale of the statewide implementation will differ significantly from the controlled environment of the trial. Under a statewide rollout there will be an increased number and diversity of venues. Given this expanded scale some members of the Panel suggested that adjustment to the trial's minimum requirements will be necessary.

Experts such as Cyber Security NSW and the Information and Privacy Commission NSW should inform the design and implementation of the account-based gaming system.

The Executive Committee recommends that the rollout of the account-based gaming system includes significant education and cyber-readiness for venues and technology providers. This should build upon the NSW cashless gaming trial experience with advice from data privacy and cybersecurity experts.

⁶³ Australian Federal Police. (2024). Statement by AFP Commissioner Reece Kershaw on Medibank Private data breach. Medibank Newsroom. <https://www.medibank.com.au/livebetter/newsroom/post/statement-by-afp-commissioner-reece-kershaw-on-medibank-private-data-breach>

⁶⁴ Queensland Government.(2022). Optus data breach. <https://www.qld.gov.au/community/your-home-community/cyber-security/cyber-security-for-queenslanders/case-studies/optus-data-breach>

⁶⁵ NSW Government. (2024). Outabox data breach. <https://www.nsw.gov.au/id-support-nsw/learn/data-breaches/data-breach-announcements/outabox-data-breach>

The NSW Government should consider:

- incorporating ‘security-by-design’ principles into the design of the account-based gaming system
- ensuring the data security and privacy protection requirements in place for the trial are a baseline for the minimum standards for the account-based gaming system
- ensuring appropriate requirements are put in place to reflect the design and structure of the account-based gaming system finalised by the Government.

The appropriate cybersecurity and privacy controls will depend on the architecture of the account-based gaming system. In any case, sensitive patron data will be collected and held. The system must therefore comply with the *Privacy Act 1988 (Cth)* and *Privacy and Personal Information Protection Act 1998 (NSW)*.

The Executive Committee recommend that the NSW Government undertake a Privacy Impact Assessment to inform its preferred account-based gaming system architecture.

A Privacy Impact Assessment will ensure the risks associated with each model of the account-based gaming system are assessed along with any mitigating controls. Further analysis on the impacts to players will also be required for each model.

7.5. Infrastructure investment

Recommendation 1.12

The NSW Government establish an Implementation Committee which includes independent technical experts and cyber experts to provide advice on the implementation the account-based gaming system and appropriate transitional arrangements to support industry and the ongoing sustainability of the sector.

Under its Terms of Reference, the Panel was required to develop recommendations for Government taking into consideration several factors including infrastructure investments required.

While the trial provided useful insights on some of the costs and infrastructure required, further work is necessary to better understand the extent of infrastructure investments required as this is dependent on a number of factors including:

- the structure of the account-based gaming system (including the roll-out timeframe, compatibility with existing systems and cybersecurity requirements)
- the existing infrastructure within venues (including gaming machines and subsidiary equipment)
- the technology design and level of customisation required
- possible economies of scale that can be leveraged
- extent of cost recovery of development costs passed onto venues
- non-gaming related infrastructure which may also require further investment such as telecommunications infrastructure.

Independent Panel on Gaming Reform

The Panel reflected on some of the investment costs borne by the trial participants, with technology providers incurring costs regarding product development and deployment, third party testing and hardware and installation, while venues incurred costs related to staffing and training, system updates and upgrades (including cybersecurity uplift), and ongoing use of the technology.

The Panel also considered programs in other jurisdictions that may provide an indication of the scale of infrastructure costs to implement such programs on a statewide scale as well as in venues. YourPlay (a statewide pre-commitment carded gaming system) was introduced in Victoria in December 2015 with an estimated cost of \$57.1 million over five years.⁶⁶ A significant portion of these costs were borne by industry in 2015/16, including \$7.8 million in pre-commitment fees and \$4.2 million due to depreciation on card readers.⁶⁷

Similarly, a pre-commitment carded system is set to be implemented in all licensed venues in Tasmania starting from 2025, with an estimated cost in the vicinity of \$10 million and additional costings of \$2 million projected for development of an electronic monitoring system.⁶⁸ The report to the Tasmanian Treasurer qualified the need for further work to quantify overall statewide implementation including casino system integration and monitoring and compliance fees, amongst other infrastructure costs.⁶⁹

On a venue-level, Crown Melbourne reportedly spent over \$20 million⁷⁰ to introduce mandatory carded play on all 2,628 of its EGMs in December 2023.⁷¹

The Panel discussed that the rollout timeframe, aligning reforms where possible, could help mitigate the cost burden on venues e.g. only having to replace EGMs once given NSW's move towards two-way communications protocol.

The Panel examined all available information but acknowledged there were critical gaps that would prevent the ability to reach a well-informed recommendation. The Panel considered concerns that the aggregate costings before the Panel were not exhaustive and a breakdown of all applicable implementation costs was necessary to provide the Panel a meaningful understanding of the true nature of costs industry would incur under the account-based gaming rollout to over 87,000 gaming machines in over 2,100 venues. For instance, costings for card readers did not account for other associated implementation costs such as testing and installation, that may incur multiple rounds of development. Consequently, the nature and extent of transitional support that industry would need could not be conclusively determined.

The Executive Committee recommends that the NSW Government establish an Implementation Committee to provide advice on the implementation of the account-based gaming system, and the appropriate transitional support arrangements for industry.

⁶⁶ The South Australian Centre for Economic Studies, University of Adelaide. (2019). Evaluation of YourPlay Final Report. 119. https://files.justice.vic.gov.au/2021-06/Evaluation%20of%20YourPlay%20Final%20Report_0.pdf

⁶⁷ The South Australian Centre for Economic Studies, University of Adelaide. (2019). Evaluation of YourPlay Final Report. 119. https://files.justice.vic.gov.au/2021-06/Evaluation%20of%20YourPlay%20Final%20Report_0.pdf

⁶⁸ Tasmanian Liquor and Gaming Commission. (2022). Investigation of harm minimisation technologies: facial recognition and player card gaming, Report to the Treasurer. 25. <https://www.treasury.tas.gov.au/Documents/TLGC%20Report%20to%20Treasurer%20-%20Investigation%20of%20harm%20minimisation%20technologies.PDF>

⁶⁹ Tasmanian Liquor and Gaming Commission. (2022). Investigation of harm minimisation technologies: facial recognition and player card gaming, Report to the Treasurer. 25. <https://www.treasury.tas.gov.au/Documents/TLGC%20Report%20to%20Treasurer%20-%20Investigation%20of%20harm%20minimisation%20technologies.PDF>

⁷⁰ The Age. (2023, December 14). Crown promises the safest casino in the world with new carded play. <https://www.theage.com.au/national/victoria/crown-promises-the-safest-casino-in-the-world-with-new-carded-play-20231214-p5erfk.html>

⁷¹ Crown Resorts (2023, July 28). Press Release: Introducing Crown Playsafe: Our Plan to Prevent Gambling Harm. <https://www.crownresorts.com.au/getsydneymedia/f2e90eac-4f09-4633-8809-aab723bae3f8/230728-crown-resorts-media-centre-introducing-crown-play-safe.pdf?ext=.pdf>

7.6 Scope of the Implementation Committee

The scope of the Implementation Committee for account-based gaming includes providing advice to the NSW Government on the Government's design, build and implementation of a statewide system.

This includes providing advice on technical aspects such as:



data privacy and security protections



data governance and storage requirements



protocols for data collection and monitoring



architectural requirements for a centralised database



user authentication and identity management



financial management



system integration for multiple providers and venues



system interoperability (i.e. integration with statewide exclusion register).

The scope of the Implementation Committee also incorporates advising on change management strategies to help stakeholders transition to the new system.

This includes providing advice on:



potential impacts on industry and employment (i.e. impact on revenue, impact on employment, cost of infrastructure rollout)



social cost of gambling



training and education programs for stakeholders



transitional support for stakeholders



considerations for regional areas and border towns



timeframes for implementation.

08

Gaming machine operations and trading

8. Gaming machine operations and trading

The Terms of Reference required the Panel to provide advice on the principles governing the development and implementation of further gaming reform in NSW and the critical considerations for communities, law enforcement, harm minimisation, anti-money laundering and the industry.

The Panel was referred several reports that focussed on key aspects of the gaming machine operations and trading framework in NSW and was asked to provide advice on NSW Government commitments to reduce the number of GMEs and to reduce cash input limits on older EGMs.

In response, the Panel considered a range of matters related to the gaming machine operations and trading framework including:

- the local impact assessment (LIA) scheme
- the GME leasing scheme
- the forfeiture scheme and exemptions
- a buy-back scheme
- EGM operating hours
- reducing the cash input limit older EGMs.

This chapter outlines the Executive Committee's recommendations regarding these key aspects of the NSW gaming machine operations and trading framework.

8.1 Gaming machine entitlement trading

8.1.1 Overview

GMEs are required to operate every EGM in clubs and hotels in NSW.

The number of EGMs in NSW is significantly higher than other states and successive NSW Governments have sought to reduce the number of GMEs over time. As of 1 October 2024, there were 95,768 GMEs in NSW.⁷²

NSW has a GME trading scheme which was introduced in 2001 and commenced in 2002. Under the scheme, clubs can trade GMEs with other clubs and hotels with other hotels. This GME trading scheme is market-based and is not facilitated by the regulator as it is in other states and territories in Australia.

⁷² Liquor & Gaming NSW, (2024). *Licensed premises data: Premises List as at October 2024*. <https://www.liquorandgaming.nsw.gov.au/resources/licensed-premises-data>

When trading occurs, venues are required to forfeit one GME for every two or three GMEs traded, subject to a small number of exemptions.⁷³ More than 3,600 GMEs have been forfeited in NSW in the 2011/2012 to 2023/2024 financial year period. The forfeiture requirement has been the main driver of the reduction in GME numbers over time. The maximum number of GMEs is currently capped at 95,994.⁷⁴ The NSW Government has committed to lowering this cap each year to entitlements in circulation at that time.

Underpinning the GME trading scheme is a gaming machine threshold (GMT) scheme which caps the number of EGMs a venue can operate. All clubs and hotels in NSW are subject to this individual threshold, known as their GMT threshold. The GMT threshold limits how many GMEs each club and hotel may have.

There are also a historical number of poker machine permits (PMPs) for hotels, which are included in the GMT threshold. PMPs are a legacy authorisation, acquired by hotels by a tender process in the late 1990s that allowed them to operate up to 15 additional gaming machines in addition to the 15 they were already authorised to operate. With the introduction of GMEs and a GME trading scheme in 2002, the 2,300 PMPs were retained in effect as a separate form of GMEs, restricted to hotels and exempt from forfeiture requirements.⁷⁵ PMPs are included in the state cap on the total number of GMEs (i.e. the 2,300 PMPs are included in the state cap of 95,994 “GMEs”) and these are often reported together as “GMEs”.

For a new club or hotel, its GMT is zero until an application is lodged with ILGA and is approved for a higher GMT. Venues wishing to fill an increase within their GMT can only do so by getting existing GMEs from other venues.

A hotel GMT is capped at 30 GMEs. Clubs were previously capped at 450 GMEs, but this cap was removed in 2008. Currently, less than two per cent of clubs have more than 450 GMEs.⁷⁶ In December 2022, Liquor & Gaming NSW published an Evaluation of the 2018 gaming reforms.⁷⁷

Various gaming machine reforms commenced on 3 April 2018 as part of the *Gaming Machines Amendment (Leasing and Assessment) Act 2018*. These legislative amendments implemented recommendations from the 2017 LIA Review and introduced the GME leasing scheme.

When the reforms were introduced, then NSW Government committed to evaluating the changes to the LIA scheme and the introduction of the GME leasing scheme three years after their commencement. The aim of the evaluation was to assess the extent to which the reforms have met their stated objectives. Liquor & Gaming NSW completed this evaluation after consulting with key industry, Government and community stakeholders and analysing a range of internal data sources.

The findings of the Evaluation of the 2018 Gaming Machine Reforms have informed the Panel’s deliberations on the GME trading framework.

8.1.2 Local Impact Assessment scheme

Recommendation 2.1

The NSW Government consider ways to simplify the Local Impact Assessment process and increase transparency.

Under Section 35 of the *Gaming Machines Act 2001*, venues may be required to undertake a LIA when applying for an increase in their GMT. The LIA scheme has been in operation since January 2009 and replaced its predecessor, the Social Impact Assessment Scheme as part of the statutory review of the Act conducted in 2007.

⁷³ *Gaming Machines Act 2001*, sections 20(3), 20A and 21

⁷⁴ *Gaming Machines Amendment Regulation 2023*. Regulation 4A. <https://legislation.nsw.gov.au/view/pdf/asmade/sl-2023-297>

⁷⁵ *Gaming Machines Act 2001*, Division 3, Part 3 Gaming machine entitlements and permits

⁷⁶ Liquor & Gaming NSW (2024). *Premises list as at September 2024*. www.liquorandgaming.nsw.gov.au/resources/licensed-premises-data

⁷⁷ Liquor & Gaming NSW. *Evaluation of the 2018 Gaming Machine Reforms*. (2022). https://www.liquorandgaming.nsw.gov.au/_data/assets/pdf_file/0015/1215042/Evaluation-of-the-2018-Gaming-Machine-Reforms.pdf

Independent Panel on Gaming Reform

The LIA scheme is designed to assess the impact of introducing additional EGMs into a local community. It also facilitates the community consultation process of an application that helps ILGA determine whether approving the application to increase a venue's GMT will have an overall positive impact on the local community.

In NSW a local community is considered based on the Statistical Area Level 2 (SA2s) areas established by the Australian Bureau of Statistics. These SA2s are classified into three bands based on socio-economic disadvantage, EGM density and EGM expenditure. Band 1 indicates areas with low risk, Band 2 indicates areas with medium risk and Band 3 indicates areas with high risk.

Depending on the classification of the SA2 where a club or hotel is located and the size of the GMT increase, the venue may or may not be required to undertake an LIA when applying for an increase to its GMT.

The following table outlines the rules related to the requirement to complete a LIA:

Table 1. Requirement to complete a LIA

	Low range increase (up to 20)	Mid-range increase (21-40)	High range increase (over 40)
Brand 1	No LIA required	Class 1 LIA	Class 2 LIA
Brand 2	Class 1 LIA	Class 2 LIA	Class 2 LIA
Brand 3	No GMT increases permitted via a LIA process		

A LIA is not required in limited circumstances largely where EGMs are moving within a local area. The rationale for this is that there was previously an assessment of the impact on the local community when existing GMTs were granted, and the purpose of the LIA is to assess the impact of increased EGMs in a particular area, not the impact of an increase at a specific venue.

These circumstances include GME transfers:

- within the same SA2
- to SA2s within the same Local Government Area where the band classification of the buyer venue is the same or lower than the band classification of the seller venue
- in adjoining SA2s where the band classification of the buyer venue is the same or lower than the band classification of the seller venue.

The 2018 gaming machine reforms, through amendments to the *Gaming Machines Act 2001* and the *Gaming Machines Regulation 2010*, included the following changes:

- classifying local areas using SA2s instead of Local Government Areas
- setting caps on GMEs in prescribed areas
- giving greater weight to an area's socio-economic disadvantage when classifying a local area
- establishing a centralised community benefit payment fund.

The reforms also modified the LIA process by extending consultation timeframes, enhancing notification requirements and requiring a Local Impact Statement for GMT increase applications exempt from completing an LIA.

The evaluation of the 2018 gaming reforms noted there was mixed feedback from stakeholders on the LIA reforms, with some viewing a positive impact of helping the regulator better identify high-risk areas, while others advocated for a more nuanced approach to risk assessment.⁷⁸

⁷⁸ Liquor & Gaming NSW. (2022) *Evaluation of the 2018 Gaming Machine Reforms*. 9. https://www.liquorandgaming.nsw.gov.au/_data/assets/pdf_file/0015/1215042/Evaluation-of-the-2018-Gaming-Machine-Reforms.pdf

Independent Panel on Gaming Reform

The evaluation also found that the LIA reforms have increased community participation opportunities through enhanced notification requirements and extended consultation periods. However, barriers to effective community involvement remain such as:

- low awareness of the process
- complexity of the reforms
- limited access to relevant data and information on ILGA's decisions.

The Panel discussed the LIA scheme, its intent and the benefits and challenges identified for the scheme. This was within the context of the referred evaluation report, background information and data provided by the Secretariat as requested by the Panel and insights provided by Panel members.

The Panel reviewed a jurisdictional comparison of EGM numbers and movement, EGM per capita data by SA2 and band, net profit and tax by SA2 and band, and forfeiture and leasing data and discussed the notable reduction in forfeiture over the past years.

The Panel deliberated on the factors contributing to this reduction including the process currently in place for approvals of GME transfers. The interrelationship between the LIA process (which effectively underpins the GME trading scheme) and the forfeiture scheme and thus reduction of GMEs was also considered by the Panel. This is explored more in **section 8.2.1**.

The Panel discussed concerns about the lack of research supporting the current thresholds used to define LIA bands. Suggestions were made to conduct independent research to ensure that thresholds accurately reflect the level of harm caused by gaming machines, with the possibility of adjusting or adding bands to improve regulatory effectiveness.

