

Some selected AML Typologies for the Gaming Sector

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Specific Considerations for Gaming Establishments (GEs)

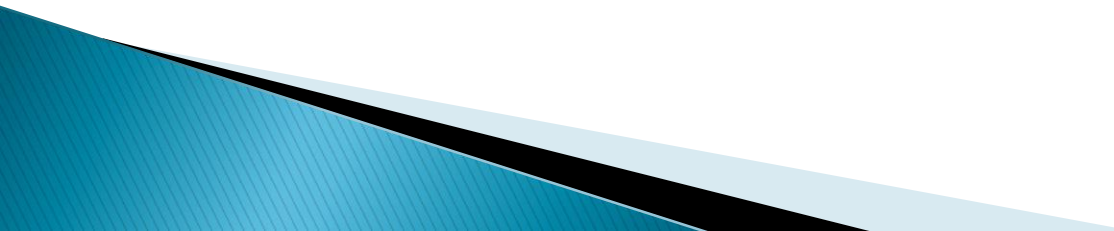
- ▶ GEs are not financial institutions, but can offer financial services;
 - ▶ GEs are a source of entertainment, thus it can be difficult to balance customer experience and AML measures, thus CDD is a struggle;
 - ▶ Gaming is globally a growth market (Asia and Africa)
 - ▶ GEs are seen as exciting and glamorous and thus a magnet for persons with money to spend (including criminals)
 - ▶ Globally accepted that GEs are vulnerable (high risk) to laundering and all leading gaming jurisdictions have AML obligations
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What's a Typology

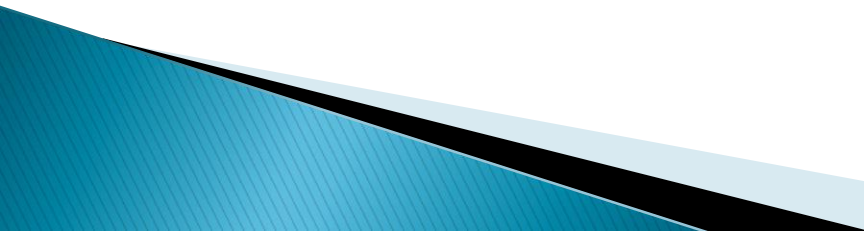
- ▶ A Typology refers essentially to a method or technique used to perpetrate the offence of Money-Laundering. It may be commonplace or unique



What we won't cover (but probably could)

- ▶ Scandals in world football (including corruption and match-fixing)
 - ▶ Illegal gaming schemes and establishments;
 - ▶ Ownership and operation by organized crime;
 - ▶ Ancillary illegal activities that may be related to gaming, (eg. loan sharking persons who may have an addiction to gambling, prostitution and drug/humantrafficking)
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TYOLOGY 1 (FATF Report on Gaming sector)

- ▶ New Jersey lawyer convicted of embezzling USD500k.
 - ▶ He had transferred USD250k to an Atlantic City casino.
 - ▶ He arrived at the casino the same day and bought chips and gambled for an hour on roulette losing USD10k.
 - ▶ He then cashed out the remaining 240k and left the casino.
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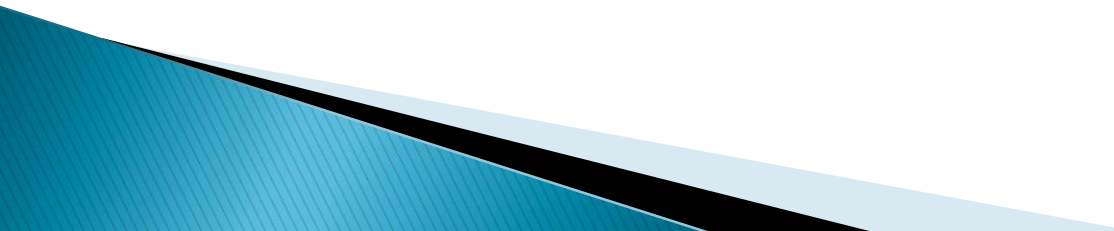
Typology 2 (FATF Report)

- ▶ The suspect purchased reward cards from legitimate customers at a US Casino. The cards increase in value with each visit and gambling session.
- ▶ The cards were then redeemed for benefits at the casino gift shop in the form of gold coins.
- ▶ In this case an employee of the casino was an accomplice to the laundering scheme.
- ▶ Similarly, cases of launderers buying gaming gift certificates that can be redeemed by third parties. These can also be sold to other persons.

