

Legislative Council Panel on Home Affairs

Review of Licensing Conditions under the Gambling Ordinance

Purpose

This paper seeks Members' views on the Administration's proposals to amend the Gambling Regulations (Cap. 148 sub. leg. A) to revise the licensing arrangements for lotteries, trade promotion competitions (TPCs)¹ and mahjong/tin kau parlours.

Background

2. Under section 22 of the Gambling Ordinance (Cap. 148), the Commissioner for Television and Entertainment Licensing (CTEL) may by licence authorize lotteries, TPCs and the operation of mahjong/tin kau parlours. The licence forms and the standard licensing conditions are stipulated in the Gambling Regulations. The standard licensing conditions for the above licences are at the **Annex**. These licensing conditions aim at regulating and controlling the conduct of these activities in accordance with our gambling policy, i.e. to restrict gambling opportunities to a limited number of authorized outlets only. They are also intended as means to prevent fraudulent practices arising from the licensed activities and hence safeguard public interests.

3. Most of these licensing conditions dated back to the late 1970s. In recent years, there has been feedback from various concerned parties that some of the conditions have become outdated and are too restrictive to the trades in the prevailing business environment, while some should be suitably tightened for the purpose of effective supervision in the light of changing circumstances. In view of these concerns, the Administration has conducted a review of these conditions and identified some areas for improvement. The proposals seek to ensure that we have in place a licensing regime which maintains effective control over the licensed activities in a way that is not unduly restrictive to the affected sectors.

¹ TPC Licences are usually issued to commercial operators for conducting games with non-cash prizes, e.g. lucky draws, to promote trade.

Proposals

4. The proposals are set out below:

(A) ***Proposals relating to Lottery Licence***

- (a) To extend the time limit for publishing draw results and to reduce the required number of newspapers for this purpose

Licence Condition No. 5 prescribes that the draw results of the lottery shall be published in two English and two Chinese newspapers within seven days from the date of the draw. Lottery organizers consider the seven-day limit too tight and the cost of publishing the results in two English and two Chinese newspapers is rather high, especially for smaller scale events.

To alleviate the burden on the organizers without compromising on the need to ensure transparency and accountability of lottery results, we propose to amend the condition by extending the limit to ten days, and requiring the results to be published in one English and one Chinese newspaper only.

- (b) To require submission of audited account statements relating to the lottery and to allow public inspection of the same

Licence Condition No. 6 prescribes that the licensee shall prepare a statement of all moneys collected from the sale of lottery tickets and every disbursement made from the moneys so collected, and forward to CTEL a copy of the statement within 28 days from the date of the draw.

In response to rising community concerns over whether the increasing number of fund-raising lotteries are effectively monitored and their proceeds properly accounted for, we intend to strengthen control over such activities through tightening the licensing conditions for lotteries. Specifically, we propose to revise the above condition by requiring that the accounting statement be audited by a professional accountant holding a practising certificate under the Professional Accountants Ordinance (Cap. 50), and that CTEL should make a copy of the statement available for public inspection. To allow sufficient

time for preparation of the audited statement, the deadline for submission to CTEL should be revised to 90 days from the date of the draw. This proposed auditing requirement and the 90-day limit are in line with the Social Welfare Department's requirement in respect of charitable fund-raising activities.

(B) *Proposals relating to TPC Licence*

(a) To quote licence number in advertisements

Licence Condition No. 3 prescribes that advertising in respect of a TPC shall not refer to CTEL's approval but may state the licence number. The rationale for prohibiting licensees from making reference to CTEL's approval, which cannot be traced, is obscure. We propose to amend the condition by removing this prohibition and simply requiring the licensee to quote the licence number in such advertisements so that the public would know that the competition has obtained the necessary approval from the Government.

(b) To extend the time limit for publishing draw results and to reduce the required number of newspapers for this purpose

Similar to the Lottery Licence, TPC Licence Condition No. 4 prescribes that the results of the competition shall be published in two English and two Chinese newspapers within seven days from the date of the draw. For the same reasons underlying the proposed change to the same condition for Lottery Licence (see paragraph 4(A)(a) above), we propose to amend this condition by extending the time limit for publishing results to ten days and requiring the results to be published in one English and one Chinese newspaper only.