Other Panel members argued that the current system was established and refined after a significant consultation process with stakeholders and that the 2017 Local Impact Assessment Review Report found that 'the current three-tiered banding system works to ensure that venues in high-risk areas are required to undertake rigorous community consultation and impact assessment to acquire additional machines, while allowing venues in low-risk areas to benefit from a straightforward regulatory approach'.⁷⁹

The Panel also debated whether the LIA process should apply to all applications. Some felt that the current system does not allow enough community input, while others raised concerns about the potential administrative burden and cost of expanding the process.

Panel discussions also touched on whether more stringent measures should be taken to verify claims made in LIA applications and if a review of the Community Benefit Fund formula was required. While some members supported increased oversight, others believed that the current regulations and penalties were sufficient, and further changes were unnecessary.

Overall, the discussions reflected differing views on balancing community protections with practical industry concerns.

The Panel considered the significant challenge for the scheme in striking an appropriate balance between minimising gambling harm and facilitating industry development. In particular, the Panel recognised the challenge of creating a more efficient LIA process that remains accessible and meaningful for community participation without placing undue administrative burden on the industry.

⁷⁹ Liquor & Gaming NSW. (2017). *Local Impact Assessment Review*. <https://www.liquorandgaming.nsw.gov.au/documents/reports/local-impact-assessment-review>

Taking into account the findings of the evaluation, information and insights provided, and the opportunities and challenges identified by the Panel, the Executive Committee recommends that the NSW Government consider ways to simplify the LIA process and increase transparency. However, the Executive Committee notes in exploring ways to action this, the Government may wish to consider aspects such as:

- ways to streamline and simplify the application process
- increasing opportunities for effective community engagement.

8.1.3 Gaming machine entitlement leasing system

Recommendation 2.2

The NSW Government retain the Gaming Machine Entitlement leasing scheme subject to the following revisions:

- ensure the lease agreement prices are reasonable with reference to market rate
- ensure only venues that are actively trading can utilise the scheme, with exceptions for temporary closures in certain circumstances
- require the scheme to be subject to forfeiture.

The GME leasing scheme was introduced to support small venues that may be struggling financially to improve their ongoing financial viability. The scheme allows small clubs and hotels to lease, rather than sell, their GMEs to other clubs and hotels respectively.

Forfeiture requirements do not apply to leased GMEs and lessees are required to pay a levy to the Responsible Gambling Fund. The levy is either 5 per cent of the lease price or \$1,000 for each year the lease is in place, whichever is greater.

The Panel considered the evaluation which identified several significant findings regarding this scheme and its utilisation including:

- the scheme has primarily been used by hotels
- the scheme has resulted in a net movement of GMEs from country venues to metropolitan venues
- the scheme has had limited participation, particularly among clubs
- data and industry feedback suggest, on average, it has been more profitable for lessors to lease their GMEs than operate their EGMs
- some hotels use the leasing scheme to lease their GMEs while ceasing to trade
- some lessors do not appear to be receiving financial benefits from participating in the leasing scheme because their lease agreements are valued at artificially low prices
- the number of GMEs forfeited has decreased since the reforms (including the introduction of GME leasing scheme which is exempt from forfeiture), due to fewer sales and the forfeiture exemption for transfers by country hotels with a GMT of six or less.

The Panel considered the leasing scheme, its intent, benefits and challenges identified in the evaluation. This was within the context of the referred evaluation report, background information and data provided by the Secretariat as requested by the Panel and insights provided by Panel members.

The Panel discussed whether the leasing scheme should be revised, retained or removed. Some members of the Panel supported the removal of the leasing scheme as the ability to lease entitlements can lead to more EGMs being concentrated in certain locations, potentially increasing harm in vulnerable communities. Other Panel members supported retaining the scheme as it allows venues to adjust the number of EGMs in response to demand without having to permanently buy or sell GMEs which can help venues remain competitive and financially sustainable.

The Panel reflected on the opportunity this scheme offers to small country hotels to improve their financial viability and thus continue to provide services and facilities to those regional communities where such services and facilities are often limited. The Panel also considered the impact the scheme has had on forfeiture, as well as some of the ways in which the use of the system has undermined its policy objectives.

The Panel considered the finding that some hotels use the leasing scheme to lease their GMEs while ceasing to trade. The Review noted that benefiting from a lease while the venue is not operating is not consistent with the original policy objective, that is, supporting venues to improve their financial viability and provide services to the community. Some members of the Panel highlighted that there may be circumstances where venues face challenges in the short-term and may need to rely on revenue generated from leasing their GMEs to resume trading. This could be particularly relevant following natural disasters where venues may be forced to temporarily close and GME leasing could provide an alternate source of revenue to help the venue rebuild and continue servicing its community.

Taking into account the findings of the evaluation, information and insights provided and the deliberations of the Panel, the Executive Committee recommends that the NSW Government retain the GME leasing scheme subject to the following revisions:

- ensure the lease agreement prices are reasonable with reference to market rates
- ensure only venues that are actively trading can utilise the scheme, with exceptions for temporary closures in certain circumstances
- require the scheme to be subject to forfeiture.

8.2 Reducing the number of Gaming Machine Entitlements

8.2.1 Forfeiture and exemptions

Recommendation 2.3

The NSW Government consider ways to simplify forfeiture requirements and exemptions to best achieve the objective of reducing the number of Gaming Machine Entitlements in NSW.

Currently, for every block of two or three GMEs transferred, one GME must be forfeited, ensuring the number of GMEs in NSW continue to reduce over time.

The NSW Government has committed to increasing this forfeiture to one in two GMEs to accelerate the rate at which GMEs are removed from circulation.

As noted above, more than 3,600 GMEs have been forfeited in NSW in the 2011/2012 to 2023/2024 financial year period under the existing one in three forfeiture rate. If the one in two forfeiture rate was applicable for these years, more than 5,100 GMEs could have been forfeited.⁸⁰

Forfeiture is the main driver of the reduction in GME numbers over time and relies on active trading among venues. Without regular trading, increased forfeiture rates may not achieve the desired outcomes, especially once venues reach GME saturation.

Certain forfeiture exemptions were introduced and expanded in 2018 for country hotels, clubs with multiple club licences and clubs establishing in new development areas.

These include:

- forfeiture exemption for a small country hotel with eight or less GMEs to transfer its final six GMEs in one transaction to a hotel and thus go “pokie free”
- forfeiture exemption for a small country hotel, with eight or less GMEs, to transfer a single GME to a country hotel in any period of 12 months
- forfeiture exemption for a club or hotel moving GMEs from one premise to another premise, where the premises are in same SA2, or in same LGA with the band classification of the new premises’ SA2 is the same or lower than the band classification of the previous premises’ SA2
- forfeiture concession for a club establishing in new development areas in a Band 1 or Band 2 SA2 to only forfeit one GME for every two transfer blocks for the first 50 GMEs.

Another forfeiture exemption exists for a club with multiple licenses where GMEs are transferred from one premise to another.

The Evaluation of the 2018 gaming reforms found that the forfeiture



requirements intended to reduce the number of GMEs have been affected by exemptions.

These exemptions limit the overall impact of the forfeiture scheme. The evaluation found that the number of GMEs forfeited has decreased since the reforms due to fewer sales and the forfeiture exemption for transfers by country hotels with a GMT of six or less. In effect, the forfeiture exemptions were undermining the policy objective of GME reduction.

The Panel reflected on the current forfeiture requirements and exemptions and examined the benefits and challenges of these within the context of the NSW Government’s policy objective of reducing the GME numbers in NSW. The Panel considered the removal or revision of some (or all) forfeiture exemptions. Some Panel members supported the removal of forfeiture exemptions as they weaken harm reduction efforts by maintaining or increasing EGM availability in vulnerable areas and make the forfeiture system unnecessarily complex. Other Panel members supported the retention of forfeiture exemptions as they provide operational flexibility and financial viability, particularly in regional areas.

⁸⁰ Note. Under the assumption that all other factors remain the same. That is, same number of applications which were subject to forfeiture, same number of GMEs transferred, where it was an odd number of GMEs transferred (e.g. 15 GMEs transferred), the outcome was rounded down (7 GMEs forfeited).

The Panel conferred that additional measures aimed at incentivising GME transfers may be needed to increase forfeiture rates, including addressing challenges in the current applications process. To better understand these challenges the Panel met with a club GME broker and a hotel GME broker. The brokers advised the Panel that the current environment of inconsistency and uncertainty has resulted in a deterrent effect on GME trading. In response to these challenges the Panel met with ILGA to explore opportunities to improve certainty and efficiency for the industry and ensure that venues can navigate the approval process with greater clarity and confidence.

The Panel acknowledged that forfeiture alone is not sufficient to reduce GME levels significantly enough to bring NSW GME numbers closer to that of other jurisdictions and that the potential harm benefits associated with increased forfeiture may not outweigh the costs associated with imposing forfeiture on small and vulnerable venues. The Panel also considered that measures that could incentivise GME transfers (such as relaxing restrictions on moving additional GMEs into areas where gambling harm is significant) could be expected to increase harm overall, even if GME numbers are reduced.

Considering the discussions of the Panel, the Executive Committee assessed the current forfeiture system and determined that its complexity presents significant challenges. While they recognise that certain exemptions have a meaningful impact, the Executive Committee believe that recommending specific changes could lead to unintended consequences.

The forfeiture scheme necessitates further analysis with the goal of simplifying the process while also reducing the number of GMEs.

The Executive Committee recommends that NSW Government consider ways to simplify forfeiture requirements and exemptions to best achieve the objective of reducing the number of GMEs in NSW.

8.2.2 A buy-back scheme

Recommendation 2.4

The Executive Committee notes that a buy-back scheme will be costly, estimated to be at least \$60 million, and not likely impact gaming machine numbers in a significant way. However, should the NSW Government choose to implement a scheme, it should:

- be voluntary and open to NSW clubs and hotels
- be simple and transparent
- target the existing commitment of 2,000 Gaming Machine Entitlements over five years
- be priced at \$30,000 for a Gaming Machine Entitlement
- be used to assist and incentivise venues to implement account-based gaming.

The NSW Government committed to reducing the number of GMEs in NSW through various avenues. This included matching the previous Government's commitment to introduce an optional buy-back scheme of 2,000 entitlements over five years.

The Panel considered that while the Government has made a commitment to introduce a buy-back scheme, it is not likely to be in the public interest given that funding such a scheme will be costly, estimated to be at least \$60 million, but not likely to impact GME numbers in a significant way.

Given the GME prices in the market-driven trading environment, funding a buy-back scheme for 2,000 GMEs would consume the vast majority of the Fund, limiting the use of funds for other higher priority initiatives.

NSW has over 95,000 GMEs (including 2,300 PMPs and 93,468 GMEs⁸¹) which is significantly more than any other state. A buy-back scheme targeting 2,000 GMEs is not likely to induce a significant reduction in GME numbers. It is also unlikely to significantly reduce gambling harm, particularly given that any buy-back is likely to attract GMEs that are already inactive or less profitable. At present, there are significantly more than 2,000 GMEs in circulation which are not attached to operating EGMs. At any point in time there is approximately nine per cent of GMEs that are not operating. This may be due to EGMs not being connected and in storage for multiple reasons, including technical issues, venue renovations, or environmental issues such as flooding.

Additionally, the scope for a buy-back scheme to reduce gambling harm is limited, noting a reduction of 2,000 GMEs in a pool of over 95,000 GMEs is a very small reduction (about two per cent). Additionally, other jurisdictions with a far smaller number of GMEs also have similar prevalence of gambling harm, indicating that aiming to reduce the number of GMEs may not substantially decrease the gambling harm experienced.⁸²

The Executive Committee highlighted that increased forfeiture is a more sustainable and cost-effective approach than a buy-back scheme for reducing GMEs, as it achieves a steady reduction of GMEs without the significant cost.

While support for a buy-back scheme among the Panel was mixed, the Panel discussed at length how a potential buy-back scheme could operate and be implemented. In particular, the Panel considered participation, eligibility, GME price and timing.

The Panel considered whether a buy-back scheme should be mandatory or voluntary. The Panel discussed that participation in the scheme should be voluntary, as GMEs are private assets making mandatory divestment inappropriate. However, some Panel members raised concerns that voluntary participation would lead to self-selection where venues with more profitable machines might choose not to participate. This could undermine the scheme's effectiveness in reducing gambling harm as less profitable venues or those with inactive GMEs may be more inclined to take part, leaving high-risk machines in operation.

The Panel discussed restricting eligibility for the buy-back scheme to active GMEs, focussing on high-risk Band 3 areas where gambling harm is more pronounced. The Panel also considered prioritising smaller venues or those willing to go 'pokie-free', ensuring the buy-back scheme targets venues likely to make an immediate impact.

⁸¹ Liquor & Gaming NSW (2024). Premises list as at October 2024. www.liquorandgaming.nsw.gov.au/resources/licensed-premises-data. As of 1 October 2024, there were 95,768 GMEs including 2,300 PMPs

⁸² Note 1.9% and 5.2% of NSW adults were classified as high-risk and moderate-risk gamblers (NSW gambling survey 2019). 0.64% and 2.6% of Queensland adults were classified as high-risk and moderate-risk gamblers (Qld gambling survey 2023). Queensland has about 45,560 gaming machines across 1031 venues. 0.9% and 2.3% of Victorian adults were classified as high-risk and moderate-risk gamblers (Victorian population gambling and health study 2023). Victoria has about 30,000 gaming machines.

Independent Panel on Gaming Reform

There was also debate on whether clubs and hotels should both be eligible for the scheme given the cost disparity between club and hotel GMEs, with hotel GMEs being more expensive. The Panel recognised the challenge of balancing fairness, cost-effectiveness and simplicity in determining eligibility for the scheme.

The Panel suggested that the buy-back scheme should be as simple as possible with a straightforward administrative process to encourage participation from a variety of venues of differing sizes and locations. The Panel also suggested that the scheme should be transparent with all necessary information easily accessible and readily available to potential applicants to enable informed decision-making. For example non-transparent approaches such as a reverse auction model should not be implemented.

The Panel examined various pricing strategies, including market-based rates and average profitability. Members of the Panel suggested that a market-based rate would reflect current trading values, ensuring that the scheme aligns with existing financial expectations. However, the significant price difference between club and hotel GMEs would limit the number of GMEs being bought back. The Panel discussed that pricing based on average GME profitability could offer a fairer approach and potentially be more cost effective, however, this may result in offering lower buy-back prices which might deter venues from participating, particularly those with highly profitable machines. The Panel also considered a set price and tiered/multi-rate pricing strategy and recognised the challenge that while a tiered system could better target venues based on their financial circumstances, it would make the scheme complex to administer and less transparent.

Timing for the buy-back scheme was also a focus of the Panel's discussions. There were suggestions to trial the scheme over a set period (i.e. one year) to assess its effectiveness and allow for adjustments in pricing or strategy based on initial outcomes. Additionally, the Panel suggested that implementing the buy-back scheme in conjunction with the voluntary rollout of account-based gaming could incentivise venues to adopt the new system.

Taking into account the deliberations of the Panel, the Executive Committee recommend that, should the NSW Government choose to implement a buy-back scheme, it should be:

- voluntary, with no forced purchases of GMEs from venues as GMEs are private assets and often tied to financial arrangements, therefore mandatory divestment would not be appropriate
- open to NSW clubs and hotels to ensure simplicity of process and equal opportunity for all venues
- as simple and transparent as possible to encourage participation and transparency
- at a set price informed by market pricing rather than a tiered or multiple rate system to ensure the scheme remains simple and transparent. \$30,000 per GME would allow for venues to receive market value for their asset.⁸³ However it would likely also limit participation to clubs in practice, given hotel GMEs are significantly more expensive than the price of club GMEs
- used to assist and incentivise venues to implement account-based gaming.

⁸³ Note. Calculated based on the four-year historic average market rate of the club GMEs as they are relatively more stable than hotel GMEs

8.3 Gaming machine operating hours

Recommendation 2.5

The NSW Government:

- retain the minimum six-hour shutdown period, commencing no later than 4am
- repeal all existing variations, allowing a transition period for venues.

If the NSW Government chooses to implement a new hardship variation it should be time-limited with very stringent criteria and still provide for a continuous six-hour shutdown period.

Under the *Gaming Machines Act 2001*, registered clubs and hotels must not operate EGMs between 4am and 10am each day. This is referred to as 'shutdown hours' or 'six-hour shutdown period'.

The Act provides for some variations to the six-hour shutdown period that may be granted by ILGA on application. These include:



Weekend and public holiday (tourism) variation (section 40):

allows a reduced 6am–9am shutdown if venues are in areas that usually attract tourists, other hospitality and entertainment venues in that area are open to 6am on weekends and public holidays or have had a history of late trading prior to April 2002 on weekends or public holidays



Hardship grounds (section 40A):

allows a limited 6am–9am shutdown for venues that meet financial hardship criteria in the relevant Ministerial Guidelines



Early openers (section 41):

allows venues with a consistent history of opening early before 1997 to maintain either a different six-hour shutdown period to the standard 4am to 10am period, or a three-hour shutdown during any specified period (i.e. it is not limited to the 6am to 9am three-hour shutdown applied on hardship or weekend and public holiday basis.

The six-hour shutdown was introduced in May 2003, following the introduction of a three-hour shutdown as a transitional measure from April 2002.

