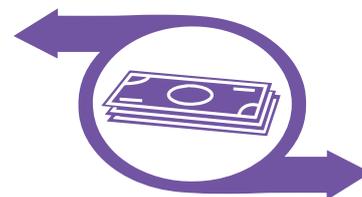




# FOREWORD



Welcome to our *Anti-money laundering* report, the third in a series of mini-survey reports from IAGR's Statistics Sub-Committee.

In our *Gambling Regulation – Global Developments* report, international regulators told us that money laundering was their top gambling-related crime concern. Also, that 4 in 10 regulators had enacted anti-money laundering within the last 5 years. Given the interest in this important topic, this report examines money laundering in more detail.

Thank you to all jurisdictions who completed this mini survey. We are looking forward to bringing you more international regulatory analysis in 2021.

**James Green**  
Chair, Statistics Sub-Committee

## 1 INTRODUCTION

### 1.1

The International Association of Gaming Regulators (IAGR) consists of representatives from gambling regulatory organisations throughout the world. Our mission is to advance the effectiveness and efficiency of gambling regulation.

### 1.2

This report contributes to that mission. It presents the findings of our mini-survey on anti-money laundering. The survey explores responsibilities for the development, implementation and enforcement of anti-money laundering (AML), which gambling sectors are subject to AML legislation, common non-compliance issues, regulatory responses to these, and touches on source of funds and proof of wealth checks.

## 2 AIM

### 2.1

The aim of this report is to present the findings of IAGR's anti-money laundering mini-survey.

## 3 METHODOLOGY

### 3.1

The underlying data for this report was collected from a survey of IAGR member jurisdictions conducted in October and November 2020. The survey was compiled, administered and analysed by the IAGR Statistics Sub-Committee. It was conducted via an online survey tool.

### 3.2

In total, 24 jurisdictions<sup>1</sup> responded to the survey, including both IAGR members and non-members. The regional split of respondents was:

- Africa: 17%
- Europe: 58%
- North America: 8%
- Asia / Oceania: 13%
- Central America, Caribbean / South America: 4%
- Central / South America: 7%

<sup>1</sup> Note that the survey was conducted at jurisdictional level and not at country level. According to the IAGR by-laws (s3.1) jurisdictional memberships consist of qualified agencies, which can be a regulatory body, a commission, or statutory body responsible for regulating the gaming industry within its jurisdiction. Each state or province within a country may be considered a jurisdiction. One jurisdiction can have more than one jurisdictional member if the jurisdiction has more than one qualifying agency.

## 4 MEASURES

### 4.1

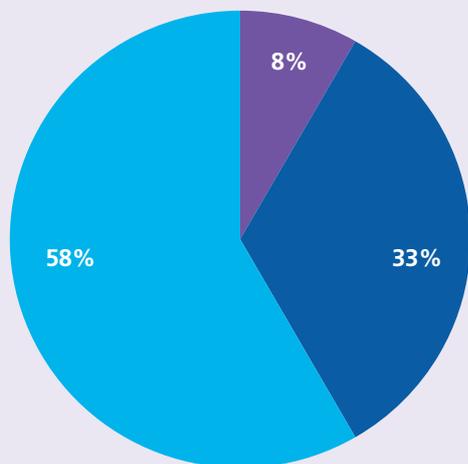
To provide context to this mini-survey analysis of anti-money laundering, our first questions looked to establish where responsibilities lie in jurisdictions for developing, implementing and enforcing measures to combat money laundering and related threats within gambling.

### 4.2

#### Development of anti-money laundering measures.

We first asked regulators to tell us who is responsible for the development of anti-money laundering measures for the gambling industry in their jurisdiction. In over half of cases (58% of respondents) this responsibility was shared between the gambling regulator and a separate government entity. In a third of jurisdictions (33% of respondents) the responsibility for anti-money laundering lay solely with a separate government entity. Only 8% of respondents reported that the gambling regulator was itself responsible for developing anti-money laundering approaches.

