



Clubs Australia

8 March 2006

Mr Jonathan Curtis  
Committee Secretary  
Legislation Committee  
Parliament House  
CANBERRA ACT 2600

Dear Mr Curtis

**Re: Inquiry into the Exposure Draft of the Anti-Money Laundering and Counter-Terrorism Financing Bill 2005**

Clubs Australia would like to take this opportunity to commend the Government on steps being taken to address money laundering and terrorism financing and to express appreciation for the opportunity to submit comment on the Exposure Draft Bill ("the Bill").

Clubs Australia understands the Government's focus on the gambling industry in this matter. However, in the case of registered and licensed clubs, there are reasons to suggest they pose very little risk in terms of money laundering or terrorism financing.

Underpinning the proposed legislative framework are models that involve programs to identify gambling patrons, gambling transactions and suspicious activity reporting.

While the proposed bill is broad in scope and applies to financing, gambling and other business activities it is noted that not all industries pose the same threat and the bill acknowledges this reality through a mechanism which permits identification of "low risk" services with consequent exemptions from some of the identification requirements in Part 2 of the Bill.

Even within industry categories there are differing risks as witnessed in the gambling industry. As an example "Table 2" of the Bill defines gambling services however it is understood that lotteries have been granted specific exemption from this definition. Presumably lotteries are exempted because of the low risk they are deemed to pose.

This submission outlines the gambling environment in which clubs operate and shows that this is an example of a low risk environment.

### Patron/player verification

Player verification is important and in our opinion clubs already meet or exceed the objectives of the Bill.

In the case of clubs gambling patrons are drawn mainly from the local community and club membership is a distinguishing feature. Club membership is to be differentiated from player reward/loyalty scheme membership which is also available in clubs. As an example the legislation in New South Wales requires nomination of prospective club members by existing members, application in writing, public display of the proposed new member details and approval by the governing body. While temporary membership to cater for visitors or guests of members is available this also involves an identification procedure.

State legislation governs the operation of clubs including entry requirements and procedures and penalties exist for non-compliance. That is a framework governing the operation of clubs in relation to identification is already well established. These requirements apply to all clubs, regardless of their size or location.

The issue of problem gambling has been addressed seriously by clubs and state legislators. This has resulted in additional operational restrictions relevant to this discussion of which payment of "larger" prizes by means of a cheque is significant.

As an example in New South Wales any prize over \$1000 requires a payment by cheque for the amount in excess of \$1,000. Similar restrictions exist in Queensland (\$250), A.C.T (\$1,200), Victoria (\$2,000), NT (\$250).

This restriction effectively means that any prize paid in clubs with a value above one or two thousand dollars automatically generates a paper trail.

The above clearly illustrates that when the nature of club patronage and the various identification processes already in place is taken into consideration, a framework exists which in our view more than meets the spirit and intent of the proposed legislation.

In summary, clubs operate gaming in a highly regulated and unique gambling environment and the imposition of any additional identification requirements to address risk cannot, in our view, be justified.

### EGMs - a "low risk" form of gambling

The major gambling activity in clubs involves electronic gaming machines (EGMs) and this is readily confirmed from studies such as the Allen Consulting Group "Socio Economic Impact Study of Registered Clubs in NSW".

The EGMs operating in clubs have a number of features that are relevant in this context and of these the most relevant are listed below.

- Limits on the amount of cash that can be inserted into the EGM. As an example the limit in New South Wales is \$10,000. That is, it is not possible to insert more than \$10,000 by way of notes, coins or any other method. Other states such as Queensland have lower limits.
- Limits on the maximum amount that can be won. As an example New South Wales has a \$10,000 limit for standalone EGMs. While EGMs can be linked ("linked jackpots") and prizes in excess of \$10,000 can be won, the probability of winning such prizes from a single play and the recording processes involved would suggest that they are not a consideration in terms of money laundering activity.
- There are limits on the maximum amount that can be bet. As an example the limit in New South Wales is \$10 for stand-alone EGM's and \$100 for multi-terminal devices. Other states have similar or lower limits.
- An additional feature of the EGM operating environment imposed on clubs is legislated connection to a centralised monitoring system.

These systems gather individual EGM data at venue level in "real time" and communicate the data at regular intervals to a central computer. State Government's have access to the data. The cost of such monitoring is borne by clubs. That is, the various State Governments already have full access to EGM performance data which in our view is capable of identifying suspicious EGM activity if appropriate data analysis techniques are applied.

Clubs Australia again notes that the cost of collecting this data is already borne by the clubs and the imposition of additional costs as a result of the proposed legislation is not in our view warranted.

### Suspicious Activity Reporting

It is understood there will also be a legislative obligation to report "suspicious activity".

The need for this requirement is recognised however the comments above regarding central monitoring systems are relevant. As outlined above it is our view that if used effectively centralised monitoring systems are capable of providing substantial intelligence information about potential money laundering activity.

In conclusion, based on our understanding of the Bill and the accompanying documents the introduction of this significant body of new legislation will result in additional demand on club resources with a potentially negative impact on trade if for example additional complex identification processes were required prior to providing a designated service.

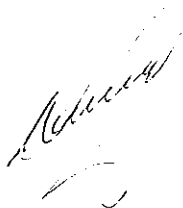
However, clubs are unique as providers of member based community gaming activities and matters that should be taken in account when considering the conduct of gaming include:

- the unique nature of clubs,
- rigorous and legislated identification requirements at entry,
- legislated identification requirements apply when patrons collect EGM gambling prizes,
- significant restrictions on the prize amount that can be collected in cash and the mandatory use of cheques for larger prize amounts,
- low maximum bet limits,
- low maximum prize limits,
- mandatory connection of EGMs to Government controlled centralised monitoring systems.

It is our view that the gambling environment in clubs already poses a very low risk in the context of money laundering and terrorist financing and that in light of the above comments clubs should be excluded from the AML/CTF legislation.

Clubs Australia will also be making a full submission on the Bill to the Attorney Generals Department.

Yours faithfully



David Costello  
Executive Director  
Clubs Australia