The early openers variation and the tourism focused variation were introduced in 2002, with the hardship variation introduced in 2003 alongside the six-hour shutdown period. These variations have not been reviewed since their introduction.

The shutdown period was intended to minimise the risk of gambling harm (i.e. limit the opportunity for continuous gaming machine play and provide a “break in play”). Research into the impact of time-based access to EGMs indicate that there are risks associated with late night play.⁸⁴ Recent research into the impact of late-night play on player behaviour was referred to the Panel by the Minister for Gaming and Racing.⁸⁵

This research found that:

- late night gamblers (i.e. people gambling on gaming machines after midnight) are significantly more likely to be moderate risk and high-risk gambling on the Problem Gambling Severity Index (PGSI)
- the later into the early hours of the morning (i.e. after 2am, and after 4am), the higher the high-risk gambling risk became
- recreational gamblers would be very minimally affected by venue closures given their low demand for continued gambling after venue closure.⁸⁶

⁸⁴ Tuffin, A., & Parr, V. (2008). *Evaluation of the 6-hour shutdown of electronic gaming machines in NSW*. Prepared for the NSW Office of Liquor, Gaming and Racing; Smith C, Wolstenholme A and Duffy C. (2019). *Shutdown periods for electronic gaming machines*, Snapcracker Research + Strategy. Commissioned by the NSW Responsible Gambling Fund

⁸⁵ Stevens, M. & Roy Morgan Research. (2023). *Impact of electronic gaming machine (EGM) late night play on EGM player behaviours*. Commissioned by the NSW Responsible Gambling Fund. https://www.liquorandgaming.nsw.gov.au/_data/assets/pdf_file/0016/1140037/impact-of-electronic-gaming-machine-late-night-play-on-egm-player-behaviours-may-2023.pdf

⁸⁶ Ibid 37, 17

A review of the gaming machine shutdown hours framework conducted by Liquor & Gaming NSW was also referred to the Panel by the Minister for Gaming and Racing in September 2024. This review noted that 20 per cent of all venues with EGMs hold a variation to the standard shutdown hours.⁸⁷

The Panel considered the following findings of the Gaming Machine Shutdown Hours Framework Review:

- a minimum six-hour shutdown period, commencing no later than 4am, is effective at minimising gambling harm
- non-standard shutdown periods between venues may allow at-risk gamblers to move to other venues and continue gambling which undermines the policy intent of the six-hour shutdown period in the *Gaming Machines Act 2001*
- there are venues with variations (exemptions) to shutdown hours that may no longer meet the criteria for their variation, but these have not been reviewed since their introduction
- the vast majority (97 per cent) of gambling turnover for venues with a shutdown variation is generated during hours outside the standard shutdown period, i.e. the hours from 10am to 4am
- there is no identified policy rationale for retaining a tourism and entertainment variation
- the policy behind the original hardship variation is no longer valid or relevant, however a contemporary time-limited hardship variation may be considered
- criteria for the “early opener” variation is overly inclusive and may be open to misuse in the context of its intended function to cater to shift workers
- variations to shutdown periods have not been formally recorded on venue licences.

The Panel considered the gaming machine operating hours framework in the context of the referred 2023 research, the Shutdown Hours Framework Review, a literature review provided by the Secretariat as requested by the Panel, and insights provided by Panel members. The Panel discussed recommendations on the gaming machine operating hours and existing variations.

A number of Panel members proposed an increase of the shutdown period to 8 hours from 2am to 8am with some Panel members suggesting this be increased further to a 10-hour period from 12am to 10am. The Panel discussed the potential harm minimisation benefits of increasing shutdown periods, particularly in helping prevent latenight gambling, which is associated with higher risks of harm.⁸⁸

Several Panel members were in favour of removing all variations, with one member noting that if variations were retained, they should be limited i.e. apply for up to 12 months (after which a new application would be required) and only extend to temporary circumstances.

There was also some support from the Panel for the retention of specific variations including the ‘early opener’ and ‘hospitality and tourism’ variation. A Panel member qualified support for the ‘early opener’ variation if it was subject to a periodic review and the mandatory six-hour daily shutdown period still applied. Another Panel member qualified their support on the basis that the variation did not extend to before 6am and the operation of venue EGMs were limited to 14 hours a day.

It was also suggested that an assessment should be undertaken prior to granting a variation to ensure the proposed operation times had a sufficient time gap with other local venues.

This would mitigate the risk of venues staggering their closure times and prevent high risk gamblers from being able to engage in 24-hour gambling by moving to an early-opener venue after standard operating hours had ended.

⁸⁷ Liquor & Gaming NSW. (2024, August). *Review of Gaming Machine Shutdown Hours Framework Report*. 3

⁸⁸ Corporate Research Associates. (2005). *Nova Scotia VLT time change findings report*. Prepared for the Nova Scotia Gaming Corporation. As reported by Responsible Gambling Council (2006). Electronic Gaming Machines and Problem Gambling. <http://www.jogoremoto.pt/docs/extra/GtRaxq.pdf>

Panel members also held different views on the retention of the tourism and entertainment variation, with some Panel members raising the importance of the variation in supporting the night-time economy and NSW Government's vibrancy reforms. However, another Panel member noted that the NSW Government's vibrancy reforms do not extend to gaming, but instead focuses on providing all venues across the State with the opportunity to offer live music, performance and other arts and cultural events.

Another member of the Panel took the view that all variations should be removed as venues are not prevented from trading 24 hours a day if they have a liquor licence; the mandatory shutdown only limits the operation times of their EGMs.

The Panel considered the potential misuse of the existing 'hardship' variation, with a Panel member indicating there was still a need by industry to access a time-limited variation for venues experiencing short-term financial distress. In considering the Panel's views, the Executive Committee discussed how the existing hardship variation is potentially being misused by some gaming venues. Examples were identified of some venues indefinitely utilising the variation to effectively circumvent the mandatory shutdown period on the basis that without profits from late night gaming they were at risk of falling into economic distress.

Taking into account the findings of the review, information and insights provided, and the considerations of the Panel, the Executive Committee recommend retaining the minimum six-hour shutdown period, commencing no later than 4am, and to repeal all existing variations, allowing for a transition period for venues.

This will help to maintain a uniform gaming machine shutdown period which will deliver on the policy intent to provide gamblers, especially for those experiencing harm, a sufficient 'break in play'. The Executive Committee also considered that it may be inconsistent with the NSW Government's vibrancy reforms to categorise only some venues as providing 'tourism and entertainment' when the reforms aim to ensure all venues have that opportunity.

The Executive Committee recommend that if the NSW Government chooses to implement a new hardship variation it should be time-limited with very stringent criteria, and still provide for a continuous six-hour shutdown period.

8.4 Reducing the cash input limit on older gaming machines

Recommendation 2.6

The NSW Government reduce the cash input limit on existing gaming machines in a staged approach, targeting the higher limit machines first with all machines reduced to a \$500 limit when two-way protocol or account-based gaming system becomes mandatory.

Cash input limits are limits on the amount of cash that can be loaded into an EGM at any one time. An EGM must not accept any inward transfer of money (excluding jackpot payments) if the transfer amount, when added to the accumulated credit, exceeds \$500. The cash input limit on EGMs does not effectively act as a cap on expenditure as it is not linked to individual players, allowing patrons to move to another EGM and input additional funds.

NSW has the highest cash input limit for EGMs in Australia.⁸⁹ NSW has been gradually reducing the limit since 2015 when the limit was reduced from \$10,000 to \$7,500, and then further down to \$5,000 in 2019. However, these reductions in limits were not grandfathered, resulting in EGMs of various cash input limits operating in NSW.

The NSW Government further reduced the cash input limit from

\$5,000 to \$500

for all new EGMs from 1 July 2023.

This commitment also extended to working to reduce the limits on older EGMs, which is why the Panel considered the issue. The Panel also gave consideration to the fact that around 31 per cent of total gaming machines in operation now have a cash input limit of \$500.

The commitment to amend the cash input limits is largely in response to potential money laundering risks. The NSW Crime Commission Inquiry report⁹⁰ assesses that the currently varied load-up limits are a money laundering vulnerability because they allow for up to \$10,000 in cash to go into an EGM at any one time. This makes money laundering easier, because higher value bank notes can be laundered in a short time period. The shorter period means less opportunity for money laundering to be detected and reported by the venues.

The Panel learned that changing the cash input limits on EGMs would require significant technical changes for each EGM as the limits are hard coded into the programming, with older EGMs needing to be replaced in order to comply with such a requirement. The cost of upgrading EGMs can vary based on their age and capability, but in all cases, updating around 69 per cent of EGMs with a cash limit greater than \$500 will impose a significant cost on industry.⁹¹ However, the Panel also acknowledged the ongoing money laundering vulnerability associated with having older EGMs with high load-up limits in operation.

The Panel considered that NSW is moving towards a two-way communications protocol, which would allow for future changes to cash input limits to be updated remotely through a simple software update, allowing for a more efficient and economical process. The upgrade of EGMs to enable this change to a two-way communications protocol also means that all older EGMs with higher input limits will be replaced as this protocol rolls out statewide. Additionally, the Panel highlighted that a mandatory account-based gaming system, where player identity is linked to gaming activity including funds deposits and withdrawals, would negate the need to change the cash input limit as this would better address the money laundering risk.

The Panel also considered AUSTRAC's proposed changes to customer due diligence and reporting requirements for the gambling industry.⁹²

Under the changes, clubs and hotels with more than 15 GMEs would be required to conduct customer due diligence checks (including assigning each customer a risk rating, collecting and verifying information about their identity etc) for gambling transactions of \$5,000 or more (reduced from \$10,000).

⁸⁹ State of NSW (NSW Crime Commission), 2002, *Project Islington – Inquiry into Money Laundering via Electronic Gaming Machines in Hotels and Clubs*. <https://www.crimecommission.nsw.gov.au/final-islington-report.pdf>

⁹⁰ State of NSW (NSW Crime Commission), 2002, *Project Islington – Inquiry into Money Laundering via Electronic Gaming Machines in Hotels and Clubs*. <https://www.crimecommission.nsw.gov.au/final-islington-report.pdf>

⁹¹ Liquor & Gaming NSW. (2024, September). *Data compiled from the Centralised Monitoring System*.

⁹² Australian Government, Attorney-General's Department. (2024). *Reforming Australia's anti-money laundering and counter-terrorism financing regime – Paper 5: Broader reforms to simplify, clarify and modernise the regime* (Canberra: Commonwealth of Australia). https://consultations.ag.gov.au/crime/reforming-aml-ctf-financing-regime/user_uploads/paper-5-broader-reforms-to-simplify-clarify-and-modernise-the-regime.pdf

Independent Panel on Gaming Reform

This poses challenges for EGMs with cash input limits of \$5,000 or more, as these EGMs allow customers to anonymously transact beyond AUSTRAC's threshold of \$5,000. It would not be practical for a venue to manage compliance with this new requirement if it has EGMs with cash input limits of \$5,000 or more, unless it uses centralised cash control equipment (CCCE). A venue that uses CCCE, where a customer interacts with venue staff to request an amount of money to be credited to an EGM, would have the opportunity to perform the required customer due diligence prior to depositing credits of \$5,000 or more onto the EGM.

NSW already has a \$5,000 limit for EGM prize payouts where the amount that exceeds \$5,000 must be paid via EFT or cheque. Given the challenges for venues to comply with AUSTRAC's revised threshold on EGMs with cash input limit of \$5,000 or more, some members of the Panel expect that venues would move to either reduce the cash input limits for these EGMs to below \$5,000 where possible or replace older EGMs where such a change is not possible, to comply with the AUSTRAC requirements once they are introduced, anticipated to be in March 2026.⁹³

There are approximately 26,800 EGMs with \$500 cash input limit (31 per cent), 16,240 with \$5,000 input limit (19 per cent), 37,890 with \$7,500 input limit (40 per cent) and 7,520 with \$10,000 input limit (9 per cent).⁹⁴

To minimise disruption to industry and duplication of efforts, the Executive Committee recommends that the cash input limit on existing EGMs be reduced in a staged approach, targeting the higher limit machines first with all EGMs reduced to a \$500 limit when two-way protocol or account-based gaming system becomes mandatory.

The Executive Committee recognises that many venues would already have begun this journey to reduce cash input limits to meet AUSTRAC's upcoming requirements, but notes the requirement only applies to venues with 15 GMEs or more..

⁹³ Anti-Money Laundering and Counter-Terrorism Financing Amendment Bill 2024 (Cth).

https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r7243

⁹⁴ Note. Data available to Liquor & Gaming NSW. Cash input limits for about 2120 EGMs are unable to be identified.

09

Harm minimisation measures

9. Harm minimisation measures

The Terms of Reference required the Panel to provide advice on opportunities for further gaming reform to reduce gambling harm in NSW.

The Panel took this opportunity to explore broader harm minimisation measures. While account-based gaming remains the primary focus for harm minimisation, the Panel discussed other opportunities for further proactive measures across the industry.

In addition to the NSW Government's commitments to gaming reform, the Panel engaged in discussions exploring further opportunities to reduce gambling harm in the state including:

- examining the impact of loyalty programs on gambling behaviour
- increasing community awareness and outreach
- centralising gambling behaviour research
- prohibiting certain EGM features or characteristics with evidence of strong gambling harm impact
- restricting gambling advertising.

Various panel members proposed a range of potential harm minimisation reforms, not all of which are covered in the Roadmap. Some of these proposals included removing ATMs from gambling venues, prohibiting TAB and Keno advertising and prohibiting smoking in outdoor gaming rooms. These are not included in the Roadmap due to either the lack of current evidence of their potential impact or being outside of the Panel's Terms of Reference.

This chapter outlines the Executive Committee's recommendations regarding opportunities for additional harm minimisation reforms.

9.1 Loyalty programs

Recommendation 3.1

The NSW Government commission a comprehensive review of loyalty programs in NSW gaming venues to:

- examine the structure and incentives of these programs
- identify any potential risks that may influence gambling behaviour
- identify any harm minimisation opportunities.

Venue loyalty programs are a common marketing strategy designed to attract, maintain, and enhance customer relationships to encourage repeat business.

They are also a potential avenue for the delivery and implementation of account-based gaming. However, participation in loyalty programs has been linked to increased frequency of gambling, longer gambling sessions, and higher expenditure.⁹⁵ According to the NSW Gambling Survey 2019, individuals classified as being at high risk of gambling harm or moderate risk are significantly more likely to participate in these programs (50 per cent) compared to other gamblers (23 per cent).⁹⁶

An audit of all Australian prevalence studies conducted between 2011 and 2020 found a consistent positive association between loyalty card use and higher risk gambling in venue-based gamblers, with 40 per cent of those experiencing significant gambling harm reporting loyalty card use compared with only around 10 per cent of gamblers in general.⁹⁷

While such relationships have been identified, no research to date has directly examined whether loyalty programs contribute to the development of high-risk gambling or whether high risk gamblers simply disproportionately benefit from the existence of loyalty programs due to their excessive play.⁹⁸

The last comprehensive review of the prevalence of gambling loyalty programs in Australian gaming machine venues was conducted in 2014 and found that 12 per cent of EGM venues in NSW offered a loyalty program, compared to 18 per cent nationally.⁹⁹ The current prevalence of these programs in NSW is unknown. Since then, rapid advancements in gaming technologies have changed the gambling landscape considerably. It is also unclear whether any move to account-based gaming would increase the adoption of loyalty programs.

Following Panel discussion regarding this, the Executive Committee considered there was benefit in reviewing loyalty programs in NSW gaming venues. A comprehensive review that examines the structure and incentives of these programs and identifies any potential risks that may influence gambling behaviour would address some of these concerns. The review could also explore any harm minimisation opportunities for loyalty programs, including opportunities to leverage them to identify harmful gambling behaviour and/or explore opportunities to set loss limits.

⁹⁵ Van Dyke, N., Jenner, D., & Maddern, C. (2016). *The role of loyalty programs in gambling: Final report of findings from audit of electronic gaming machine venues, literature review, online discussion boards and longitudinal telephone survey*. Commissioned by Gambling Research Australia. <https://www.gamblingresearch.org.au/sites/default/files/2019-09/The%20role%20of%20loyalty%20programs%20in%20gambling.pdf>

⁹⁶ Browne, M., Rockloff, M., Hing, N., Russell, A., Boyle, C.M., & Rawat, V. (2019). *NSW Gambling Survey 2019*. Commissioned by the NSW Responsible Gambling Fund. <https://www.gambleaware.nsw.gov.au/resources-and-education/check-out-our-research/published-research/nsw-gambling-survey-2019>

⁹⁷ Delfabbro, P. & King, D.L. (2020). *The prevalence of loyalty program use and its association with higher risk gambling in Australia*. *Journal of Behavioral Addictions*, 9(4), 1093–1097. <https://doi.org/10.1556/2006.2020.00082>

⁹⁸ Wohl, M.J.A. (2018). Loyalty programmes in the gambling industry: potentials for harm and possibilities for harm-minimization. *International Gambling Studies*, 18(3), 495–511. <https://doi.org/10.1080/14459795.2018.1480649>

⁹⁹ Van Dyke, N., Jenner, D., & Maddern, C. (2016). *The role of loyalty programs in gambling: final report of findings from audit of electronic gaming machine venues, literature review, online discussion boards and longitudinal telephone survey*. Commissioned by Gambling Research Australia <https://www.gamblingresearch.org.au/sites/default/files/2019-09/The%20role%20of%20loyalty%20programs%20in%20gambling.pdf>

9.2 Community awareness and outreach

Recommendation 3.2

The NSW Government consider:

- implementing mandatory and more detailed signage in venues that explicitly explains how the game calculates outcomes for every spin, emphasising that individuals cannot influence or manipulate the outcome
- increasing community outreach as part of GambleAware
- supporting financial literacy school programs
- ensuring the statewide register effectively complements support services.

