



**financial intelligence centre
REPUBLIC OF SOUTH AFRICA**

AML/CFT – New Perspectives in the Gambling Industry

**Presented by
The Financial Intelligence Centre**

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Agenda

Issues that will be addressed during this presentation:

- Customer identification and verification in betting environment
- AML/CFT vulnerabilities of the on line betting environment
- AML/CFT vulnerabilities of casino junkets
- Supervision of AML/CFT requirements in the gambling environment



Client Identification and Verification (CIV)

- What is money laundering
- Effective customer identification and verification is the cornerstone of any effective AML program
- Innovations have created opportunities for criminals to obscure both ownership and origins of cash
- AML standards must be applied and supervised uniformly across all sectors of the gambling industry



Client Identification and Verification (CIV)

- With regard to **single transactions** concluded by a client of the institution which are under the threshold of R25 000 – No CIV requirement
- For **single transactions** in excess of R25 000 – client's identity must be established and verified (No proof of residence is necessary)
- Loyalty program members and online betting accounts are considered **business relationships**



AML in the On-Line Betting Business

- Vulnerabilities of the on-line betting business are as a result of the fact that large amounts of money can be moved anonymously at high speed
- It is a challenge for the online betting operator to be sure that they know who they are doing business with
- Client information may be obtained on a non-face- to- face basis, but the method of doing so must provide the same levels of assurance that would be obtained in a client facing scenario



Actual ML Case where Betting Used

- An online money laundering syndicate actively sought 'customers' by approaching criminal networks and offering to launder their money. The syndicate involved a number of individuals who used a licensed betting company as a front to accept racing, sporting and entertainment bets by telephone and internet.
- The members transferred their funds via charge cards, credit cards and mobile phone payments to a related company, which was based in the Pacific islands to avoid detection by AUSTRAC. The related company then used wire transfers to transfer the funds back to the betting company back in Australia.

AUSTRAC analysis identified four individuals who made multiple funds transfers from various countries, as well as significant cash deposits and withdrawals.



Implication of PCC 20

Public Compliance Communication #20 published 12 February 2014. The PCC differentiates between verification and record keeping.

Verification:

- Documents that are certified as true copies of originals may be accepted by the accountable institution, but the accountable institution would have to take additional steps to confirm that the said documents are in fact those of the client in question.

Record Keeping:

- Faxed/emailed copies will only be acceptable for purposes of providing the accountable institution with the required documentation for record keeping purposes.

It is an offence for a bookmaker or totalisator to accept funds from a client for the purpose of betting, prior to the identification and verification process being completed in terms of section 21 of the FIC Act .



AML Risks Posed by Junket Operators

- A junket operator is a person who organises gambling excursions to casinos
- Junket operators work with holders of a casino license for a fixed commission or a share in the turnover or profits.
- Junket operators will in many instances move funds for clients
- According to the FATF, this activity has the potential to create a layer of obscurity around the player and the ownership of the funds



AML Risks Posed by Junket Operators

- Junket operators may purposefully protect the identity of the gambler
- Operators themselves may introduce the proceeds of crime
- Pooling of gambling funds may frustrate the analysis of spending patterns



AML Risks Posed by Junket Operators

- Section 21 of the FIC Act - CIV must be performed in respect of the representative and the underlying client
- It is clear that the junket operator represents the underlying client (the gambler) in these scenarios
- Relationship between an operator and his client must not be used to obscure the identity and gambling spending patterns of that client



FIC Act Supervision & Enforcement

As part of supervision of the betting industry we are requesting gambling boards to incorporate the following into their inspection methodology:

- No active promotion of the acceptance of deposits prior to CIV (PCC 20)
- Robust methods of non-face-to-face CIV
- Junket operators must not be used to obscure the identities of underlying casino customers



Australian Case Study

Extract from FATF paper “Vulnerabilities of Casinos and Gaming Sector”:

A gambler used gambling contacts and knowledge of high-stakes gambling to become a registered and successful junket operator, bringing millions of dollars of revenue to a casino. All the money gambled by the junket went through the operator’s accounts in order to calculate commission from the group’s turnover. This way the casino bypassed the necessity for identifying the source and beneficial owner of the funds. It was not until the junket operator began stealing from her customer’s winnings that this situation came to the attention of the authorities



Final Remarks

- Business processes may need to change in order to become compliant
- The object of regulation is not to render business transactions impossible to carry out
- Regulation must be applied uniformly across industry



Questions and Answers