Typology 3 (FATF Report)

- ▶ Purchase of legitimate winner's winning lottery number ticket or even winnings on table games, horse racing or other sport bets.
- ▶ In both Australia and Spain cases were found where proceeds emanating from drug trafficking corruption tax fraud were used to purchase jackpots from legitimate winners.
- ▶ In Australia, the suspects lodged 1.7 million in winnings cheques in one year and immediately withdrew it thereafter.
- ▶ In the US, Baltimore drug dealers bought legitimate winnings to launder drug proceeds

Typology 4 (FATF Report)

- ▶ In Florida, drug proceeds were laundered using gaming machines. The gaming machines were controlled by software that had certain override mechanisms that allowed casino staff to override the machine and force jackpot payouts.
 - ▶ Drug dealers bribed casino staff to access the override features and rigged a number of machines for the drug dealers to play and win jackpots from their proceeds of drug dealing.
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Typology 5 (Guardian Newspaper Nov 2013)

- ▶ The Guardian persuaded a number of drug dealers to talk about laundering using a Fixed Odds Betting Terminal
- ▶ Strategy is simple: £20 on black, £20 on red and £2 on zero. A press of a button and the wheel spins before the ball lands on red. That's a loss of £2. The money placed on the zero is the only risk James is taking with his cash. If the ball does land on zero, he wins £72.
- ▶ James says he knows that unless he gambles at least 40% of the money he has put in the machine, an alert will pop up on the staff computer warning them of suspicious activity. So he places the same bet to make sure that he has wagered enough.
- ▶ James collect his winnings in the form of a receipt – transforming the money he made from cocaine into apparent gambling winnings. He has lost a little more than £10.

Typology 6 (FBI website)

- ▶ The co-founder of a criminal enterprise known as the Tran Organization pled guilty today in San Diego to conspiring to participate in the organization's scheme to cheat casinos (29) across the country out of millions of dollars;
- ▶ “Using false shuffles, specially developed computer programs, concealed microphones, and transmitters, and a web of co-conspirators, Van Thu Tran and her co-conspirators obtained up to \$7 million during card cheats.
- ▶ The indictments allege that members of the criminal organization bribed casino card dealers and supervisors to perform false shuffles during card games, thereby creating “slugs” or groups of unshuffled cards.
- ▶ The indictments also allege that after tracking the order of cards dealt in a card game, a member of the organization would signal to the card dealer to perform a “false shuffle,” and members of the group would then bet on the known order of cards when the slug appeared on the table.

Taking AML seriously: Possible Implications

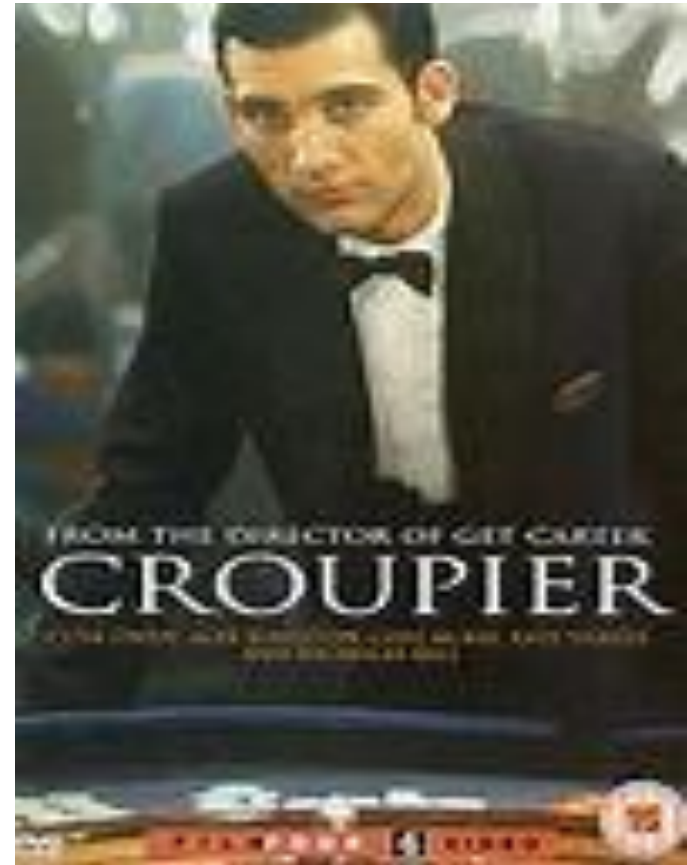
- ▶ Losses to GE where proceeds of crime are confiscated;
- ▶ Criminal sanctions under POCA;
- ▶ Loss of reputation;
- ▶ Loss of national reputation as a gaming jurisdiction;
- ▶ Possible loss of banking services;
- ▶ Possible loss of licences



Conclusion

The POCA measures established in the law:

- ▶ knowing your customer
- ▶ staff training,
- ▶ staff screening,
- ▶ internal controls and reporting systems,
- ▶ record-keeping,
- ▶ recognition and reporting of suspicious transactions



▶ ALL SERVE TO PROTECTS THE GE FROM ML