9.2.1 Implement mandatory signage to explain how outcomes are calculated

Research shows that many gamblers misunderstand how EGMs work, often believing that luck or personal strategies can influence the outcome, despite EGMs being governed by random number generators.¹⁰⁰

This is known as the gambler's fallacy – a cognitive bias where individuals believe that future random events can be predicted based on past results. This fallacy often leads to individuals believing that they can control or influence outcomes, which in reality are independent and random. These misconceptions often contribute to persistent gambling as individuals chase losses or continue playing under the false belief that a win is 'due'.

The Office of Responsible Gambling (ORG) plays a key role in raising awareness of the risks of gambling and gambling harm in NSW. It develops and implements educational programs, resources, and campaigns aimed at informing the public about the risks associated with gambling and providing support services for individuals affected by gambling harm. Currently, the ORG does not have a campaign that specifically focuses on gambler's fallacies. However, the ORG uses social media and advertising to address various misconceptions surrounding EGMs, specifically focusing on how they operate and probabilities of winning.

The Panel considered ways to mitigate gambler's fallacy and suggested that providing clear information on the random and independent nature of each spin's outcome may help to minimise potentially harmful beliefs or behaviours based on false notions of control over game outcomes. The Executive Committee supports this suggestion and recommends that the NSW Government consider implementing mandatory and more detailed information and signage that explicitly explains how the game calculates outcomes for every spin, emphasising that individuals cannot influence or manipulate the outcome.

9.2.2 Increase community outreach

The Panel considered existing efforts by the NSW Government, and specifically the ORG, to engage with the community on issues relating to gambling harm. The ORG take a proactive role in engaging the community on issues related to gambling harm through GambleAware services. GambleAware services provide information and support through face-to-face, phone and online services. In 2022-23, over 25,000 people were supported through the GambleAware Helpline and Gambling Help Online, and more than 16,000 support sessions were conducted across various platforms.

¹⁰⁰ Delfabbro, Paul. (2004). The Stubborn Logic of Regular Gamblers: Obstacles and Dilemmas in Cognitive Gambling Research. *Journal of gambling studies* (co-sponsored by the National Council on Problem Gambling and Institute for the Study of Gambling and Commercial Gaming). 20. 1-21.

In addition to direct support, GambleAware services are funded to undertake community engagement and education activities. These activities aim to raise awareness of the risks of gambling and of the services available and to reduce the stigma around seeking help for gambling related issues.

The ORG provides GambleAware services with standardised resources, such as presentations and brochures for use in schools, local events and partnerships with health services. The ORG also focuses on building the cultural competency of its services through initiatives like the GambleAware Aboriginal Service and the GambleAware Multicultural Service. These initiatives aim to ensure that services are accessible to Aboriginal clients and those from culturally and linguistically diverse backgrounds, helping to break down barriers to seeking help and making sure community engagement, awareness raising and support is relevant to the needs of all communities.

Research indicates that groups such as low-income households¹⁰¹, indigenous populations¹⁰² and those with mental health conditions¹⁰³ are more susceptible to the risks associated with gambling. The Panel discussed the opportunity of extending GambleAware services to strengthen the support available to vulnerable groups, helping to reduce the stigma associated with seeking help and increasing awareness of the risks involved in gambling.

As there is currently an independent evaluation of the GambleAware service model in progress, the Executive Committee recommends that the NSW Government consider increasing the community outreach provided by GambleAware services, subject to the findings of the evaluation. Taking a proactive approach to harm minimisation by providing tailored education to specific communities and focusing on preventative measures will help to address gambling-related issues before they escalate.

9.2.3 Support financial literacy school programs

Integrating a financial literacy program into school curriculums is another measure considered by the Panel to help to prevent future gambling related harm.

The Panel conferred that integrating financial literacy programs into school curriculums can play a significant role in preventing gambling harm by equipping students with essential skills to manage their finances responsibly.

Research indicates that financial education helps individuals develop better decision-making abilities and a clearer understanding of the risks associated with various financial behaviours including gambling.

Students who have received financial education have been found to demonstrate improved financial behaviours and reduced susceptibility to high-risk financial activities.¹⁰⁴

The Panel discussed that by incorporating these programs into school curriculums, students can gain important knowledge about budgeting, saving and the potential consequences of gambling. However, there are impediments to adding new requirements to school curriculums and to engaging teachers and schools in the delivery of voluntary or additional content.

These impediments have been experienced by the ORG. In recognition of the importance of educating young people about the risks of gambling, the ORG developed and promoted its GambleAware for Schools resources which are aligned with the NSW curriculum for Stages four to six in Maths, English, and PDHPE. These resources help students understand gambling related risks and challenge common misconceptions including gamblers fallacies. They are freely available to teachers on the GambleAware website.

¹⁰¹ Armstrong, A., & Carroll, M. (2017). *Gambling activity in Australia*. Melbourne: Australian Gambling Research Centre, Australian Institute of Family Studies

¹⁰² Bertossa, S., & Harvey, P. (2012). Measuring problem gambling in Indigenous communities: An Australian response to the research dilemmas. *Australian Aboriginal Studies*, 2012(2), 21–30.

¹⁰³ Dowling, N. A., Cowlishaw, S., Jackson, A. C., Merkouris, S. S., Francis, K. L., & Christensen, D. R. (2015). Prevalence of psychiatric co-morbidity in treatment-seeking problem gamblers: A systematic review and meta-analysis. *The Australian and New Zealand journal of psychiatry*, 49(6), 519–539 ¹

¹⁰⁴ Mandell, L., & Klein, L.S. (2009). The Impact of Financial Literacy Education on Subsequent Financial Behaviour. *Journal of Economic Education*, 40(4), 381–394.

Although research undertaken in 2020¹⁰⁵ found that school-based programs are more likely to lead to knowledge, awareness and attitude change, introducing new content or programs into school environments is challenging due to constraints in the existing curriculum and the number of competing demands. Use of the GambleAware for Schools resources is not mandatory and uptake is believed to be low. Although the ORG promotes the resources they do not have direct channels to or influence over teachers, schools or the curriculum.

Given these experiences, the Executive Committee recommends that the NSW Government consider supporting financial literacy school programs to educate young people on financial management and the risks associated with gambling and that this be led from within the Education portfolio. The NSW Government could also consider partnering with community and/or commercial organisations to deliver on these initiatives, noting that there are financial literacy programs run by non-profit organisations.

9.2.4 Ensure the statewide exclusion register effectively complements support services

The current exclusion process allows individuals to voluntarily self-exclude from gambling venues or nominated areas within venues. Patrons can also be involuntarily excluded.

In NSW all gambling venues must offer a self-exclusion scheme and provide information about gambling counselling services. Venues can run their own self-exclusion scheme or use providers such as BetSafe or ClubSafe. To operate an exclusion scheme venues must meet the minimum requirements set by the *Gaming*

Machines Regulation 2019.¹⁰⁶ As part of their support services, gambling counselling services can help patrons to self-exclude. The NSW Government has committed to implementing a statewide exclusion register and introducing third-party exclusion as part of its efforts to address gambling related harm. This register will provide a centralised system allowing individuals to exclude or be excluded from gambling venues across the state.

In June 2024 the Panel provided advice to the Minister for Gaming and Racing on the implementation of the election commitments of a statewide exclusion register, third-party exclusions and mandatory facial recognition in hotels and clubs. This is provided in **Appendix C**.

The Panel raised the opportunity to establish a nexus between counselling service support and the statewide exclusion register.

The Panel considered the importance of ensuring the register effectively complements support services so that excluded patrons and their families get the support they need. A digital solution such as the statewide exclusion register allows opportunity to digitise current processes and incorporates connections between patrons and support services.

As such, the Executive Committee recommend that the NSW Government consider ensuring the statewide exclusion register effectively complements support services.

¹⁰⁵ The Office of Responsible Gambling c. (2020). *Gambling harm prevention in schools [Review of Gambling harm prevention in schools]*. <https://www.gambleaware.nsw.gov.au/-/media/files/classroom-resources/doc20-184470--lit-review-and-teacher-survey-infographic--designed--final.ashx?rev=8c4167281a5f469b854c0ad25cc82eae>

¹⁰⁶ NSW, Liquor & Gaming. (2019, September 1). *Gaming self-exclusion*. <https://www.liquorandgaming.nsw.gov.au/working-in-the-industry/licensees-and-approved-managers/gaming-self-exclusion>

9.3 Gambling harm minimisation research

Recommendation 3.3

The NSW Government engage with the Commonwealth and other governments to explore a national approach to gambling research and funding.

Gambling research investigates the social, psychological and economic impacts of gambling on individuals and communities.

This research typically involves studying patterns of behaviour, risk factors and the effectiveness of harm minimisation strategies. Research is used to inform public policy and guide the development of support services. By providing data-driven insights, research helps create evidence-based interventions aimed at preventing harm, supporting affected individuals and promoting more responsible gambling behaviours within the broader community.

The Executive Committee acknowledges the importance of independent gambling research and building gambling research capacity. It is noted there are currently few gambling harm minimisation subject matter experts in NSW and there is likely to be an increased need in coming years for this expertise and research, especially in light of all the significant reforms proposed for NSW.

The ORG funds a diverse range of research projects focussed on gambling harm prevention. Current efforts are aligned with key priority areas such as reducing gambling harm at both individual and community levels, understanding gambling behaviours in vulnerable groups and investigating emerging trends and technologies. Notable projects include studies on youth gambling, assessments of gambling and family violence co-occurrence and the effects of live-streamed gambling.¹⁰⁷

The Panel discussed the need for additional research to inform future gaming reforms. Specific research ideas raised in Panel meetings included:

- the most effective way to implement breaks in play
- the appropriate form and content of activity statements
- the most effective way to frame cost-of-play information
- the impact that jackpots and signage have on misleading players
- the most effective way to player tracking for risky gambling and appropriate levels of intervention
- ways to more effectively communicate with regular EGM customers regarding limits
- the most appropriate language and descriptions of harm-minimisation tools and design aspects of account-based gaming
- the assessment of what measures best create an index to reflect levels of harm for use in determining LIA Bands.

Panel members also discussed the establishment of an Independent Gambling Harm Research and Evaluation Institute. This was not supported by all members of the Panel, as various State/Territory and Commonwealth organisations, including the ORG are currently funded to conduct research into gambling harm minimisation. It was suggested that prior to the provision of any additional funding, a review of these funding arrangements be carried out to assess their effectiveness.

With this in mind, the Executive Committee recommends that the NSW Government engage with the Commonwealth and other governments to explore a national approach to gambling research and funding.

A national approach to gambling research could ensure more consistent access to subject matter expertise and centralise research efforts improving collaboration on gambling harm minimisation across Australia.

¹⁰⁷ Grants And Funding For NSW GambleAware Initiatives. (n.d.). Org. <https://www.gambleaware.nsw.gov.au/resources-and-education/funding-to-prevent-gambling-harm>

This could potentially lead to more effective strategies and policies based on comprehensive evidence and shared expertise. This could also encourage cross discipline collaboration with other fields to address complex issues regarding gambling harm minimisation.

9.4 Gaming machine features

9.4.1 Gaming machine characteristics

Recommendation 3.4

If the Gaming Machine National Standards reforms are not realised, the NSW Government pursue these amendments at a state level.

Research has consistently found that some gaming machine features or characteristics have strong gambling harm impacts,¹⁰⁸ including:

- losses disguised as wins (congratulatory messages or sounds when the amount 'won' is actually less than the amount bet) contribute to play persistence and higher play excitement, particularly for high-risk gamblers, and that around 18 per cent of Australian EGM spins are losses disguised as wins
- jackpot signage (visual displays on or near gaming machines that indicate the current jackpot amount) contributes to 'gamblers fallacy' where a gambler feels they can predict future results by assessing past results
- high volatility gaming machines (a type of gaming machine that offers fewer but larger payouts) provide larger wins and are therefore more attractive to gamblers experiencing significant gambling harm
- near misses (e.g. two symbols shown when three required to win) are considered closer to a win than a loss by gamblers and have been found to lead to play persistence and have been shown to produce a number of physiological effects that suggest brain circuitry reward. Gamblers experiencing significant gambling harm appear to be more stimulated by near misses than other players

- free spins (a feature where players are given additional spins without having to wager more money) are associated with gamblers exceeding limits and produce high play excitement.

These EGM characteristics are included in the Australian/New Zealand Gaming Machine National Standard (GMNS). The GMNS provides guidance to manufacturers in designing EGMs, game software and related equipment. It also provides a benchmark to make sure manufacturers meet legal requirements.

NSW also has an Appendix to the National Standards which lists the technical requirements that are specific to NSW (i.e. in addition to those in National Standards, different to those in National Standards or those in National Standard which do not apply to NSW). NSW is a party to the GMNS Working Party which considers potential changes to the National Standards. Nationally consistent harm minimisation and consumer protection changes are a current priority of this Working Party.

The Panel examined the proposed reforms to the GMNS that are underway, discussing their potential significance in minimising harm by implementing enhanced protections for players. While there was broad recognition of the importance of these reforms, some Panel members also expressed reluctance to duplicate efforts already being led by the Government.

The Executive Committee suggest that the NSW Government take steps to address and mitigate risks associated with harmful EGM features. If the GMNS reforms are not realised through this multi-jurisdictional forum, the Executive Committee recommend that these amendments be pursued at a State level.

¹⁰⁸ Schottler Consulting. (2019). *Literature review of the impact of EGM characteristics on gambling harm*. Commissioned by the NSW Responsible Gambling Fund; Myles D, Carter A, Yücel M, Bode S. (2024). Losses disguised as wins evoke the reward positivity event-related potential in a simulated machine gambling task. *Psychophysiology*. 61(6):e14541. <https://doi.org/10.1111/psyp.14541>

9.4.2 Maximum bet amount per spin

Recommendation 3.5

The NSW Government consider aligning the maximum bet amount per spin with other states and move toward a nationally consistent approach.

The maximum bet limit is the maximum amount of money a person can gamble on an EGM in a single spin.

In NSW clubs and hotels the maximum bet limit is \$10. NSW, along with ACT, this is the highest bet limit in Australia compared to Victoria, Tasmania, South Australia, Northern Territory and Queensland which all have a \$5 maximum bet per spin limit in hotels and clubs.^{109, 110} No jurisdiction in Australia has set a maximum bet limit below \$5 although New Zealand has a maximum bet limit of \$2.50 for a single play.

The Productivity Commission estimated that gambling on an EGM with the maximum bet of \$10 per spin costs an average of \$1,200 an hour.¹¹¹ Furthermore, higher bets have been associated with poorer judgements and potentially increased impulsive decision making.¹¹²

A number of Panel members expressed concerns that such high betting limits could exacerbate financial strain for individuals, particularly those on lower incomes. Some members advocated for reducing the maximum bet to \$1 citing the 2010 Productivity Commission finding that there were 'strong grounds' to reduce the maximum bet limit to \$1.

Conversely, some Panel members did not support the reduction, suggesting that there was an insufficient evidence-base to show that lowering the maximum bet limit would significantly reduce harm. Additionally, it was raised that inflation has reduced the real value of the \$10 limit over time.

The Panel also considered that although lowering the maximum bet amount per spin would not impact the behaviour of every gaming patron, it would reduce the average loss per hour when playing EGMs. This is a result of limiting the subset of patrons who typically bet at higher levels.

The Executive Committee highlighted that NSW's current maximum bet limit positions the state as an outlier compared to other Australian jurisdictions, which may present challenges in achieving broader national harmonisation of gambling regulations. In light of this, the Executive Committee recommends the NSW Government consider aligning the maximum bet amount per spin with other states to move towards a nationally consistent approach.

¹⁰⁹ (2022). Australian/New Zealand Gaming Machine National Standard. Revision 11.1. Appendix B Limits and Parameters. https://www.liquorandgaming.nsw.gov.au/_data/assets/pdf_file/0004/859630/gaming-machine-national-standard.pdf

¹¹⁰ Livingstone, C. (2017). *How electronic gambling machines work. (AGRC Discussion Paper 8)*. Melbourne: Australian Gambling Research Centre, Australian Institute of Family Studies

¹¹¹ See table 11.1. Productivity Commission. *Gambling: Productivity Commission Inquiry Report Volume 1*. (2010, February 26). <https://www.pc.gov.au/inquiries/completed/gambling-2009/report/gambling-report-volume1.pdf>

¹¹² Parke, A., Harris, A., Parke, J. & Goddard, P. (2016). Understanding Within-Session Loss-Chasing: An Experimental Investigation of the Impact of Stake Size on Control. *Journal of Gambling Studies*, 32, (2), 721-735

9.5 Gaming machine advertising

Recommendation 3.6

The NSW Government maintain current restrictions on gaming machine advertising as a harm minimisation measure, including on new mediums such as account-based gaming technologies.