**Figure 1: In your jurisdiction, who is responsible for the development of legal, regulatory and operational measures for combating money laundering or related threats to the integrity of the gambling industry?**



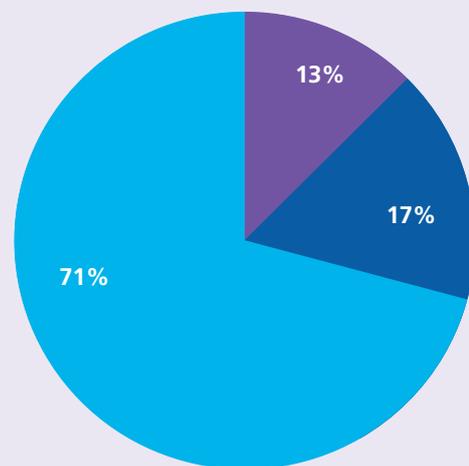
- Gambling regulator
- Separate government entity or entities
- Jointly between the gambling regulator and separate government entities

### 4.3

#### Implementation and enforcement of anti-money laundering measures.

Separate to the first question on the setting of anti-money laundering policy, we asked regulators to tell us who is responsible for the implementation and enforcement of measures in the gambling industries they regulate. In most cases jurisdictions (71% of respondents), this responsibility was shared between the gambling regulator and a separate government entity.

**Figure 2: In your jurisdiction, who is responsible for the implementation and enforcement of legal, regulatory and operational measures for combating money laundering or related threats to the integrity of the gambling industry?**



- Separate government entity or entities
- Government regulator
- Jointly between the gambling regulator and other government entities

### 4.4

We also asked regulators to tell us who is responsible for the implementation and enforcement of legal, regulatory and operational anti-money laundering measures for 'mobile premises' (e.g. ships). There was a mixed response to this question, although the results leaned towards a situation where the regulator of the jurisdiction to which the 'mobile premise' was originally licenced/registered having responsibility; even if the 'mobile premise' was docked/parked in another jurisdiction.

## 5 SECTORS

### 5.1

The risk posed by money laundering and related matters is different dependant on the environment in which gambling is taking place. While all gambling sectors are typically obligated to keep financial crime out of gambling, the application of anti-money laundering approaches varies in intensity between sectors.

### 5.2

From the mini-survey, anti-money laundering regulations are most applied to the land-based casino sector (88% of respondents), closely followed by land-based betting (83% of respondents). Where online gambling is permitted, anti-money laundering measures were applied in two-thirds of jurisdictions (67% of respondents). Measures were applied less in lotteries (land-based and online) (58%) and bingo (land-based) (42%) sectors.

**Figure 3: In your jurisdiction, which of your gambling industry sectors are required to adhere to legislative measures to combating money laundering or related threats?**



### 5.3

In showing which sectors anti-money laundering regulations are most applied to, the graph above also – perhaps – indicates the relative risk (or perceived risk) of money laundering in those sectors. Land-based casinos for example, tend to involve a large percentage of cash transactions / exchanges and high stakes and prizes, whereas lotteries and bingo typically involve lower stake games.

#### MONEY LAUNDERING – A DEFINITION

Money-laundering is the processing of proceeds of crime to disguise their illegal origin. Money-laundering involves the placement of proceeds of crime into the financial system, the layering of criminal proceeds to convert or distance them from an illegal source, and the integration of criminal proceeds to convert or distance them from an illegal source, and the integration of criminal proceeds into the legitimate economy.

#### CRIME TYPES – TOP 5 CONCERNS

In our latest *Gambling Regulation – Global Developments* report, regulators told us that their top five areas of concern relating to gambling-related crime were (in order):

- Unlicensed gambling (black market)
- Money laundering
- Cheating
- Match-fixing / spot-fixing
- Underage gambling

