

# GAMING INDUSTRY

## MONEY LAUNDERING METHODOLOGIES IN THE SECTOR



# PRESENTATION OUTLINE

- Characteristics of the Gaming Industry
- What is Money Laundering?
- Process of Money Laundering
- Money Laundering and You...
  - ✓ Methodologies used in the Casinos
  - ✓ Methodology used in the Betting and Lottery Segment
  - ✓ Methodologies in horse racing
  - ✓ Typologies Gaming Establishment – Employee Complicity
  - ✓ Issues with Internet Gaming and Use of Technology
- International Position – FATF 40 Recommendations
- BGLC – The Competent Authority's Role
- Matters of Concern for BGLC
- New Issues
- Possible Implications

# CHARACTERISTICS OF THE GAMING INDUSTRY



- Cash Intensive
- Competitive in its growth (online gaming, telephone and text betting)
- The scope of services offered creates large volume of transactions; some which are similar to the financial activities offered by financial institutions.
- **Vulnerable to criminal exploitations (MONEY LAUNDERING).**

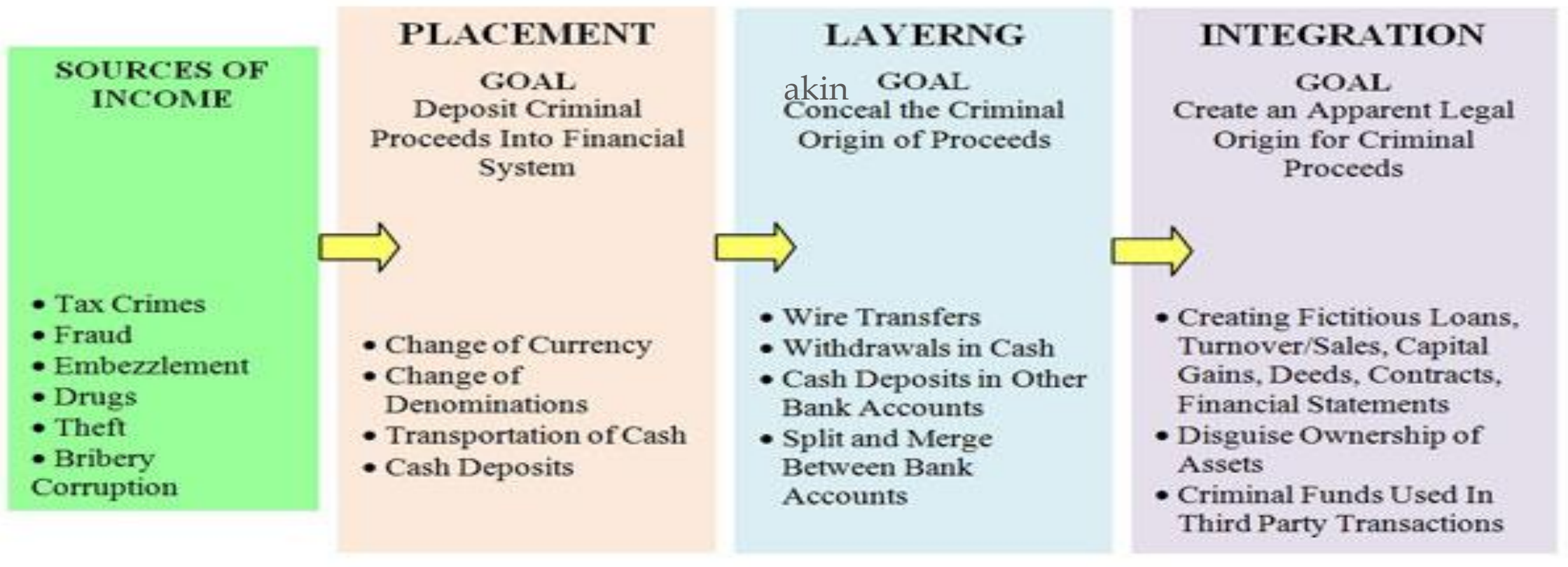
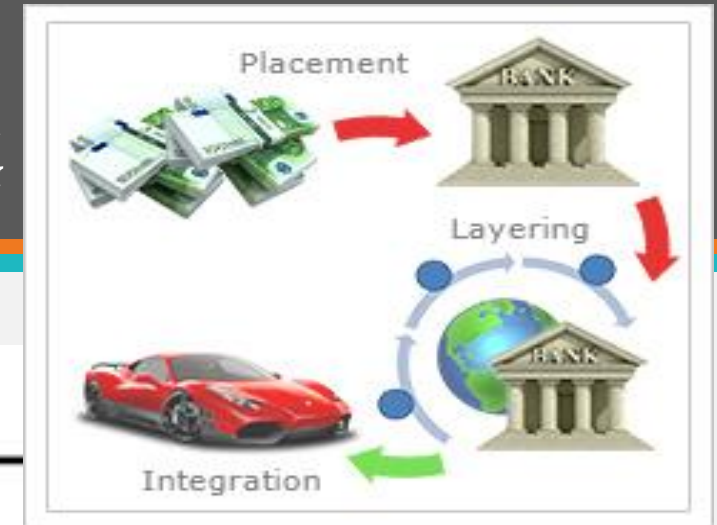
# WHAT IS MONEY LAUNDERING?