One of the opportunities for further gaming reform to reduce gambling harm discussed by the Panel was the prohibition of gambling advertising.

The vast majority of gambling advertising in NSW relates to wagering and lotteries products, with EGM advertising already prohibited. The Panel's consideration was limited to gambling advertising in relation to EGMs. The visibility of EGMs in venues was also explored by the Panel, with the Panel observing the existing restrictions on advertising EGMs in NSW.

Advertising for EGMs in NSW is tightly regulated. Venues are not allowed to display any advertising that gives publicity to, or promotes participation in, gambling activities involving EGMs, except in limited circumstances (e.g. to those who have consented to receiving such advertising from the venue).

In particular, venues must not display gambling-related signs outside or near the vicinity of the venues or anywhere inside the venue, so they can be seen from the outside. This includes signs, brochures and electronic displays. Venues cannot use images, words or symbols that may promote gambling in any advertising materials. Regulations also ensure that any material does not target minors or mislead the public about the nature of gambling.

The NSW Government specifically banned external signage such as "VIP lounge" from venues in 2023 and introduced new restrictions on ATM signage in venues in 2024.

Research has found that exposure to gambling advertising is associated with increased gambling harm as it can influence attitudes towards gambling and contribute to the development of harmful gambling behaviours.¹¹³ The current restrictions on EGM advertising in NSW aim to mitigate these risks.

The Executive Committee supports restrictions on EGM advertising and recommends the Government maintain such restrictions including on new mediums such as account-based gaming technologies given the potential for increased harm that would accompany any change of approach.

¹¹³ Thomas, S.L., Lewis, S., & McDonald, D. (2019). The impact of gambling advertising on gambling-related harm: An Australian study. *Australian and New Zealand Journal of Public Health*, 43(5), 463–468

10

Legislative reform

10. Legislative reform

Legislative amendments will be necessary to implement recommendations from the Roadmap.

The Panel recognised this as an opportunity to holistically review and modernise the legislative framework.

This chapter outlines the Executive Committee's recommendations regarding opportunities for legislative reform including:

- modernising the terminology in the legislative framework
- conducting a comprehensive evaluation of the Roadmap reforms
- undertaking a statutory review of the *Gaming Machines Act 2001*.

10.1 Modernise the terminology in the legislative framework

Recommendation 4.1

The NSW Government modernise the terminology in the legislative framework to reflect a contemporary and public health approach to gambling.

The Panel acknowledged that terminology used to describe harmful gambling such as 'problem gambling' can contribute to stigma and affect individuals' willingness to seek help.

Research¹¹⁴ indicates that using person-centred language such as referring to individuals as 'people experiencing gambling harm' rather than labelling them as 'problem gamblers' can reduce stigma and encourage more people to engage in help-seeking behaviours.

Terms like 'problem gambling' or 'gamble responsibly' may imply a personal failing or moral weakness which can deter people from reaching out for support due to fear of judgement or embarrassment.

The existing gaming legislation includes numerous examples of this outdated terminology. There is therefore an opportunity to leverage any legislative reforms associated with the Roadmap's recommendations to amend this terminology.

The Panel discussed the importance of modernising the terminology in the legislative framework to reflect a contemporary understanding of gambling and its impacts. Panel members supported removing the term "problem-gambling" in favour of more inclusive and less stigmatising language. The Panel suggested that terms such as 'gambling harm' or 'gambling-related harm' are more reflective of the spectrum of gambling issues, aligning with a public health approach. Some Panel members recommended engaging with people with lived experience to inform these terminology changes.

The term 'safer gambling' was also debated by the Panel with some members expressing a preference for alternatives such as 'lower-risk' or 'sustainable gambling' to better capture the intent of minimising harm. There was also some support for replacing the term 'gaming' with gambling to ensure consistency and clarity in the legislation.

¹¹⁴ GambleAware. (2023). *Talking about gambling: A guide for media professionals and people who support public conversations*. <https://www.gambleaware.nsw.gov.au/-/media/talking-about-gambling-a-guide-for-media-professionals-and-people-who-support-public-conversations-a.ashx?rev=a5e5a86f0e154533bba5608c38ba45e6>

Considering these discussions, the Executive Committee recommends that the NSW Government modernise the terminology in the legislative framework to reflect a contemporary and public health approach to addressing gambling harm and help to ensure that the legislation:

- is precisely targeted by using direct language
- includes people-first language and avoids stigmatising terms
- reframes prevention and harm minimisation tools to be relevant to all people who gamble.

10.2 Conduct a comprehensive evaluation of the Roadmap reforms

Recommendation 4.2

The NSW Government conduct a comprehensive evaluation of the gaming reforms to assess their effectiveness and impact at the appropriate time.

The Panel acknowledged that if the NSW Government adopts the recommendations in this Roadmap and other reforms announced by the Government such as the statewide exclusion register and mandatory facial recognition technology, it will result in significant changes to gaming regulation in NSW.

The Panel discussed the importance of evaluating the Roadmap reforms to ensure they are meeting their intended objectives and contributing effectively to gambling harm minimisation. The Panel noted that a thorough evaluation would allow for better understanding of the impact of the reforms and whether they need to be adjusted or expanded. This would also help identify any unintended consequences and provide data to inform future policy decisions.

In light of these discussions, the Executive Committee recommends that the NSW Government conduct a comprehensive evaluation of the Roadmap reforms to assess their effectiveness and impact at the appropriate time.

By systematically reviewing the reforms impact, effectiveness and any unintended consequences, the NSW Government can make informed decisions about potential adjustments and improvements to the gaming laws to ensure they meet their objectives and address emerging issues effectively.

10.3 Undertake a statutory review of the Gaming Machines Act 2001

Recommendation 4.3

The NSW Government undertake a statutory review of the *Gaming Machines Act 2001* in 2028 to:

- ensure that the gaming legislative framework is modern and remains fit for purpose
- review the penalty provisions to ensure they remain appropriate
- review the effectiveness of the current decision-making framework with the legislative framework and identify avenues to allow greater flexibility.

The Panel discussed the opportunity a statutory review could provide in supplying insights into how the regulatory environment can adapt to evolving technologies and highlighted the importance of clearly defining the objectives and scope of the review.

Informed by these discussions, the Executive Committee recommends the NSW Government undertake a statutory review of the **Gaming Machines Act** in 2028. The proposed time of this review reflects the significant number of reforms being implemented by the Government and to ensure sufficient time has passed to consider these reforms in detail.

The Panel acknowledged that regular reviews of all legislation are important to ensure they remain fit for purpose. Over time, even legislation that is regularly amended can become unnecessarily complex, with arcane provisions that are no longer reflective of the regulatory environment and objectives.

The Panel considered that a statutory review provides opportunity and time to fully consider whether the legislative framework is modern and remains fit for purpose in a holistic manner. It would also provide the opportunity to:

- review the appropriateness of the existing penalty provisions
- review the effectiveness of the current decision-making framework in realising the objectives of the legislative framework
- identify avenues to allow greater flexibility.

11

Allocation of funding

11. Allocation of funding

The NSW Government has committed the \$100 million fine imposed on Star Casino by the NSW Independent Casino Commission to fund harm minimisation initiatives over the next 5 years.¹¹⁵

The Panel's Terms of Reference required the Panel to make recommendations for the use of the \$100 million Harm Minimisation Fund (the Fund) for gaming reform to help:

- 01 facilitate the 12-month cashless trial
- 02 implement recommendations from the trial
- 03 reduce gaming machine entitlements
- 04 fund harm minimisation programs.

The NSW Government has already committed monies from the Fund for certain activities as follows:

- \$10 million annually to the Responsible Gambling Fund, with the next two years committed through budget processes to date
- \$3.4 million to fund the Independent Panel, NSW cashless gaming trial and evaluation
- \$6.4 million to enhance self-exclusion, and introduce third-party exclusion in clubs and hotels, noting this is for the initial capital expenditure required to establish the statewide exclusion register.

As a result, \$70.2 million remains in the Fund. The Panel considered potential initiatives which could be eligible for allocation from this Fund. These included:

- the rollout of account-based gaming, including a change management program, evaluation of the changes and any associated transition arrangements or industry support
- capital expenditure and establishment costs for the statewide exclusion register (noting that there are already some funds allocated from the Fund for initial capital expenditure)
- the rollout of facial recognition technology to support exclusion
- the GME buy-back scheme
- research into specific issues raised by the Panel
- increased funding for support services.

11.1 Implementation of account-based gaming

The Panel discussed the opportunity that account-based gaming offers in terms of enhancing harm minimisation outcomes and supporting AML/CTF efforts, and highlighted the importance of adequate funding for the design and build phase (including the establishment of the Implementation Committee) to ensure the framework for how the system operates is fit-for-purpose and secure.

In recognition of the potential significant change, the Panel highlighted the need for effective communication, marketing and change management to inform stakeholders of the changes and help them adjust to new operational requirements for account-based gaming.

¹¹⁵ NSW Government. (2023). *\$100 million funding injection to reduce gambling harm*. <https://www.nsw.gov.au/media-releases/100-million-to-reduce-gambling-harm>

The Panel reflected on the impact that the implementation of account-based gaming would have on the industry and discussed the need to provide appropriate support and resources during the transition to ensure the ongoing sustainability of the sector. The Executive Committee suggested that this could include providing support for venues in rural and remote areas and border towns.

The Panel also considered the necessity of evaluation and monitoring to ensure that the new system is working as intended and achieving harm minimisation and AML/CTF outcomes.

The Panel acknowledged that further information on these costs is necessary.

Taking into account the considerations of the Panel, the Executive Committee recommends that the Fund be used to implement account-based gaming, including communication and marketing, change management activities, evaluation and monitoring, and any appropriate industry support and transitional requirements.

11.2 Development and implementation of a statewide exclusion register

The Panel recognises the significant benefits of implementing a statewide exclusion register as part of harm minimisation efforts. The Panel considered use of the Fund to develop and implement a statewide exclusion register to allow individuals to self-exclude from gambling venues across the state and ensure a more consistent and enforceable approach to exclusion. Further Panel discussions on the implementation of a statewide exclusion register is provided in **Appendix C**.

The Panel discussed use of the Fund for capital expenditure to establish the statewide exclusion register. Some Panel members expressed hesitation to allocate resources for its ongoing maintenance and operation. Concerns were raised that the Fund is a limited resource and using it for continuous operational costs could exhaust available funding prematurely. It was suggested that industry should assume responsibility for these long-term expenses.

In light of the Panel's deliberations, the Executive Committee recommends that the Fund be allocated to the development and implementation of the statewide exclusion register. While the establishment costs would come from the Fund, the Executive Committee recommends that the ongoing maintenance and adoption of the register be industry funded to balance initial investment needs with long-term sustainability, ensuring that the exclusion register remains functional and effective.

11.2.1 Implementation of facial recognition technology

The Panel acknowledged the role of FRT as a support mechanism to enforce exclusions. By identifying excluded individuals, the technology can provide a more consistent method of monitoring, reducing the reliance on manual identification and providing real-time enforcement across multiple venues.

The Panel considered utilising the Fund to support the system-wide establishment costs associated with FRT which would facilitate its integration with the statewide exclusion register. Further Panel discussions on the implementation of FRT is provided in **Appendix C**.

The Panel held differing views on allocating the fund towards implementing FRT. Some members supported using the Fund to assist smaller or regional venues with installation costs, given their limited resources. Others proposed funding for a centralised operator for FRT and data storage. Some Panel members argued against prioritising funding for FRT, noting that account-based gaming could serve as a more effective and long-term solution for managing exclusions without the need for human intervention, which FRT requires.

Taking into consideration the Panel's discussions, the Executive Committee recommends that only system-wide costs associated with the implementation of FRT be supported by the Fund to enhance the statewide exclusion register's effectiveness. The Executive Committee notes that venue implementation of FRT is an operational cost and therefore should not be drawn from the Fund.

Recommendation 5.1

The \$100 million Harm Minimisation Fund be used for the following initiatives:

- the design and build of an account-based gaming system
- communication/marketing and change management activities for the implementation of account-based gaming
- industry support and transitional requirements for account-based gaming implementation
- evaluation and monitoring of the account-based gaming system
- the development and implementation of the statewide exclusion register, with ongoing maintenance to be industry funded
- system-wide costs associated with the implementation of facial recognition technology, with installation to be industry funded.

Some members of the Panel suggested that while allocating funds to support services to address gambling harm is critical, the first priority is implementing account-based gaming and a statewide exclusion register. Several Panel members raised concerns about providing one-off funding for services as ongoing and consistent funding is necessary to avoid creating gaps in service delivery.

The Panel also debated that building gambling harm research capacity is important but not at the expense of an account-based gaming system and statewide exclusion register. The Panel discussed that the NSW Government has already committed \$10 million annually to the Responsible Gambling Fund (RGF) and that it may be more suitable to consider a review of how the RGF is funded and whether this can be diversified.

Informed by the Panel's deliberations, the Executive Committee recommends that the NSW Government work with the RGF Trust on how additional funds can be directed to fund support services and independent gambling research.

11.3 The Responsible Gambling Fund

11.3.1 Support services and independent gambling research

The Panel acknowledged the importance of a proactive approach in reducing gambling harm by investing in support services and independent research. Support services play a crucial role in providing immediate assistance to individuals affected by gambling harm, while independent research offers critical insights into emerging trends and effective harm minimisation strategies. Both contribute significantly to ongoing efforts to create a safer gambling environment in NSW.

11.3.2 Review of funding source for The Responsible Gambling Fund

The RGF primarily derives its revenue from the casino operators. The *Casino Control Act 1992* requires casino licensees in NSW to contribute two per cent of gaming revenue to the RGF. Contributions from hotels and clubs are limited to community benefit payments (which are paid into the RGF but reallocated for use in the local community they arise from) and gaming machine lease levy payments made by some clubs and hotels under the *Gaming Machines Act 2001*.

The RGF also receives revenue from the *Betting Tax Act 2001* which allows the Treasurer to pay certain amounts to the RGF, derived from a tax on wagering expenditure in NSW¹¹⁶ and the NSW Government has also committed to an additional \$10 million in funding for the RGF annually. These arrangements mean that hotels and clubs contribute just three per cent of the total industry funding while casinos contribute 75 per cent – 32 times more than hotels and clubs combined.¹¹⁷ 63 per cent of GambleAware clients report that EGMs are their primary gambling activity and 66.4 per cent say clubs and hotels are their preferred venue.¹¹⁸

Based on this, at least \$14–\$15 million of the \$19.2 million allocated from the RGF to GambleAware support and community engagement services is for people experiencing harm due to gambling in hotels and clubs, despite them only contributing approximately \$500,000 in funding available for general RGF expenditure.

This funding model presents several challenges primarily due to the reliance on a limited number of gaming-based revenue streams. This narrow funding base creates inconsistencies in resource allocation as gambling patterns shift and increases the vulnerability of the RGF to fluctuations in its revenue which are not offset by changes in the demand for the services and activities that it funds. The heavy reliance on funding from casino operators and the earmarking of funding sources like the community benefit payments for specific purposes, constrains the allocation of resources for comprehensive harm reduction strategies across the state.

The predominant way in which gambling harm minimisation activities (such as support services and independent gambling research) are administered is through the RGF therefore the funding arrangements for the RGF need to be proportionate to the level and source of harm in the community, robust and sustainable.

Noting the concerns of the long-term sustainability and proportionality of the RGF's funding model, the Executive Committee recommends the NSW Government examines how the RGF is currently funded to explore potential alternative funding sources. Identifying new or additional funding avenues could help ensure the sustainability of harm minimisation initiatives. Diversifying the funding base may also create a more resilient and certain system that is better equipped to respond to evolving challenges in gambling harm prevention across NSW.

Recommendation 5.2

The NSW Government work with the Responsible Gambling Fund (RGF) Trust to identify:

- how additional funds can be directed to fund support services and independent gambling research
- potential alternative funding sources for the RGF.

¹¹⁶ GambleAware NSW. (2024). *How we're funded*. <https://www.gambleaware.nsw.gov.au/about-us/funding#:~:text=Who%20pays%20for%20the%20RGF>

¹¹⁷ GambleAware. (2023). *NSW Office of Responsible Gambling Annual Progress Report 2022–23 [Review of NSW Office of Responsible Gambling Annual Progress Report 2022–23]*. <https://www.gambleaware.nsw.gov.au/-/media/progress-report-2022-23.ashx?rev=9360e6db7f9540d0b0aae81267391d01>

¹¹⁸ GambleAware. (2023). *NSW Office of Responsible Gambling Annual Progress Report 2022–23 [Review of NSW Office of Responsible Gambling Annual Progress Report 2022–23]*. <https://www.gambleaware.nsw.gov.au/-/media/progress-report-2022-23.ashx?rev=9360e6db7f9540d0b0aae81267391d01>

11.4 Introducing a buy-back scheme

While the NSW Government has made a commitment to introduce a buy-back scheme, it is noted that such a scheme is not likely to be in the public interest given that funding such a scheme will be costly but not likely to impact GME numbers or significantly reduce harm.

Funding a buy-back scheme for 2,000 GMEs at the proposed price of \$30,000 would cost \$60 million, consuming the vast majority of the Fund. This needs to be reviewed against the alternative uses of this Fund which would deliver greater harm minimisation benefits and value to industry, such as funding the implementation of account-based gaming including any appropriate industry support and transitional requirements and/or developing and implementing the statewide exclusion register.