## 6 NON-COMPLIANCE AND REGULATORY RESPONSES

### 6.1

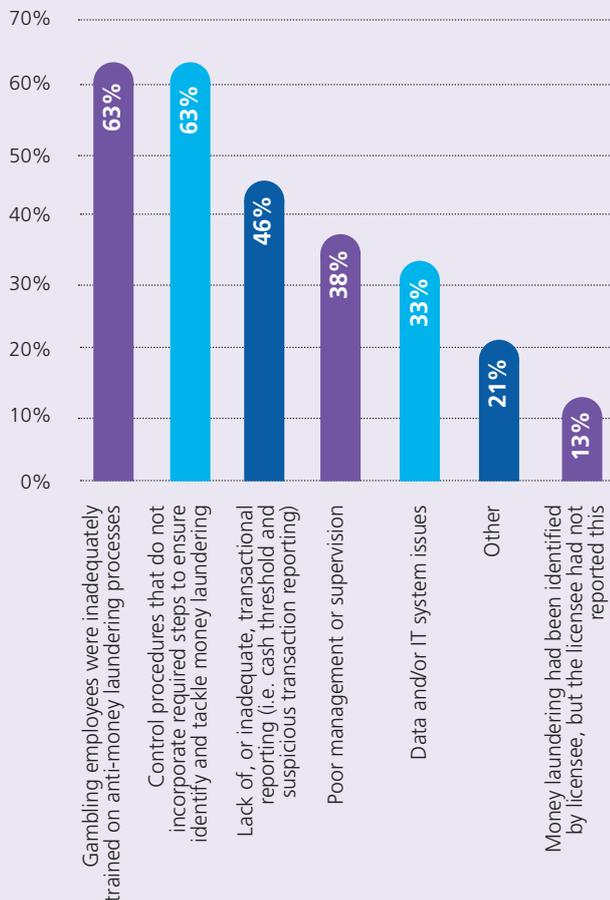
This section looks at the common money laundering non-compliance issues faced by regulators. It also examines the types of regulatory responses available and shows which approaches are used the most.

### 6.2

#### Common money laundering non-compliance issues.

Gambling operators, or gamblers themselves, can breach anti-money laundering regulations, or even knowingly commit money laundering or related crimes. We asked regulators to tell us about the most common money laundering issues they encounter. The top two most common issues are where gambling employees were inadequately trained on anti-money laundering processes (reported by two-thirds, or 63% of respondents) and where control measures do not incorporate required steps to ensure the operator identifies and tackles money laundering (also 63% of respondents). The third most common issue (reported by 46% of respondents) is lack of, or inadequate, transactional reporting, such as cash threshold reporting.

Figure 4: Which have you found to be most common money laundering non-compliance issues?

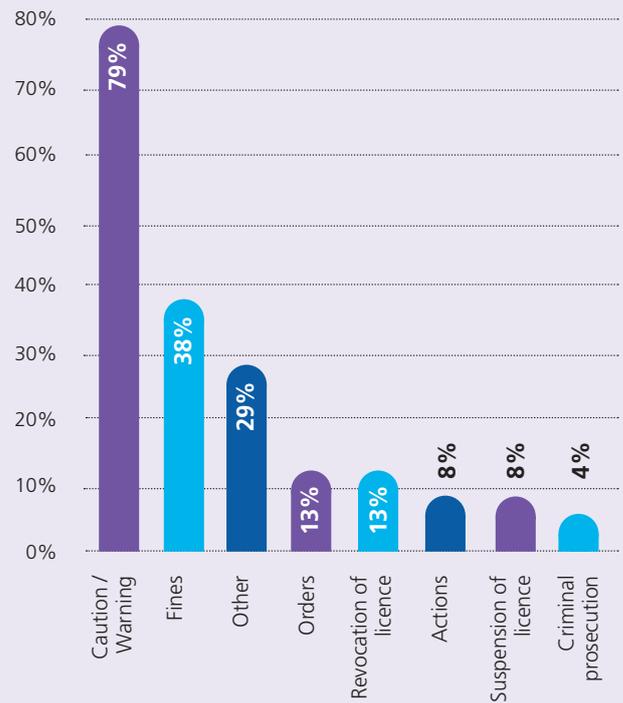


### 6.3

#### Regulatory responses to money laundering breaches or crimes.

When regulators identify money laundering breaches or crimes, either by gambling operators or gamblers, a range of regulatory responses are available. From the mini-survey, the top three response types, or punitive measures, are cautions / warnings (79% of respondents), fines (38% of respondents) and other measures (29% of respondents). These other measures include regulatory or voluntary settlements (often requiring a financial donation for charitable purposes) and limited sanctions, such as removing or suspend permissions for a specific licensed activity (as an alternative to revoking or suspending a whole operating licence).

Figure 5: What punitive measures have you enforced as a gambling regulator on your licensees for non-compliance, regulatory breaches or crimes relating to money-laundering or related threats (within the last 5 years)?



### 6.4

Globally, when considering anti-money laundering regulations, there is a shift by regulators towards more risk-based approaches, rather than the simple application of rules-based models. This is a progressive way of regulating, but the margin for error grows if anti-money laundering controls are not understood or implemented correctly. Where breaches are identified, it is evident that a range of nuanced responses are being applied.