**Money laundering** is the process of funnelling 'dirty' or illegally obtained funds through a series of transactions to make it appear legitimate before pocketing it.



# PROCESS OF MONEY LAUNDERING

## Process of Money Laundering



# MONEY LAUNDERING AND YOU?

**GAMING  
ACTIVITY**  
(significant turnover  
of both cash and non-  
cash funds)



'BUY IN' Stage  
(PLACEMENT)



'DURING PLAY' Stage  
(LAYERING)



'CASH OUT' Stage  
(INTEGRATION)

# METHODOLOGIES IN CASINOS

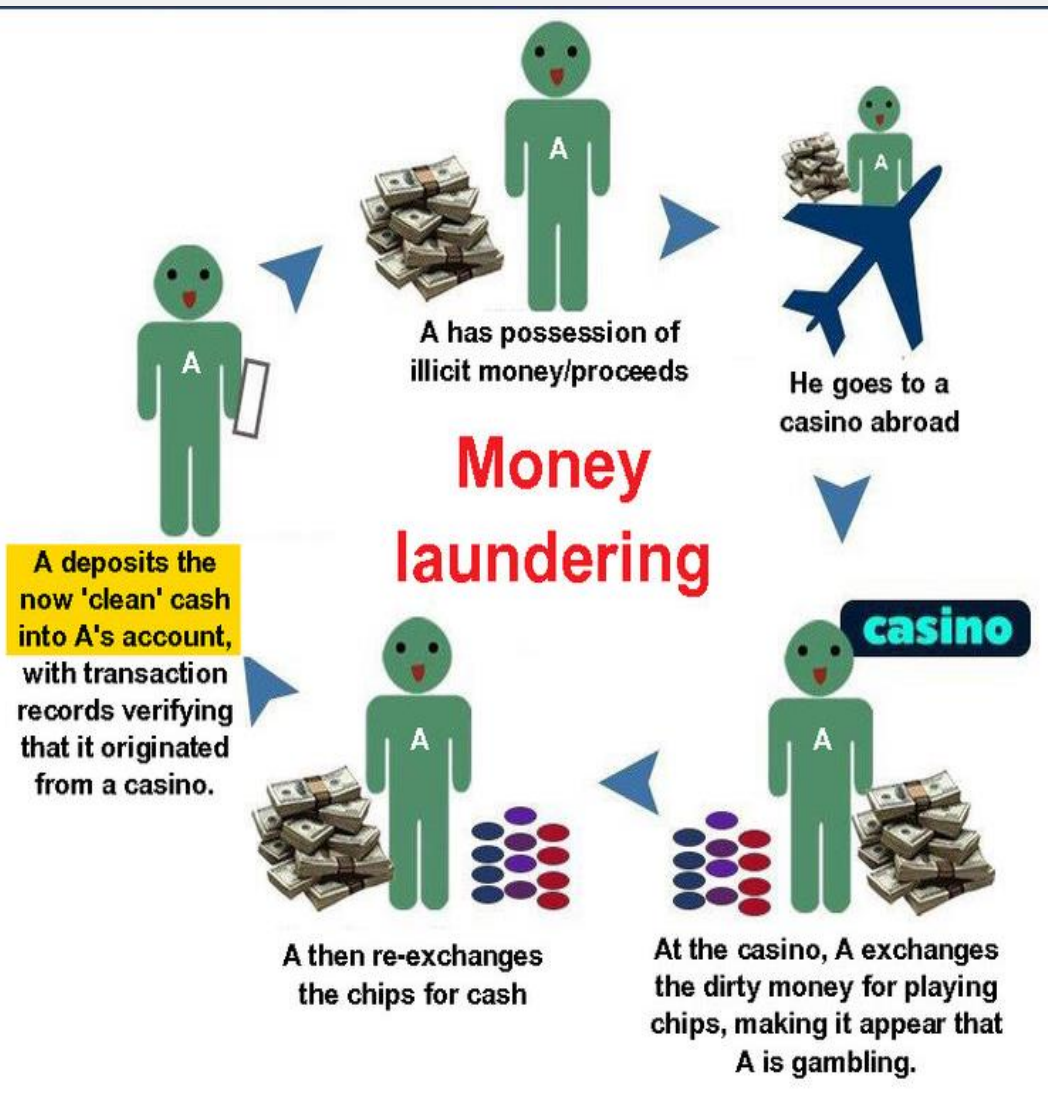


## How it works

- Proceeds of crime taken to the casino as cash.
- Cash exchanged for gambling chips at the tables.
- Some chips taken to the cashier and exchanged for a cheque marked "winnings" or transferred to a bank account, which is considered legitimate, tax-free income.
- Other chips become underworld currency to pay debts and buy drugs.



# METHODOLOGIES IN CASINOS



- Purchasing and cashing out chips without playing/ play games with low returns but higher chances of winning (Paper Trail Created).
- Provision of casino accounts and lines of credit has created a new medium for frequent movement of funds between financial institutions (wire transfers, bank cheques) and casinos or between accounts held in different casinos.
- Parallel even money betting usually on low odds and low risk games such as even money options on roulette.
- Betting against associates/ intentional losses enabling one to receive a casino issued cheque/ wire transfer of 'legitimate winnings'.

# METHODOLOGY IN BETTING & LOTTERY



Ticket Purchased



Game Played



Legitimate Winner