However, should Government choose to implement a scheme (as discussed in section 8.2.2), the Executive Committee recommends that this should be funded from alternative sources than the Fund. The Committee notes that the Government did not commit to use the Fund to fund any buy-back scheme.

Recommendation 5.3

If the NSW Government implements a buy-back scheme it should be funded outside of the \$100 million Harm Minimisation Fund.

12

Sequencing of Roadmap reforms

12. Sequencing of Roadmap reforms

Under the Terms of Reference, the Panel are required to provide advice on milestones for the possible delivery of mandatory gaming reform in all NSW hotels and clubs.

In sequencing their recommendations for gaming reform, the Executive Committee carefully considered the current complex landscape of regulatory changes and the broader context of industry practices. Recognising that multiple reforms are being implemented simultaneously, the Executive Committee aimed to ensure that their recommendations would not only standalone but also complement these initiatives (e.g. the integration of account-based gaming with the statewide exclusion register). The Executive Committee acknowledges that this alignment is crucial to avoid fragmentation of efforts and to enhance the overall effectiveness of harm minimisation measures across NSW.

The work of the Panel and the findings of the NSW cashless gaming trial has highlighted the complexity involved in implementing the Roadmap recommendations. This complexity stems from the varying levels of infrastructure readiness across venues, the need for cyber maturity uplift among stakeholders and the diversity of gaming systems and machines in use. Transitioning to new technologies, such as account-based gaming, requires careful integration with existing systems while ensuring compliance with data protection and privacy standards. Implementing these reforms will take time, as it requires not only technological adaptations but also legal and regulatory adjustments across diverse stakeholders.

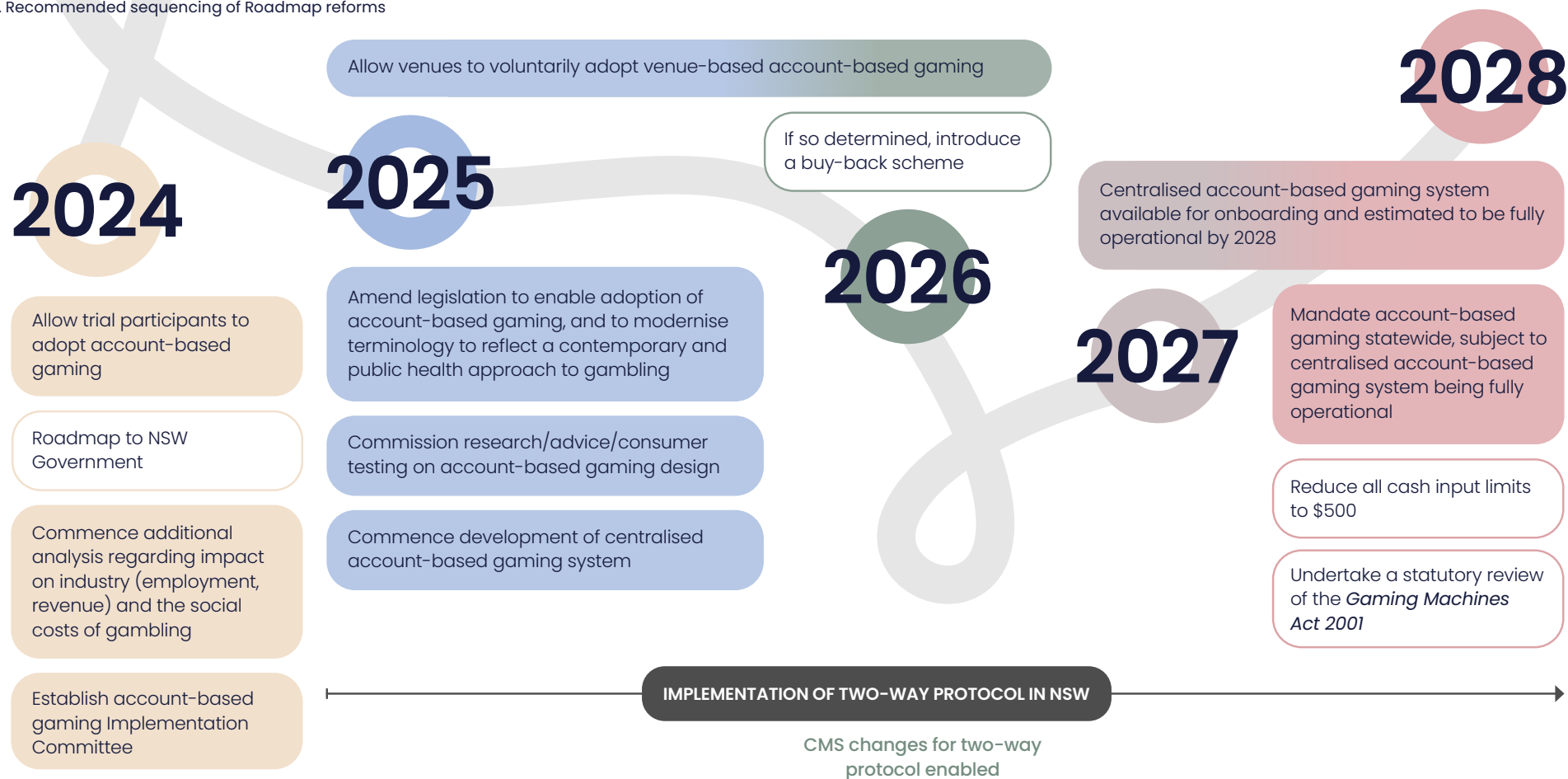
The Executive Committee discussed key gaming reform initiatives such as the introduction of a two-way communication protocol for gaming machines in NSW and how effective sequencing of their recommendations could leverage this change to realise time and cost efficiencies. The Executive Committee acknowledges that such coordination is essential for creating an environment where reforms can be adopted without overwhelming the industry.

The Executive Committee also emphasised the importance of considering the timing and potential impacts of each recommendation and noted that phasing in the reforms strategically is crucial for fostering a balanced and sustainable gaming environment that prioritises harm minimisation while supporting industry viability.

Figure 2 summarises the Executive Committee's recommendations for sequencing of the Roadmap reforms.

Independent Panel on Gaming Reform

Figure 2. Recommended sequencing of Roadmap reforms



NSW Government determine timeframes for:

- Revising and simplifying existing gaming regulatory schemes of LIA, GME leasing and forfeiture
- Repealing all gaming machine operating hour variations
- Reviewing loyalty programs
- Working with the RGF Trust to improve community awareness, support and outreach
- Evaluating the Roadmap reforms

Roadmap for Gaming Reform

12.1 Phase one: 2024

The first phase of the implementation of account-based gaming commenced in September 2024 when trial participants were allowed to voluntarily adopt account-based gaming (see **section 6.3.4**).

As part of this phase in 2024, the Executive Committee recommends for the NSW Government to complete additional analysis regarding the impact on industry such as revenue and employment with appropriate considerations for regional areas and border towns, as well as other relevant factors including the social cost of gambling (see **section 7.1.2**).

The Executive Committee also recommends for the NSW Government to establish an account-based gaming Implementation Committee as part of this phase (see **section 7.5**).



2024

Allow trial participants to adopt account-based gaming

Roadmap to NSW Government

Commence additional analysis regarding impact on industry (employment, revenue) and the social costs of gambling

Establish account-based gaming Implementation Committee

12.2 Phase two: 2025 – 2026

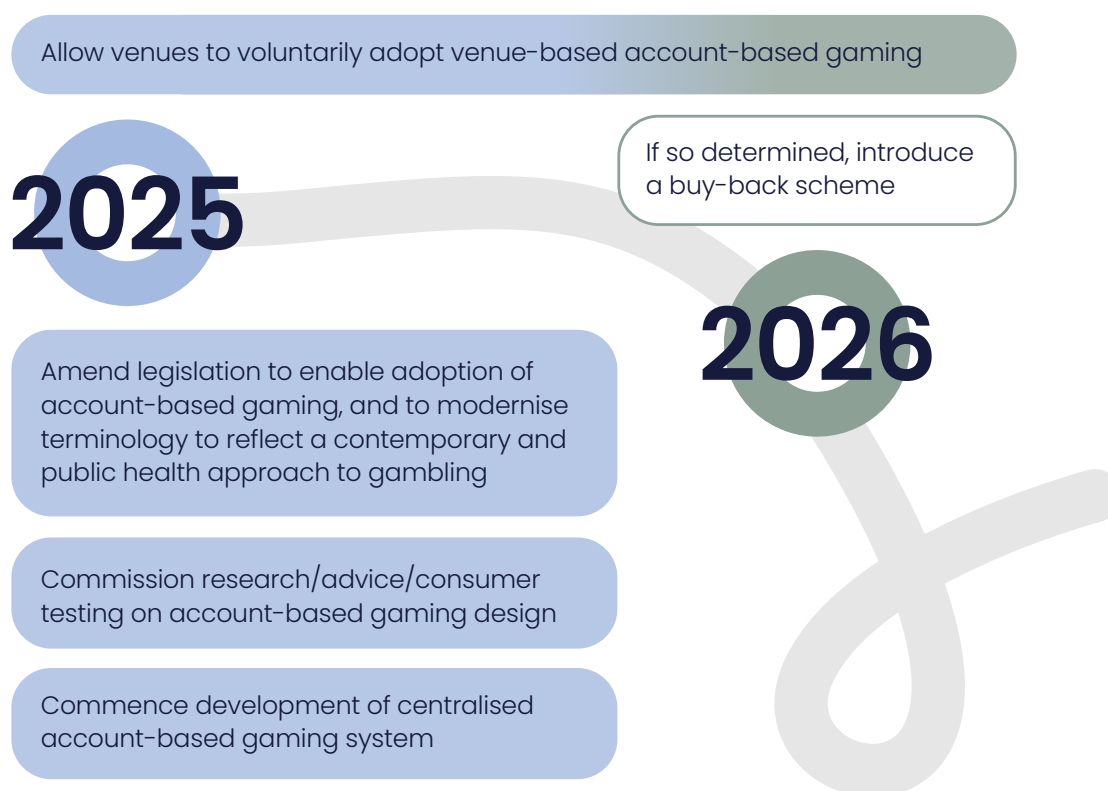
In the second phase of implementation of account-based gaming across 2025–2026, the Executive Committee recommends the NSW Government allows all NSW clubs and hotels to voluntarily adopt venue-based account-based gaming and amend legislation to enable this.

Allowing for voluntary adoption of account-based gaming system before moving to a mandatory system allows for a phased approach giving venues time to gradually adopt the new technology. This phased introduction also allows technology providers time to rollout the system efficiently, ensuring technical and logistical readiness across the state. Given the significant industry interest in account-based gaming, a high demand is anticipated from venues for voluntary adoption.

The Executive Committee also recommend that the NSW Government commission technical advice and/or research and consumer testing related to the design of the account-based gaming system and commence the development of the centralised account-based gaming system in 2025 (see **section 7.3**).

As part of this phase, the Executive Committee recommends the NSW Government modernise the terminology in the legislative framework to reflect a contemporary and public health approach to gambling (see **section 10.1**).

Should the NSW Government choose to implement a buy-back scheme (see **section 8.2.2**), the Executive Committee recommend that this be introduced following the implementation of voluntary account-based gaming to assist and incentivise venues to adopt the new system.



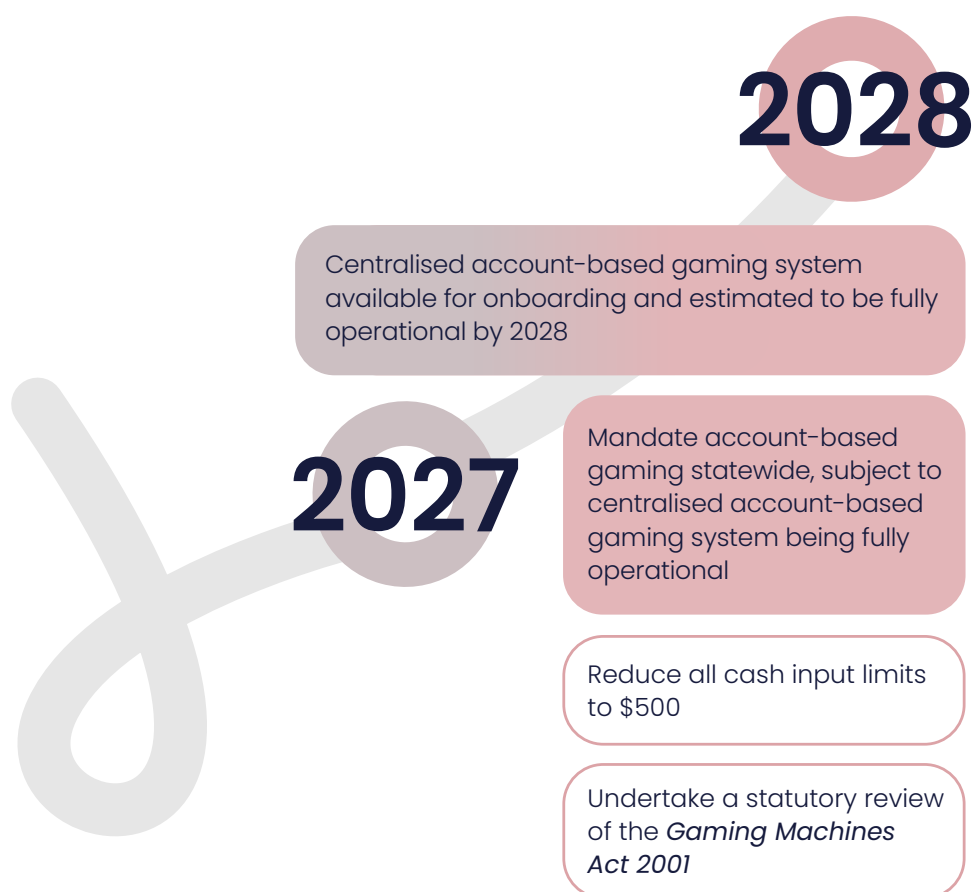
12.3 Phase three: 2027 – 2028

Following the period of voluntary adoption, the Executive Committee recommends that the NSW Government introduce mandatory statewide account-based gaming in all NSW hotels and clubs authorised to operate gaming machines by 2028, provided the centralised account-based system is fully operational, as part of the third phase.

This timeframe for mandatory adoption of account-based gaming statewide is dependent on the centralised system being available for onboarding and fully operational (see **section 7.2.1**). While the Executive Committee has estimated this process may take approximately two years to 2028, this estimate is based on preliminary assumptions about the systems design and architecture. Given the complexity of finalising these elements the actual timeline for building and launching the centralised system may extend beyond this projection.

The Executive Committee notes that depending on the model and the timing of mandatory account-based gaming, a recommendation to reduce the cash input limit on existing EGMs may not be necessary (see **section 8.4**). However, if there is a delay to the introduction of account-based gaming or if it is not made mandatory, then the Executive Committee recommends that the cash input limit on existing EGMs be reduced in a staged approach, targeting the higher limit EGMs first with all EGMs reduced to a \$500 limit when two-way protocol for gaming machines in NSW is implemented.

As part of this phase, following the introduction of mandatory account-based gaming, the Executive Committee recommends that the NSW Government undertake a statutory review of the *Gaming Machines Act 2001* (see **section 10.3**). The proposed time of this review reflects the significant number of reforms being implemented by the Government in 2024 and 2025 and to ensure sufficient time has passed to consider these reforms in detail.



12.4 Timeframes for NSW Government determination

The Executive Committee recommends that the NSW Government determine the appropriate timeframes for:

- revising and simplifying existing gaming regulatory schemes of LIA (see **section 8.1.2**), GME leasing (see **section 8.1.3**), and forfeiture (see **section 8.2.1**)
- repealing all gaming machine shutdown hour variations (see **section 8.3**).

These reforms involve complex regulatory schemes and may require further detailed analysis to ensure their effective design and implementation.

The Executive Committee recommends that the NSW Government also determine the appropriate timeframe to commission a comprehensive review of loyalty programs in NSW gaming venues to examine the structure and incentives of these programs, identify any potential risks that may influence gambling behaviour and any harm minimisation opportunities (see **section 9.1**).

The Executive Committee also recommends that the NSW Government work with the RGF to determine timeframes for:

- increasing community outreach as part of GambleAware (see **section 9.2.2**)
- supporting financial literacy school programs (see **section 9.2.3**)
- identifying how additional funds can be directed to fund support services and independent gambling research (see **section 11.3.1**)
- review of current funding model and identification of alternative funding sources (see **section 11.3.2**).

The Executive Committee recommend that the NSW Government also determine the appropriate timeframe for consideration of alignment of the maximum bet amount with other jurisdictions (see **section 9.4.2**) as this may require engaging with other state and territory regulators to ensure consistency and a cohesive approach across borders.

Following planning for the implementation of the Roadmap reforms, the Executive Committee recommends that the NSW Government determine the most appropriate time to evaluate these reforms (see **section 10.2**) to ensure there is sufficient data on implementation outcomes and to allow for a thorough assessment of their effectiveness in reducing gambling harm.