## 7 SOURCE OF FUNDS AND PROOF OF WEALTH

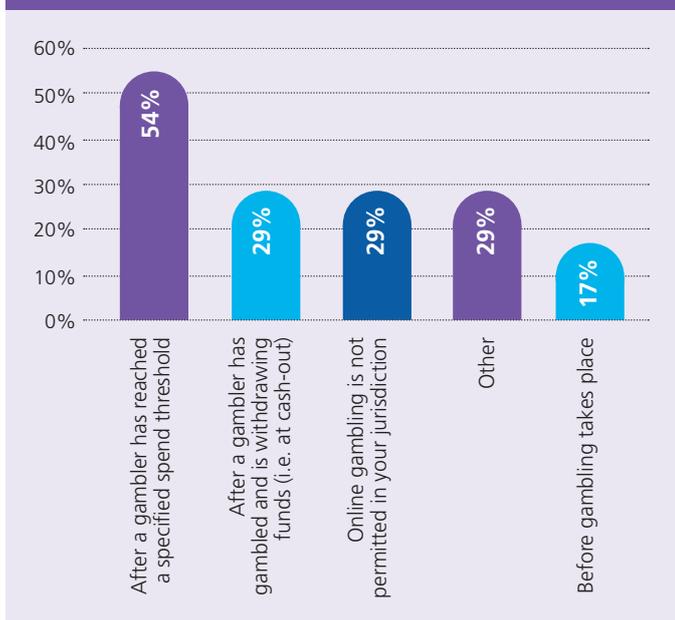
### 7.1

Understanding a customer's source of funds and obtaining proof of wealth, along with verifying a customer's identity, are core elements of approaches to prevent money laundering. Typically known as Know Your Customer/Client (KYC) checks this due diligence is a process many regulators require gambling operators to carry out. The activity aims, primarily, to ensure money obtained from criminal activity is not used, or laundered, through gambling. It also has other benefits, such as reducing problem gambling.

### 7.2

**Online gambling.** Online gambling is a growing channel in many jurisdictions. We wanted to understand source of funds and proof of wealth checks in this context. We found that just over half of jurisdictions (54% of respondents) mandated that these anti-money laundering checks were carried out after a gambler reached a specified spend threshold. A third of jurisdictions (29% of respondents) required the checks to be conducted after a gambler has gambled and is withdrawing funds (i.e. cash-out). Only 2 in 10 jurisdictions (17%) mandated that checks were conducted before gambling took place. Another third of jurisdictions (29%) imposed other arrangements. Some jurisdictions responded to more than one category of response, indicating that anti-money laundering checks requirements differ within their jurisdictions: perhaps for different gambling types (e.g. betting, bingo, casino and lotteries).

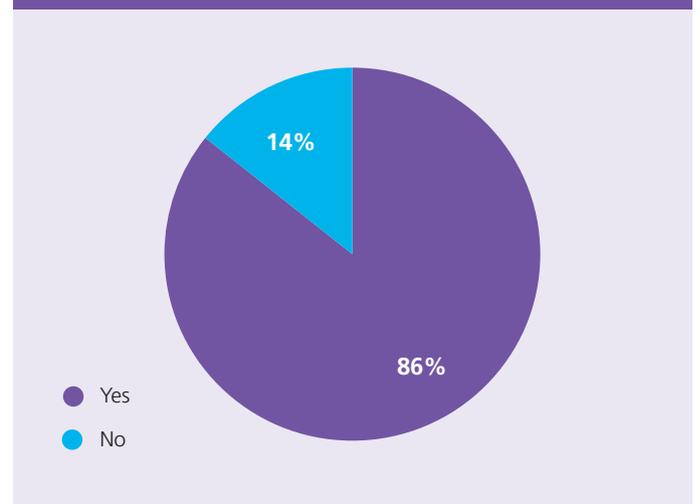
**Figure 6: Generally, for online gambling, when are source of funds and/or proof of wealth checks carried out?**



### 7.3

**Loyalty schemes.** Loyalty programmes are often a complementary approach to source of funds and proof of wealth checks. Where a gambling operator adopts such a programme, they can track a customer's play and spend better, particularly in a land-based (non-remote) gambling setting. Loyalty programmes typically involve early capture of a gambler's personal details, with an element of identification verification. Some require anti-money laundering due diligence to be carried out as part of the registration process. Almost 9 in 10 jurisdictions (86% of respondents) told us that loyalty programmes in their jurisdictions required Know Your Customer/Client (KYC) checks on opening an account.