Launderer purchase winning ticket by paying legitimate winner the lottery prize at a premium



Legitimization of illegal proceeds

# METHODOLOGIES IN HORSE RACING

- Organize systematic buy-back of winning tickets from their legitimate holders.
- Acquisition of horses from legitimate owners and ownership of the horses held in the names of associates, whom return profits generated by the horse to the beneficial owner(s).
- The organization of illegal races (race fixing).
- Collusion of Jockeys to allow another Jockey to win.
- Bribery of Jockeys to deliberately stop another horse from winning.
- Illegal bookmaking operations
- Structuring bets below threshold limits and request winnings to be paid to third parties.



THE SPIRITED HORSE, WHICH WILL TRY TO WIN THE RACE OF ITS OWN ACCORD, WILL RUN EVEN FASTER IF ENCOURAGED. -OVID-

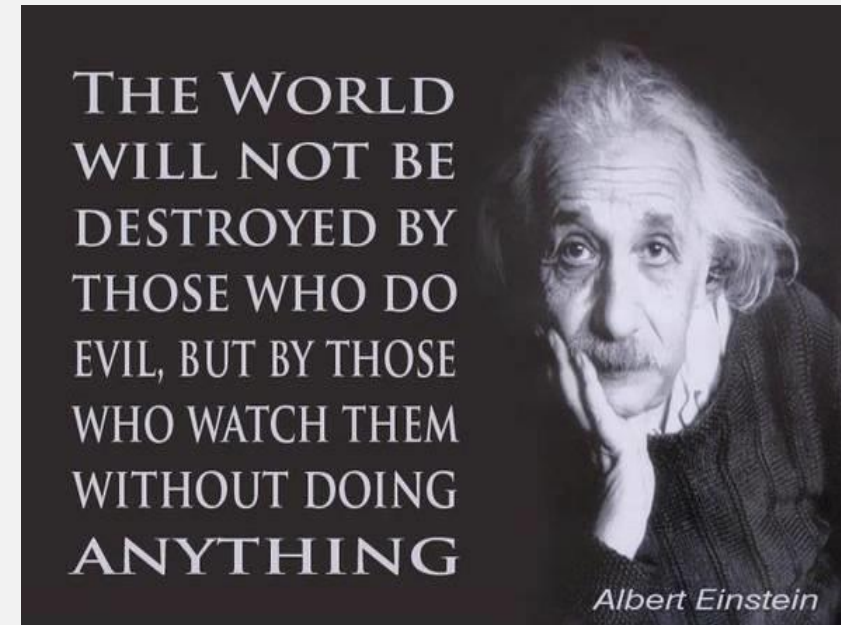


Some days winning or losing really can be a life/death matter



# TYPOLOGIES GAMING ESTABLISHMENT: EMPLOYEE COMPLICITY

- Failing to file STRs and take customer identification;
- Destroying customer records;
- Breaching cash out and other procedures;
- Tampering with the gaming machines;
- Tipping off;



# THE INTERNATIONAL POSITION: The Financial Action Task Forces 40 Recommendations

- Recommendation 22 - Casinos are required to;
  - ✓ to carry out customer due diligence;
  - ✓ to carry out proper record keeping when they carry out transactions above the specified threshold (USD3000)
- Recommendation 23 - Casinos are required to;
  - ✓ make suspicious transaction reports ensuring that Tipping Off and Confidentiality obligations are applied.

