



Understanding AML/CFT Measures beyond Financial Institutions: The Gaming Sector

CFATF RESEARCH DESK
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Estimate of Global Gaming Sector

In 2021, the global gambling industry generated record-breaking revenues, hitting *USD 261 billion* in the United States of America and *EUR 87.2 billion* in Europe.¹

Source:

(1) Dornbierer, Andrew and Lam, Isys. 2022. "Money laundering through the gambling industry." Quick Guide Series 28, Basel Institute of Governance. p. 1



Entities in the Gambling Sector

Sources:

(2) FATF. 2012-2022. "International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation." FATF, Paris, France, p. 122

(3) - FATF/OECD and APG. 2009. "Vulnerabilities of Casinos and Gaming Sector." FATF, Paris, France, p.25

- Casinos (including internet and ship-based casinos).²
- Most casinos conduct financial activities akin to financial institutions including:³
 - Accepting funds on account
 - Conducting money exchange
 - Conducting money transfers
 - Foreign currency exchange
 - Stored value services
 - Debit card cashing facilities
 - Cheque cashing
 - Safety deposit boxes
- In many cases these financial services are available 24 hours a day.



Other Entities in the Gaming Sector

- Other entities in the gaming sector may be classified as DNFPBs because they conduct similar activities to casinos.
- Entities are usually captured under the respective gaming sector legislative framework/s of a country.
- These entities include:
 - Lotteries
 - Private Member Clubs
 - Pool betting businesses
 - Gaming houses.
 - Online and mobile gaming platforms.



Money Laundering Risks in the Gaming Sector

- Cash intensive business.
- The variety, frequency and volume of cash-based transactions.
- Variety of financial services available at the casino.
 - the more transactions available, the greater the opportunity for a money launderer to exploit several different services for illicit purposes.
- Various forms of gaming and gambling, from in-person, high tech, online and mobile that can be difficult to regulate and supervise.
- Criminals purposefully attempt to infiltrate or influence casinos to facilitate theft, fraud, money laundering and other crimes.⁴
- Gaming venues attract ancillary criminal activities including loan sharking, vice and other crimes.

Source:

(4) FATF - Egmont Group (2018), Concealment of Beneficial Ownership, FATF, Paris, France, p.26.



Risk Based Approach for Casinos



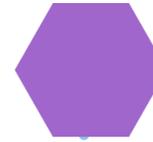
- **Recommendation 22** (Customer Due Diligence for Designated Non-Financial Businesses and Professions) sets out the CDD measures that casinos and entities carrying out casino-type activity should implement.
- Under R. 22, the CDD and record-keeping requirements set out in Recommendations 10, 11, 12, 15, and 17, applies to casinos and similar entities.

Recommendation 10 (Customer Due Diligence)

- Casinos and entities that carry out activities like casinos should apply CDD measures when:
- Establishing business relations.
- There is a suspicion of money laundering or terrorist financing.
- Have doubts about the veracity or adequacy of previously obtained customer identification data.
- Carrying out occasional transactions above the applicable designated threshold (US/EUR 3,000), in a single transaction or several that appear to be linked.



Risk Based Approach for Casinos



The CDD measures comprise of:

- Identifying the customer and verifying that customer's identity.
- Identifying the beneficial owner and taking reasonable measures to verify the identity of the beneficial owner.
- Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship.
- Conduct ongoing due diligence to ensure that the transactions being conducted are consistent with the entity's knowledge of the customer, their business, risk profile and source of funds.



Risk Based Approach for Casinos

Recommendation 11 (Record Keeping)

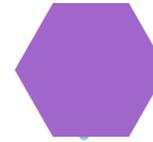
- Casinos and similar entities should be required to maintain records on transactions for a specified period for access by competent authorities and for investigation and prosecution of ML and TF.
- Records on all information obtained through CDD measures should also be retained. These include *inter alia*, identification documents, account files and any suspicious transactions.

Recommendation 12 (Politically Exposed Persons)

- The entity should have the appropriate risk management systems to determine if a customer, beneficial owner or account holder is a PEP or close family or associate of a PEP.
- Approval should be required from senior management for establishing business relationships, take reasonable measures to establish the source of wealth and source of funds; and conduct enhanced monitoring of business relationship.



Risk Based Approach for Casinos



Recommendation 15 (New Technologies)

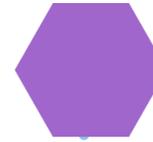
- Casinos and similar entities should conduct a risk assessment before the launch of the new products, business practices or the use of new or developing technologies.
- Appropriate measures should be taken to manage and mitigate any ML/TF risks identified.

Recommendation 17 (Reliance of Third Parties)

- Countries may permit casinos and similar to rely on third parties to perform elements concerning identification of customer, beneficial owner and nature of the business set out in R. 10 or to introduce business.
- Where such reliance is permitted, the ultimate responsibility for CDD measures remains with the entity relying on the third party.



Additional Measures for Casinos



Recommendation 20 (Reporting of Suspicious Transactions)

- If a casino suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity, or are related to TF, it should be required, by law, to report promptly its suspicions to the financial intelligence unit (FIU).

Recommendation 21 (Tipping-Off)

- The directors, officers and employees of casinos should be prohibited by law from disclosing or “tipping-off” the fact that a suspicious transaction report (STR) or related information is being filed with the FIU.



Thank you!



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