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CANADIAN GAMING ASSOCIATION’S STANDARDS FOR CASHLESS WAGERING

by Michael D. Lipton, Kevin J. Weber, Chantal A. Cipriano and Lipika Singh

On June 10th, 2020, the Canadian Gaming Association (the “CGA”) released the draft [Standards for Cashless Systems](#) (the “Standards”) for industry comment.

Cashless wagering systems allow players to participate in wagering activities without physical cash by using approved and securely protected authentication methods. The idea is that a sophisticated digital trail of cashless transactions will allow for increased transparency and enable easier detection of fraud in the gaming industry.

IMPACT OF COVID-19

In early 2020, the novel coronavirus (“COVID-19”) transmitted like wildfire across the world. As a result, many businesses in Canada, including casinos, were forced to shut down to avoid the spread. Casinos have gradually started reopening, but the following question remains: in light of COVID-19 and the large amounts of physical cash and numerous touch points in casinos, is cashless wagering the new wave? The CGA suggests that cashless systems should be seriously considered in casinos in order to decrease the exchange of physical cash and touch points on gaming machines and table games, with aims of lowering the risk of spreading COVID-19.

AIM OF THE STANDARDS

The goal of the Standards is to introduce cashless wagering to the industry in a manner that is fair, secure, and regulated with proper audits. Specifically, the Standards propose the minimum requirements for testing the credibility and integrity of cashless systems from both the revenue collection and player’s perspective. At this time, the Standards are constructed broadly without references to any particular technology, method, or algorithm to allow for easy subsequent revisions.

SUMMARY OF THE STANDARDS

The CGA recognizes that cashless systems will likely consist of various software and hardware components from different entities, including operators and suppliers. Accordingly, entities involved in providing a cashless wagering solution must first meet the appropriate eligibility

August 5, 2020 | Volume 12, Number 13

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requirements set by the provincial gaming regulator. As a reminder, all entities looking to work in or supply the casino sector in the respective provinces must, among other things, participate in the licensing process and pay a fee to register with the applicable gaming regulator.

Gaming operators interested in adopting a cashless system can integrate it into an existing system or create a separate system. Operators will need equipment capable of protecting sensitive information through data encryption, running adequate diagnostic testing, recording the necessary electronic accounting meters, and recalling a brief history of transactions in order to satisfy the Standards. The Standards also emphasize the use of self-sufficient technology, requiring that cashless systems be able to authenticate their components and have mechanisms in place for recovery from errors.

A large portion of the Standards is dedicated to ensuring secure access and maintenance of player accounts. Player identification components must be used to protect player accounts against counterfeiting, vandalism, abuse, or fraud. Safeguards such as multi-factor authentication, informative messages, and automatic locking of account after failed login attempts are proposed by the CGA.

The Standards require cashless systems to support tools provided by provincial regulators to help players self-monitor. In Ontario, for example, this includes providing players with a method to voluntarily exclude themselves from various forms of gaming for a period of six months, twelve months, or indefinitely. Players and operators may also be allowed to impose specific betting limitations, such as weekly limits on account deposits and withdrawals, on cashless systems, much like how they currently can on PlayOLG.ca. Cashless systems must provide for a maximum account balance limit where required by provincial regulators.

The CGA will rely on qualified independent test laboratories to test and certify the components of each cashless system in accordance with the Standards. Periodic operational audits may be required by the applicable province to assess the integrity and accuracy of a cashless system.

THE UNITED STATES

Recently, the Nevada Gaming Commission (the “NGC”) adopted amendments to the Nevada Gaming Regulations to permit direct or indirect cashless wagering on a game or gaming device. The Standards are similar to the obligations outlined by the NCG in regulation Technical Standard 3. As Nevada remains largely viewed as the gaming hub of North America, it may be worthwhile for Canadian casinos to monitor and take guidance from [Nevada’s progress in regards to cashless wagering](#).

THE FUTURE

The Standards will allow for enhanced compliance, address health and safety concerns arising from COVID-19, and provide for advanced operating efficiencies. In addition, the shift to cashless wagering systems presents a great opportunity for introducing new technologies and financial services while creating room for new entrants into the gaming market.

AUTHORS

At Dickinson Wright, our lawyers have been intimately involved in the gaming regulatory process in Canada. Please contact us to learn more.

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