Appendices

Appendix A

Independent Panel on Gaming Reform Terms of Reference

1. Purpose

The Independent Panel on Gaming Reform (the Panel) will provide advice on the mandatory cashless gaming trial, the use of the \$100 million fund for harm minimisation programs and a roadmap for implementation of further gaming reform across New South Wales out to 31 December 2024.

The Chair and two independent members of the Panel will form an Executive Committee responsible for providing advice to Government on the above issues in consultation with the Panel.

2. Responsibilities

The Executive Committee will be responsible for the following, in consultation with the Panel:

- a. Providing advice on the 12-month cashless gaming trials in NSW hotels and clubs, including:
 - i. finalising a framework for the trial covering processes and assessment criteria
 - ii. recommending venues to participate in the trial, with a mix of hotels and clubs across metro areas of highest use, other metro areas, and regional areas
 - iii. approving updates as requested to the Minister for Gaming and Racing on progress and early findings
 - iv. reviewing research findings of the trial
 - v. developing recommendations for Government, taking into consideration infrastructure investments required, impact on employment and industry, impact on gambling harm, options to further reduce gambling harm, and impact on reducing money laundering.
- b. Providing advice to inform a gaming reform implementation roadmap by November 2024 detailing:
 - i. principles governing the development and implementation of further gaming reform in NSW, and the critical considerations for communities, law enforcement, harm minimisation, anti-money laundering and the industry
 - ii. milestones for the possible delivery of mandatory gaming reform in all NSW hotels and clubs, provided the research findings of the trial support this objective
 - iii. the recommended technical and system standards and privacy and data protections that should be adopted by Government
 - iv. further measures arising from the trial of cashless gaming that should be taken in consideration to stop money laundering, minimise the harm caused by EGM gaming to individuals and community, and support the ongoing economic sustainability of the sector and the maintenance of jobs, with a particular focus on smaller venues, regional venues, and border town venues.
- c. Making recommendations on the use of the \$100 million harm minimisation fund, which will help:
 - i. facilitate the 12-month cashless trial
 - ii. implement recommendations from the trial
 - iii. reduce gaming machine entitlements; and
 - iv. fund harm minimisation programs.
- d. Consulting with additional industry representatives, harm minimisation experts, academics and relevant experts and other relevant representatives as the Panel determines.

- e. Consulting with Liquor & Gaming NSW, the Cabinet Office and NSW Treasury as required on a proposed review of the ClubGRANTS Scheme which will be undertaken separately to, but concurrently with, the work of the Panel.

While the Executive Committee will be responsible for the provision of advice to Government, this advice will be prepared in consultation with the broader Panel.

3. Panel arrangements

3.1 Composition and Size

- a. The Panel will consist of the Chair, members, and standing guests to provide representation from industry, gambling harm minimisation and health experts, law enforcement, academia and government agencies.
- b. The Chair and two independent members of the Panel will form an Executive Committee responsible for providing advice to Government in consultation with the Panel.
- c. Members will have a mix of skills, experience and qualities required to support effective input.
- d. The Minister for Gaming and Racing will recommend Panel members in consultation with the Premier. The Secretary, will engage members on the basis of recommendations from the Premier, Minister for Gaming and Racing and DCITHS.
- e. The Secretary, DEIT, in consultation with the Minister for Gaming and Racing, may vary membership of the Panel at any time without notice.

3.2 Role of the Chair and the independent members (Executive Committee)

- a. The Chair is responsible for leading the activities of the Panel, including:
 - i. facilitating the conduct of meetings;
 - ii. ensuring individual members make an effective contribution; and

- iii. facilitating the flow of information to members and stakeholders by ensuring that appropriate secretariat support is provided.

- b. The Chair is responsible for reporting the activities of the Panel to the Secretary, DEIT and Minister for Gaming and Racing.
- c. The Chair and the independent members will form the Executive Committee of the Panel.

3.3 Role of Panel Members

- a. Members are required to attend, participate and raise any issues of concern at meetings.
- b. Members unable to attend a meeting must advise the Panel secretariat ahead of the meeting and advise if a representative will attend on their behalf.

Meetings

- a. The Panel will meet monthly and/or at such other times as the Chair may advise to undertake its role effectively (e.g. to stand-up trials and prepare the implementation roadmap).
- b. Out of session papers will be considered as needed between meetings and/or at such other times as the Chair may advise to undertake its role effectively.
- c. The Panel's preference will be to conduct meetings in person, but it may also conduct meetings by video conference or out of session arrangements, provided all members have a reasonable opportunity to participate in the meeting.
- d. To facilitate an even workflow throughout the year, an annual meeting calendar is to be adopted, which includes all scheduled meetings. Other persons may be invited to attend the Panel meetings from time to time by Panel members pending approval of the Chair.
- e. The Executive Committee will meet as necessary.

Secretariat

- a. Liquor & Gaming NSW, supported by the Cabinet Office will provide secretariat support to the Panel including:
 - Managing meeting invitations, attendance, agendas, minutes and record of action items
 - Collation of papers, which may be authored by organisations represented on the Panel, relevant government agencies or by expert advisors as requested.
 - Circulation of draft minutes and actions arising for endorsement by the Panel within five (5) business days of the meeting.

Quorum

- a. The Chair and 6 members including at least one representative each from industry and the responsible gaming sector. The Chair and both independent members are required for a quorum of a meeting of the Executive Committee.

Conflicts of interest, confidentiality and other matters

- a. Members or attendees will be required to complete a Conflict of Interest Declaration listing any conflict of interest (actual, perceived or potential), so that appropriate steps may be taken to address the matter.
- b. Members will be required to sign an appropriate deed in order to be appointed to the Panel, containing provisions relating to conflicts of interest, confidentiality, intellectual property, liability and indemnity.
- c. Members or attendees will be required to keep their Conflict of Interest Declaration up to date at all times and otherwise formally advise the Chair of any change in circumstances that affects the accuracy of this declaration.
- d. Members or attendees will, upon receiving papers and/or at the start of each meeting before discussion of the relevant agenda item or topic, notify the Chair if they have a conflict of interest (actual, perceived or potential) in relation to any proposed agenda items or topics.

- e. Details of interests declared by members will be recorded in the Conflict of Interest register.
- f. Details of interests declared by members and actions taken may be recorded in the minutes.

Consultation and disclosure

Release of public papers or public consultation/briefing will be on approval of the Chair, who will seek Secretary, DEIT or Minister for Gaming and Racing approval. Members may not disclose any information acquired as a result of their involvement in the Panel or discussed or shared at/through Panel meetings (including out-of-session) to media directly or indirectly in any form without approval of the Minister for Gaming and Racing.

Working Parties and Committees

Where the Panel identifies the need for the creation of additional Working Party or Committee, it may recommend the creation of these for the purposes of addressing specific areas of focus for the Panel. On the recommendation of the Panel, Working Parties and Committees can include individuals who are not members.

Access to information and advisors

The Panel may, from time to time, invite standing guests, advisors, subject matter experts, or Government representatives to attend meetings or otherwise provide information or advice that the Panel requires.

Panel papers

- a. Papers requested, including those requested of standing guests, advisors, subject matter experts, or Government representatives, are to be provided to the secretariat at least five (5) business days prior to the scheduled meeting or out of session date for decision.
- b. The meeting agenda and papers will be provided by the secretariat to members at least three (3) business days prior to the scheduled meeting or out of session date for decision.
- c. Meeting papers should include either recommendations for the Panel to action or updates for information.

d. The Secretariat will provide:

- a summary of key activities undertaken during the period;
- outcomes achieved and key results for the period; and
- matters for endorsement by the Panel and/or resolution. Decision-making

Decision-making

- a. Decisions by the Executive Committee will be decided by majority.

Remuneration

- a. The Chair, the two independent members, and the Panel member with lived experience, will be remunerated for their expertise, skills, knowledge and time.
- b. Other Panel members and standing members are ex officio appointments and as such, will not receive remuneration.
- c. Those being remunerated will be engaged directly by DEIT in line with the requirements of relevant policies, plans and procedures, including, but not limited to, the Performance and Management Services Scheme, with a monthly invoicing arrangement.

The Panel Terms of Reference

These Terms of Reference take effect on approval of the Minister for Gaming and Racing in consultation with the Premier.

The Terms of Reference may be amended by the Panel, or the Secretary, DEIT who may seek advice from the Panel. Any changes to the Terms of Reference must be approved by the Minister for Gaming and Racing in consultation with the Premier.

Appendix B

Meeting agendas and attendance

The Panel met on a monthly basis from August 2023 to November 2024 to define the parameters and oversee the NSW cashless gaming trial and develop the Roadmap for Gaming Reform. The Panel also attended two out of session meetings and a workshop.

Meeting attendance	01 14/8/23	02 4/9/23	03 30/10/23	04 13/11/23	05 11/12/23	06 5/2/24	WS 16/2/24	07 4/3/24	OOS 12/3/24	08 9/4/24	09 6/5/24	10 31/5/24	OOS 25/6/24	11 1/7/24	12 5/8/24	13 2/9/24	14 14/10/24	15 4/11/24	16 25/11/24
Executive committee																			
Mr Michael Foggo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hon Niall Blair	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Ursula Stephens	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓
NSW Police																			
Mr David Hudson		✓		✓	✓							✓						✓	
Mr Mark Walton	✓					✓													
Mr Peter Cotter										✓	✓								✓
Mr Scott Cook														✓					
Mr David Driver																	✓	✓	
Cyber Security NSW																			
Mr Andrew Karvinen															✓	✓			✓
Mr Tony Chapman	✓		✓	✓	✓		✓	✓		✓	✓	✓	✓						
Ms Lesley Honeyman		✓																	
Ms Charlotte Davidson					✓	✓								✓	✓				
Mr Lindsay Gordon-Smith																	✓	✓	✓

Independent Panel
on Gaming Reform

Meeting attendance	01 14/8/23	02 4/9/23	03 30/10/23	04 13/11/23	05 11/12/23	06 5/2/24	WS 16/2/24	07 4/3/24	OOS 12/3/24	08 9/4/24	09 6/5/24	10 31/5/24	OOS 25/6/24	11 1/7/24	12 5/8/24	13 2/9/24	14 14/10/24	15 4/11/24	16 25/11/24
Gaming Technologies Association																			
Mr Jinesh Patel	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Adam Raskall						✓													
Club NSW																			
Ms Rebecca Riant	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Simon Sawday		✓																✓	
Australian Hotels Association NSW																			
Mr John Whelan	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Mr Chris Gatfield								✓		✓	✓								
Leagues Club Australia																			
Mr Don Hammond	✓	✓	✓	✓	✓	✓	✓			✓	✓	✓		✓	✓	✓	✓	✓	✓
Responsible Gambling Fund Trust																			
Prof Joel Negin	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓			✓	✓	✓	✓	✓
Mr Chris Bertinshaw														✓					
NSW Council of Social Services																			
Ms Cara Varian						✓	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓	✓
Mr Daniel Zhao													✓						
Ms Catherine Reilly			✓	✓															
Mr Ben McAlpine					✓														
Ms Joanna Quilty	✓	✓																	

Independent Panel on Gaming Reform

Meeting attendance	01 14/8/23	02 4/9/23	03 30/10/23	04 13/11/23	05 11/12/23	06 5/2/24	WS 16/2/24	07 4/3/24	OOS 12/3/24	08 9/4/24	09 6/5/24	10 31/5/24	OOS 25/6/24	11 1/7/24	12 5/8/24	13 2/9/24	14 14/10/24	15 4/11/24	16 25/11/24
Wesley Mission																			
Rev Stu Cameron	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Jim Wackett										✓					✓				
United Workers Union																			
Mr Aaron Jones																		✓	✓
Mr Dario Mujkic				✓		✓	✓	✓			✓				✓				
Ms Imogen Beynon	✓	✓																	
University of Sydney																			
Prof. Sally Gainsbury	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
University of Wollongong																			
Prof Melanie Randle	✓	✓	✓		✓	✓	✓												
Lived experience member																			
Mr Nick McGhie	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓			✓	✓	✓	✓	✓
Department of Creative Industries, Tourism, Hospitality and Sport NSW																			
Ms Elizabeth Mild-water	✓	✓	✓		✓			✓		✓	✓	✓		✓	✓	✓	✓	✓	✓
The Cabinet Office NSW																			
Ms Kate Boyd					✓														
Mr William Murphy		✓	✓																
Information and Privacy Commission NSW																			
Ms Sonia Minuttilo										✓		✓					✓		✓

Appendix B

Meeting agendas

The table below outlines the key agenda items for each of the monthly Panel meetings, noting conflicts of interest and minutes and actions were standing agenda items for each meeting.

Meeting 01: 14 August 2023

Panel governance and protocols

Governance and protocols of the Panel, including the Terms of Reference, confidentiality, meeting cadence and logistical arrangements.

Panel commitments and timeframes

Panel responsibilities including overseeing the NSW cashless gaming trial and developing a Roadmap for Gaming reform and forward meeting schedule.

NSW cashless gaming trial timeframes and deliverables

Timeframes for assessing trial applications, trial commencement and trial close.

Minimum requirements for NSW cashless gaming trial

Minimum requirements for the technology including anti-money-laundering protections, data security and privacy protections, harm minimisation features and venue requirements.

Meeting 02: 4 September 2023

NSW cashless gaming trial objectives

Objectives of the trial including assessing the impact of cashless gaming on industry, harm minimisation and anti-money laundering.

Consideration of expressions of interest for NSW cashless gaming trial

Process for expressing interest in participating in the trial and draft invitations to apply for both technology providers and venues.

Out of session:

Endorsement of trial objectives, minimum requirements and invitations to apply.

Meeting 03: 30 October 2023

Review of NSW cashless gaming trial applications

The Panel received and reviewed 52 applications, including ten applications from technology providers (noting an additional application was received and reviewed in meeting four), 27 applications from clubs, and 15 applications from hotels. The Panel requested additional information from five technology providers.

Trial evaluation

The Panel considered a proposed trial evaluation methodology and process for engaging a market research supplier.

Meeting 04: 13 November 2023

Assessment of NSW cashless gaming trial applications

Assessment of applications against the specifications and requirements for the trial.

Meeting 05: 11 December 2023

Minister address

Approval of participating technology providers

The Panel conditionally approved the trial participation of Aristocrat, eBet, IGT, Independent Gaming and Light & Wonder subject to meeting cybersecurity requirements.

Approval of participating venues

The Panel conditionally approved 28 venues to participate in the trial subject to meeting cybersecurity requirements.

Presentation on West Newcastle Regulatory Sandbox Trial learnings

Roadmap for gaming reform forward plan

Meeting 06: 5 February 2024

Endorsement of additional venue applications

The Panel approved four additional venues for participation in the trial.

Cyber assessment of technology providers

The Panel determined that four of the five technology providers met the data security and privacy protection requirements and approved them for trial commencement.

NSW cashless gaming trial reporting and operational requirements

The Panel considered the operational aspects of the trial including the roles and responsibilities of cashless gaming technology providers, venues, patrons, researchers, and the Panel.

Roadmap for gaming reform workshop agenda

Gaming machine environment technical presentation

Workshop: 16 February 2024

Roadmap for gaming reform workshop

The Panel attended a full day workshop to determine the themes for inclusion in the Roadmap for Gaming Reform and to develop a forward plan.

Meeting 07: 4 March 2024

NSW cashless gaming trial oversight

The Panel discussed the progress of the NSW cashless gaming trial including timeframes, risks and mitigation strategies.

Cyber assessment of technology providers

The Panel determined that all five technology providers met the data security and privacy protection requirements and are approved for trial commencement.

Facial recognition technology and exclusions presentations

The Panel received presentations from the Government of South Australia and Crown Casino Sydney on exclusions and facial recognition technology.

Feedback to NSW Government on exclusions and facial recognition technology

The Panel provided feedback on the NSW Government's proposed implementation approach for a statewide exclusion register, third-party exclusion scheme and mandating the use of facial recognition technology in hotels and clubs.

Roadmap for gaming reform workshop outcomes

Out of session:

Wests Newcastle Regulatory Sandbox Trial evaluation report

Meeting with Victorian Gambling and Casino Control Commission and Crown Casino

The Executive Committee met with Victorian Gambling and Casino Control Commission and Crown Casino Melbourne on key learnings from the implementation of cashless gaming at Crown Casino Melbourne.

Out of session meeting: 12 March 2024

Meeting with market research provider 3arc Social

The Panel met with 3arc Social, the market research provider commissioned to carry out research.

Meeting 08: 9 April 2024

NSW cashless gaming trial progress

Trial participation incentives

The Panel determined that incentives should not be provided for trial participation due to concerns that the provision of incentives for participation may encourage gambling behaviour.

Cashless gaming technical specialist and economic modelling

Feedback on report to Minister on facial recognition and exclusions

Gaming machine operations and trading in NSW (LIA scheme)

The Panel discussed the NSW gaming machine operating framework, in particular the Local Impact Assessment scheme.

Prioritisation of other harm minimisation measures

The Panel determined that gaming machine features, loyalty programs and gaming staff protections would be discussed further in the development of the Roadmap for Gaming Reform.

Meeting 09: 6 May 2024

NSW cashless gaming trial regional venue visit

The Panel visited Twin Towns Services Club in Tweed Heads, the first venue to participate in the NSW cashless gaming trial. The Panel also met with local stakeholders to hear their perspectives.