**Figure 7: Are loyalty programmes established and managed by gambling licensees, subject to "know-your-client / customer" requirements, on opening an account?**



### 7.4

Source of funds and proof of wealth checks pose an administrative and financial burden for gambling operators and can be intrusive for gamblers. For online gambling, this is supported by the above data, which shows that the checks are much more likely to be carried out after a gambler reaches a specific spend threshold or during cash-out. However, tracking a customer's play and spend is generally considered easier within online gambling. In which case, so long as robust identification checks are carried out when the customer opens an account, the risk of undetected money laundering is reduced. In a land-based environment, tracking play and spend is harder, but the prevalence of loyalty schemes offers one approach to mitigating the risk of money laundering in this environment.

# 8 LEGISLATION

## 8.1

### Legislative development in gambling regulation.

In our 2017 *Gambling Regulation – Global Developments* report, regulators told us they were working with relevant authorities to enact legislation to enable more effective and efficient regulation of the gambling industry and the protection of consumers. The top three gambling themes where legislation was being enacted were: anti-money laundering and regulation of the marketing of gambling products (38% of respondents each), and consumer protection (35% of respondents). See figure 8 below.

## 8.2

**New anti-money laundering legislation.** Given the prevalence of work to develop new anti-money laundering legislation by regulators in 2017, we wanted to understand to what extent this work was still ongoing. This time around, two-thirds of respondents (61%) reported that they were currently developing anti-money laundering legislation and expected it to come into effect within the next two years. See figure 9 below.

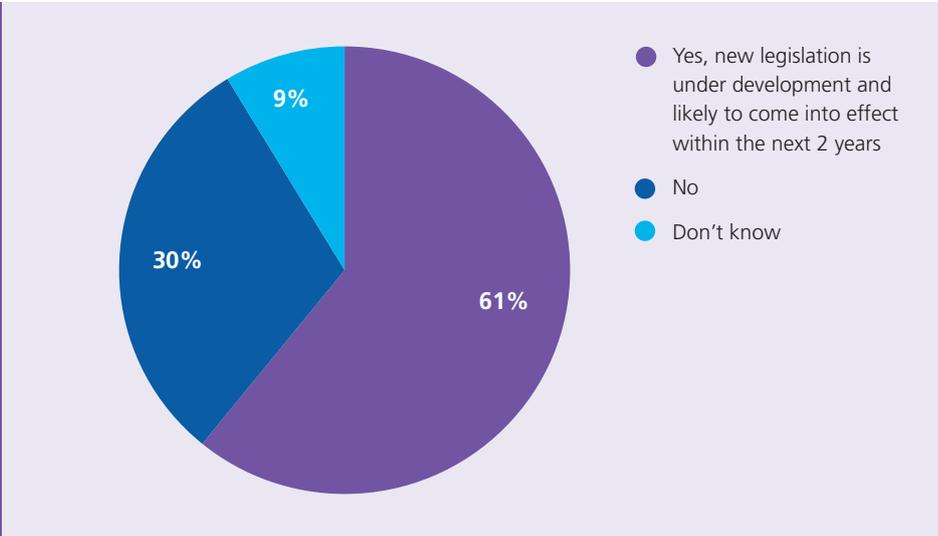
## 8.3

The percentage of jurisdictions looking to enact anti-money laundering legislation has increased since 2017, from 38% to 61% of respondents. While the sample size in the mini-survey is smaller than 2017 survey, the size of the increase indicates that new or revised anti-money laundering legislation is very much a live topic for regulators. It could be opined that this legislative activity is linked to the growth of online gambling.

**Figure 8: Thematic legislative activity (by percentage of respondents)?**



**Figure 9: Is your jurisdiction, or other public entities within your jurisdiction, developing any new anti-money laundering legislation?**



## ACKNOWLEDGEMENTS

**The survey was designed and produced by the IAGR Statistics Sub-Committee, comprising of:**

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## FEEDBACK AND IDEAS

We welcome feedback on the content of this report, or ideas for future IAGR statistics work. We are also open to new members joining the Statistics Sub-Committee.

If you would like to send us feedback, or volunteer to join the sub-committee, please email James Green at the Gambling Commission (Great Britain)  
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**International Association  
of Gaming Regulators**

[www.iagr.org](http://www.iagr.org)

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