(C) *Proposal relating to Mahjong/Tin Kau Licence*

To relax the requirement on submission of monthly statement of account

Licence Condition No. 7 prescribes that licensees shall forward to CTEL a copy of statement of account on the details of the games played at the end of every calendar month. This is considered too restrictive by the trade. Operational experience reveals that the

monthly submission of the licensees' accounting statements is not essential to the effective supervision of mahjong/tin kau parlours. To reduce the administrative burden on licensees without compromising on the need for effective control over such gambling establishments, we propose to amend this condition to the effect that the licensee should keep a monthly statement of account for a minimum of seven years and should forward a copy of such a statement to CTEL within seven days at the latter's written request. In any event, under section 51C of the Inland Revenue Ordinance (Cap. 112), a business operator has a duty to retain business records for a period of not less than seven years.

Way forward

5. Amendments to the Gambling Regulations are required to give effect to the above proposals. We plan to submit an Amendment Regulation to the Legislative Council for consideration around mid-2002, subject to the approval of the Chief Executive in Council.

Home Affairs Bureau
March 2002

Licensing Conditions Stipulated under the Gambling Regulations

Lottery Licence

1. No cash prize shall be offered or distributed.
2. No part of the proceeds of the lottery shall be appropriated for the private gain of any individual who assists in the promotion of the lottery or who is a member of the organization on whose behalf the lottery is promoted.
3. Every lottery ticket shall-
 - (a) be numbered serially and no such number shall be repeated in respect of the same lottery;
 - (b) state the licence number under which it is issued;
 - (c) state the price at which it is sold;
 - (d) state the number, nature and value of the main prizes available in the lottery;
 - (e) state the date and manner in which the numbers of the winning tickets shall be published after the draw of the lottery; and
 - (f) state the manner in which prizes may be claimed.
4. No lottery ticket shall be offered for sale-
 - (a) earlier than 8 weeks before the draw is to take place; or
 - (b) by advertisement or publication in any newspaper circulating in Hong Kong.
5. Within 7 days from the date of the draw of the lottery, details of the results shall be published in 2 English and 2 Chinese newspapers circulating in Hong Kong, and a copy of the relevant newspaper cuttings shall be forwarded to the Commissioner for Television and Entertainment Licensing.
6. Within 28 days from the date of the draw of the lottery, the licensee shall cause to be prepared a statement of all moneys collected or received from the sale of lottery tickets and every disbursement made

from the moneys so collected or received and a copy of such statement shall be forwarded to the Commissioner for Television and Entertainment Licensing.

Trade Promotion Competitions Licence

1. No prize offered shall be a money prize.
2. No fee shall be charged for entering the competition.
3. Advertising in respect of the competition shall not refer to the Commissioner's approval of the competition but may state the number of this licence as follows: "Trade promotion competition Licence No.".
4. Within 7 days from the date of the drawing or judging of the competition, details of the results shall be published in 2 English and 2 Chinese newspapers circulating in Hong Kong, and a copy of the relevant newspaper cuttings shall be forwarded to the Commissioner for Television and Entertainment Licensing.

Mahjong/Tin Kau Licence

1. No games shall be played except between the hours of noon and the following midnight.
2. No person under the age of 18 years shall be permitted to play in the games.
3. Neither the licensee nor any person acting on his behalf or under any arrangement with him shall make any loan or otherwise provide to any person any credit for enabling a player to take part in a game or in respect of any losses incurred by a player in a game.
4. A notice setting out in English and Chinese, all fees, commissions, percentages and hire prices charged shall be prominently displayed at the licensed place.

5. The commission or charge levied against the stakes hazarded in a game shall not exceed per cent of such stakes.
6. A police officer of or above the rank of Sergeant shall during the hours of play, be permitted to enter the premises for the purpose of ensuring that the conditions of this licence are complied with.
7. The licensee shall keep a statement of account on the attached form for every calendar month in respect of each day's play including the number of games played winnings and losses incurred by employees and commission retained and shall at the end of every calendar month forward a copy of such statement to the Commissioner for Television and Entertainment Licensing.
8. No person shall be employed by the licensee without the prior written approval of the Commissioner for Television and Entertainment Licensing.
9. No person shall be appointed as agent by the licensee to manage the licensed premises without the prior written approval of the Commissioner for Television and Entertainment Licensing.
10. The licensee shall keep a register of all persons who are employed at the licensed place and who assist in the conduct of the games. The register shall contain their names, identity card numbers, descriptions, addresses, photographs and indicate their respective duties. The licensee shall keep the register up to date and make it available for inspection by the Commissioner for Television and Entertainment Licensing and any police officer of or above the rank of Sergeant.
11. All persons employed by the licensee shall while on duty wear identity badges with photographs and stating the purpose for which they are employed.
12. The licensee shall not transfer, lend or hire this licence to any person.
13. The licensee or his appointed agent shall be present at the premises at

all times during the hours of play.

14. There shall be no communicating staircase between residential quarters and the licensed premises.