NSW cashless gaming trial progress

Options for reducing the number of GMEs in NSW

Out of session:

Meeting with Cross Border Commissioner

The Panel Secretariat met with the Cross Border Commissioner to discuss potential impacts of the trial and future implementation of cashless gaming on border venues.

Meeting with MAX Gaming

The Executive Committee met with MAX Gaming the NSW Centralised Monitoring System provider.

Meeting 10: 31 May 2024

NSW cashless gaming trial progress

Options for reducing the number of GMEs in NSW

Harm minimisation measures

The Panel engaged in discussions exploring further opportunities to reduce gambling harm in the state.

Out of session:

Retention of cashless technology post-trial

Update on cybersecurity and data privacy for NSW cashless gaming trial

Meeting with the Australian Banking Association

The Executive Committee met with the Australian Banking Association.

Out of session meeting: 25 June 2024

Meeting with ILGA

The Panel attended an out of session meeting with ILGA to better understand the regulatory framework for gaming machines and their role.

Meeting 11: 31 May 2024

NSW cashless gaming trial progress

Presentation from 3arc Social (research provider)

Presentation from Australian Transaction Reports and Analysis Centre

The Panel met with AUSTRAC to discuss AML/CTF issues.

Presentation from gaming machine brokers

The Panel met with hotel and club GME brokers to better understand the current GME trading scheme.

Harm minimisation measures

Out of session:

Endorsement of additional venues for trial participation

The Panel assessed the applications of two additional venues out of session and endorsed their participation in the trial.

Forfeiture exemptions

Reducing the cash input limit on older machines

Legislative reform opportunities

Gaming Machine National Standards (GMNS) Policy Working Group Overview

Meeting 12: 5 August 2024

NSW cashless gaming trial progress

Gaming Consultants International presentation

Literature review of late-night gaming research

Meeting 13: 2 September 2024

NSW cashless gaming trial progress

Cashless gaming principles and framework

Cashless gaming infrastructure investment

Cashless gaming impact on industry and employment

Use of the harm minimisation fund

Out of session:

Gaming machine operating hours

Meeting 14: 14 October 2024

- NSW cashless gaming trial progress
- With the completion of the NSW cashless gaming trial on 30 September 2024, the Panel closed out the Panel reporting requirements and noted that the venues retaining the technology will continue to report to Liquor & Gaming NSW for oversight.
- NSW cashless gaming trial evaluation
- Cybersecurity and data privacy protections
- Draft Roadmap for Gaming Reform recommendations
- Club York Regulatory Sandbox Trial evaluation report

Out of session:

Draft Roadmap for Gaming Reform

Meeting 15: 4 November 2024

- Draft Roadmap for Gaming Reform

Meeting 16: 25 November 2024

- Final Roadmap for Gaming Reform

Appendix C

Exclusion and facial recognition feedback report

Introduction

In December 2023, the Minister for Gaming and Racing asked the Panel to consider and provide feedback on the NSW Government's proposed implementation approach for the following election commitments:

- statewide self-exclusion register
- third-party exclusion scheme
- mandating the use of facial recognition technology in hotels and clubs.

The Panel considered these matters at its workshop on 16 February 2024 and the subsequent Panel meeting on 4 March 2024, and has provided its feedback in this report.

Background

The Panel's understanding of the current operating environment for exclusions in NSW, and the Government's proposed approach, is as follows.

Current operating environment for exclusions in NSW

Section 49 of the *Gaming Machines Act 2001* requires all NSW clubs and hotels authorised to have gaming machines to ensure their patrons have access to a self-exclusion scheme. There are penalties for non-compliance.

There are two self-exclusion registers currently in operation in NSW— ClubSafe which is operated by ClubsNSW and BetSafe. Both offer limited multi-venue self-exclusion. However, neither are statewide and both have limits on the number of venues individuals may exclude from due to operational limitations. Until recently, the process to self-exclude could not be done remotely, unless managed by a GambleAware counsellor, and required the person to attend the venue to exclude. ClubsNSW recently launched self-facilitated exclusion, which enables people to self-exclude online.

Facial recognition technology is already voluntarily operated in many venues in NSW. It is not currently either authorised or prohibited. Its use is subject to NSW and Commonwealth privacy laws.

NSW does not currently have a legislated third-party exclusion scheme for hotels and clubs. However, hotels have common law rights to exclude people from their venues, and clubs can establish third-party exclusion schemes for members through the ClubsNSW Gaming Code of Practice and/or amendments to club rules.

Government's proposed implementation approach

The Government has committed to implementing a statewide self-exclusion register and introducing third-party exclusion. To deliver on these commitments the NSW Government intends to:

- implement a standalone fit-for-purpose exclusion register built and run by a third-party procured by Government
- allow facial recognition systems installed and implemented by venues, with data retained and integrated with the statewide exclusion register
- introduce third-party exclusions with the model to be determined based on the Panel's feedback
- enable police-initiated exclusions via the statewide exclusion register
- integrate liquor exclusions into the statewide exclusion register
- incorporate the casino exclusion regime into the statewide exclusion register.

Executive summary

This section outlines the Panel's key recommendations regarding the proposed implementation approach.

The Panel supports the implementation of a statewide exclusion register and recognises this as an opportunity to unlock better harm minimisation outcomes.

Independent Panel on Gaming Reform

The Panel advocates for the inclusion of online exclusion capabilities and emphasises the importance of enabling integration with future cashless gaming system(s), continued identity verification, customisable exclusion options and robust data security measures to protect sensitive information.

The Panel also recommends clear communication with current self-excluded patrons and legislative amendments to facilitate seamless data migration from existing registers.

In addition, the Panel provides recommendations concerning third-party exclusion, advocating for a regulator-based model administered by Liquor & Gaming NSW, with clear guidelines for third-party applications and integration with relevant agencies. Recommendations include setting evidentiary thresholds, allowing for temporary exclusion orders and protecting third-party information. The Panel also notes the need to address the integration of police-initiated exclusions and data migration processes to ensure continuity, safety, and effectiveness in managing exclusions.

The Panel holds differing views regarding the funding model for the implementation of facial recognition technology and the development of a statewide exclusion register, with some Panel members advocating for industry funding while other Panel members advocating for government funding. Statewide exclusion register and Third-party exclusion (family, venue and police initiated) sections of this document.

The Panel offers insights into mandating the use of facial recognition technology in hotels and clubs, highlighting considerations such as infrastructure costs, data security, provider requirements and venue obligations. The Panel supports the implementation of facial recognition technology as a support mechanism in enforcing exclusion, while noting that this is not a standalone solution.

Recommendations from the Panel include enabling seamless integration with exclusion systems, establishing acceptable use restrictions and implementing comprehensive processes for managing system errors.

The Panel notes that the mandatory implementation of facial recognition technology in hotels and clubs by July 2024 is not likely to be achieved as the statewide exclusion register will not have been developed by July 2024.

Based on the experience of BetStop, the Panel notes that the timeframe for adopting a new exclusion system may be a 12–24-month process once a provider is confirmed.

Further information on the Panel's recommendations in relation to mandating facial recognition technology is provided in the Mandating the use of facial recognition technology in hotels and clubs section of this document.

In transitioning to a statewide self-exclusion register with third-party exclusions and mandated use of facial recognition technology, the Panel asks that Government consider the following:

- **Adoption:** The Panel recommends providing industry stakeholders with adequate time for the adoption of the new system to minimise disruptions, allow for proper training and promote smooth integration and compliance.
- **Public awareness:** The Panel recommends Liquor & Gaming NSW develop a detailed communication plan including a public awareness campaign, and engage with all impacted stakeholders, including culturally and linguistically diverse communities, to foster awareness, understanding and participation in the exclusion scheme. The Panel notes the importance of targeted communications and consultation with Aboriginal led community organisations to ensure that the process reflects the government's commitment to partner and share decisions with Aboriginal people, communities and organisations to develop solutions, recognising that Aboriginal communities and organisations know what works best for them.
- **Enforcement:** The Panel recommends Government consider implementing penalties for breaches of privacy and data security requirements to establish accountability and deterrence, ensuring compliance with regulatory standards and safeguarding the integrity of the exclusion register.

Independent Panel on Gaming Reform

- **Evaluation:** The Panel recommends that any new exclusion scheme undergoes a comprehensive evaluation to assess its effectiveness and impact on reducing gambling harm. The Panel also recommends regular public release of exclusion trends as a transparency mechanism to provide the NSW community with greater understanding of the scale of the program and trends.

The Panel notes that these measures will assist in ensuring effective implementation, widespread participation and regulatory compliance across the industry in NSW.

The Panel holds differing views regarding the funding model for the implementation of facial recognition technology and the development of a statewide exclusion register, with some Panel members advocating for industry funding while other Panel members advocating for government funding. Statewide exclusion register.

Third-party administration of statewide exclusion register

The Panel notes that Liquor & Gaming NSW will procure a third-party to administer the statewide exclusion register in line with the NSW Government Procurement Policy. ClubsNSW notes that the third-party needs to have effective operational processes in place, stringent protocols around cybersecurity and privacy and is adequately resourced to provide appropriate levels of support to clubs and hotels.

Minimum requirements of statewide exclusion register

The Panel advocates for the exclusion register to include the ability for people to exclude online in order to enhance accessibility. The register should also include an option for those experiencing harm from gambling to manage their exclusions remotely, without necessitating exposure to the gambling environment. NCOSS notes a potential option to allow in person registration at ServiceNSW as it is a space that members of the community are accustomed to engaging with the government and allows vulnerable communities an avenue to overcome barriers such as low digital and English literacy.

The Panel emphasises the importance of identity verification prior to exclusion for both online and in person applications.

The Panel holds differing views regarding customisation of exclusion (e.g. specific venues, gaming area/ entire venue, statewide). AHA recommended that all exclusions be statewide. The lived experience member recommended allowing customisation of exclusion to promote autonomy and agency of decision making and allow for the diverse circumstances and preferences of patrons seeking exclusion, enabling a more personalised and effective harm minimisation system.

The Panel recognises the importance of robust data security measures to protect sensitive information and maintain confidentiality, instilling confidence in utilising the register. The Panel recommends the register allow for de-identified aggregate reporting to enable comprehensive analysis and evaluation of exclusion trends without compromising individual privacy.

The Panel highlights the importance of enabling integration with cashless gaming and facial recognition technology to create a comprehensive and user-friendly exclusion system but notes that the implementation of facial recognition technology should not be delayed by attempting to integrate with future cashless gaming technology. The Panel also notes that there is a potential opportunity to integrate with the ServiceNSW Digital ID.

Data migration from existing registers

The Panel recommends legislative amendments to facilitate data migration from current systems to ensure a seamless transition for existing self-excluded patrons. The Panel notes that communication with existing excluded persons can be challenging and a seamless process to transition may be more appropriate.

The Panel notes that clear communication with current self-excluded patrons is essential to inform them of the migration process, address any concerns and maintain transparency throughout the transition.

Data security and privacy protections

Stringent data security and privacy protocols are necessary to safeguard migrated data and prevent unauthorised access or breaches. The Panel recommends clearly defined data storage and deletion policies to ensure compliance with privacy laws and minimise the risk of data misuse or retention beyond necessary periods.

The Panel also recommends implementing acceptable use restrictions and controlled data management practices to preserve integrity and confidentiality.

Integration of certain casino exclusions into the statewide exclusion register

The Panel recommends future integration of the statewide exclusion register, with casino gambling harm related exclusions (self-exclusions and third-party), however industry representative Panel members do not support broader casino exclusions being incorporated, as this could lead to additional patrons being unreasonably impacted.

Panel members noted it will provide flexibility and specificity in managing patron behaviours, enforcing venue policies and promoting a safer and more responsible gaming environment.

Integration of liquor exclusions into the statewide exclusion register

Industry Panel representatives were not supportive of the inclusion of liquor exclusions in the statewide register as it would necessitate facial recognition to be used for a purpose that was not within the Government's announced criteria.

The AHA noted that incorporating liquor exclusions into the statewide exclusion register will impact the number of cameras required at venue entry points which will impose unnecessary monitoring of patrons and a large cost to venues.

Third-party exclusion (family, venue and police initiated)

Regulator administering third-party exclusions

The Panel considered the options presented and recommends implementing a regulator-based model, with Liquor & Gaming NSW tasked with administering the scheme. This approach ensures centralised oversight, development of expertise and consistency in managing third-party exclusions.

The Panel notes that understanding the scope of third-party exclusions, including the number of family and Police-initiated applications, is crucial for resource allocation and operational efficiency.

The Panel suggests that Government also consider consultation with other agencies such as the Department of Communities and Justice (which incorporates NSW Courts and Tribunals) to facilitate a comprehensive approach to managing third-party exclusions. This could allow for some alignment with other safeguards such as guardianship orders or financial management orders of the NSW Civil & Administrative Tribunal.

Gambling harm exclusions

The Panel recommends setting a threshold for third-party evidentiary requirements to ensure that exclusions are based on credible evidence and to prevent unwarranted exclusions. The Panel also recommends determining the scope of 'family member' applications and the threshold for self-harm/family member harm to help delineate eligibility criteria.

The Panel also recommends Government consider allowing venues to apply to Liquor & Gaming NSW for exclusion if appropriate. For applications by a third-party, there should be options to apply via a venue, ServiceNSW or directly to Liquor & Gaming NSW. The applicant should have options to nominate an exclusion for singular or multiple venues or statewide and specify a time period.

Independent Panel on Gaming Reform

The Panel suggests Government consider a provision for temporary exclusion orders on applications to allow for immediate intervention in high-risk situations, safeguarding patrons from harm. The Panel also suggests Government consider establishing appeal rights to the Independent Liquor and Gaming Authority to ensure due process and procedural fairness in the exclusion process. The Panel noted the importance of ensuring that the Independent Liquor and Gaming Authority had adequate resourcing and expertise to support this function.

The Panel recommends imposing requirements on venues to provide certain data on request by Liquor & Gaming NSW, to encourage transparency and accountability in regulatory oversight. Additionally the Panel advocates for robust measures to safeguard third-party information, ensuring the privacy and confidentiality of all individuals involved in the exclusion process.

Police initiated exclusions

The Panel recommends Government consider integration with police systems for AML/CTF exclusions to ensure alignment with law enforcement priorities and increase effectiveness in managing criminal activities. The Panel also recommends direct issuance and management of AML/CTF exclusions by police, ensuring that access to this system is limited to the police and that venues are not required to engage or respond to AML/CTF alerts, to protect venue staff.

Mandating the use of facial recognition technology in hotels and clubs

Acceptable use

The Panel supports the implementation of facial recognition technology as a support mechanism in enforcing exclusions, while noting that this is not a standalone solution. The Panel also emphasised the use of the facial recognition technology should be limited to exclusions and not used for any other purpose. Some industry representative Panel members noted that that systems for detecting exclusions should be proportionate, and risk-based.

Infrastructure

The Panel recommends Government consider the installation and ongoing costs for venues in implementing facial recognition technology, recognising the potential financial burdens on smaller venues. Additionally, the Panel notes that varying levels of internet connectivity across venues may need to be addressed to ensure effective operation of the technology.

Data security and privacy protections

To uphold data security and privacy standards, the Panel recommends Government consider establishing acceptable use restrictions, dictating the permissible uses of collected facial recognition data. The Panel also advocates for robust data management practices, including controlling access to sensitive information, data retention and deletion requirements.

NCOSS also recommended that the facial recognition technology be designed in line with the Privacy Commissioner's recommendations for systems that include biometric information:

- have the privacy of the individuals (both excluded and non-excluded people)
- consider whether their use of data collection about individual is necessary, fair, reasonable and proportionate, and
- ensure true consent for collection and use has been given.

Provider requirements

The Panel recommends facial recognition technology providers enable seamless integration with cashless gaming and exclusion systems. Additionally, the Panel notes the importance of high-quality technology to minimise errors and ensure data unavailability is limited while also strictly complying with data security and privacy regulations to protect patron information.

Venue requirements

The Panel recommends venues establish comprehensive processes to manage 'false negatives' and 'false positives' to mitigate operational challenges and safeguard system reliability and ensure that venue signage is updated to prescribed standards to reflect the introduction of facial recognition technology.

The Panel hold differing views related to the installation of facial recognition technology at venue entry and gaming room entry points. ClubsNSW and Leagues Club Australia did not support the requirement of facial recognition technology at all gaming room entry points. ClubsNSW recommended that this requirement be risk based and consider the circumstances of each venue. AHA did not support the requirement to install facial recognition technology at venue entry to allow excluded patrons to participate in any non-gaming related venue activities and facilities. The lived experience member supported the requirement of facial recognition technology at venue entry and gaming room entry points to allow patrons the ability to customise their exclusion circumstances (i.e. whole venue or gaming area).

Implementation

With the 30 June 2024 target date for mandating the use of facial recognition technology in hotels and clubs fast approaching, the Panel notes this is not likely to be achieved as the statewide exclusion register will not have been developed by this date.

The Panel recommends Government consider a phased implementation accompanied by comprehensive guidelines and a code of practice to support a smooth transition. This approach allows venues adequate time to integrate the technology effectively, while promoting compliance across the industry.

The Panel understands that Liquor & Gaming NSW is progressing a set of guidelines for industry and that these guidelines will be announced prior to 30 June 2024.