## The CDD Mathematical Formula

access >>>

$$CM(KYC + KYCB + KYT + KYE) = CDD$$

- **Where:**

- KYC = Know Your Customer (Identification, Address, Location, etc as in mandate forms-customer profile)
  - KYCB = Know Your Customers' Business (Transaction Profile, Type & Nature of business, Sources of Funds, Risk Profile, etc as in KYC Assessment Form)
  - KYT = Know Your Customers' Transaction (Transaction Monitoring)
  - KYE = Know Your Employee (Staff on-boarding practices should include background checks and a continuous monitoring system for fidelity)
  - CM = Continuous Monitoring (changes in customer behaviour through transaction monitoring and other activities)
  - CDD = Customer Due Diligence
- How does this fit into the FATF 40+9 recommendations?
  - CDD will prevent:
    - MONEY LAUNDERING (using the 40 Recommendations)
    - TERRORISM (Using the 9 Recommendations)

Slide 35

# BGLC – THE COMPETENT AUTHORITY ROLE

**Competent Authorities** under section 91 of POCA obliged to monitor compliance of any business in the regulated sector with the requirements and regulations stipulated. This include;

- ✓ the power to carry out inspections or direct parties to do so;
- ✓ Issue directions to licensees to take measures to ensure compliance;
- ✓ may examine and take copies of information and documents from the business.
- ✓ Issue guidelines to businesses in the regulated sector regarding effective measures to prevent money laundering or terrorist financing.

# ISSUES: OWNERSHIP AND CONTROL

- Who owns and controls the licensees?
- Does the law allow you to look at beneficial owners?
- Are licensees potentially engaging in ML activities?
- Are licensees complying with the requirements of the law?
- Do licensees understand their obligations under the law?
- Are those obligations being enforced?

# ISSUES: Internet Gaming and Use of Technology

- Internet gaming is a widespread phenomenon globally;
- It is directly competing with the established brick and mortar establishments that have higher costs to run;
- No revenue goes to government if left unregulated;
- Same issue as unlicensed gambling except that its harder to trace and address;
- Licensees will start to develop their own internet products to compete or use new technology like chip cards (maybe bitcoin) with their existing operations;
- So the interaction with the customer will be online. How will the operator deal with customer due diligence?

# ISSUES: The Terrorism Prevention Act

- Both FIs and Non-FIs are under POCA
- Right now only financial institutions are under Terrorism Prevention Act (TPA)
- Soon the Non-FIs including casinos and gaming houses will be under TPA;
- This means mainly that Casinos and Gaming Operators will have to be aware of the Listings issued under the TPA by the DPP under section 14 of that Act;
- They will have to check the id of customers against that list and if there is a clear hit, then a report should be made.
- This will require outreach sensitization and training

# ISSUES: DE-RISKING

- De-risking occurs when providers of financial service decide to withdraw their services from an entire sector because they believe the risks of doing business with that sector is unacceptably high.
- This is currently occurring particularly with the money services sector (e.g. cambios and remittance companies);
- But is likely to also happen with other sectors such as cannabis growers, gaming lounges and firearm dealers;
- How can it be addressed?
- By demonstrating that these sectors are robustly regulated and that compliance is strictly enforced.

# IN CONCLUSION

AML/CFT measures are costly and time consuming but FIs and Non-FIs cannot afford to be the weak link in preventing ML and TF.

In an increasingly interconnected financial system, financial and non-financial institutions can easily be used to launder money or finance terrorism. This can undermine confidence in the system and weaken it along with the following implications;

- Losses to Gaming Industry where proceeds of crime are confiscated;
- Criminal sanctions under POCA;
- Loss of reputation;
- Loss of national reputation as a gaming jurisdiction;
- Possible loss of banking services;
- Possible loss of licences



MAKE COMPLIANCE YOUR FOCUS!!!!

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THANK YOU

QUESTIONS???