



Update: September 2017

Position Paper on Preventing money laundering in the licensed land-based casino industry

The licenced land-based casino industry is committed to combating money laundering in the most effective and efficient way. The members of the European Casino Association (ECA) are determined to take strong action to tackle the threat posed by money laundering and ensure compliance with the highest international standards and the applicable legislation. The ECA emphasises that it represents and supports a transparent gambling industry that makes concerted efforts to tackle such criminal activity.

1. Current situation

In the European Commission's supranational risk assessment on money laundering – published in June 2017 – the licensed land-based casino industry's strong and efficient framework against money laundering was clearly recognised. In the European Commission's analysis¹, the vulnerability was assessed as moderately significant – the second-lowest level. According to the report *"the inclusion of casinos in the AML framework for more than 10 years has raised the level of awareness to the ML risk vulnerability. Controls are more efficient and the staff is better trained."* This demonstrates that the processes and measures that the licensed land-based casino industry has implemented have substantially increased in their effectiveness to tackle money laundering.

Since its foundation in the early 1990s, the ECA has been promoting action by its members to tackle money laundering. With the introduction of the EU Anti-Money Laundering (AML) Directive², awareness was created throughout the whole land-based casino industry in Europe regarding the importance of AML for the successful operation and reputation of the industry. To address the demands of the Directive, the ECA promoted the establishment of training courses and measures throughout its membership. As a result, all ECA members have measures in place that

- create awareness of the importance of AML among staff,
- ensure that all employees directly involved in the handling of money receive all the training they need to conduct their duties in a way that supports AML,
- include strict due diligence measures to prevent money laundering attempts, and
- call for regular audits by independent authorities to ensure that the procedures implemented to avoid money laundering attempts are efficient and effective.

¹ Annex can be found here http://ec.europa.eu/newsroom/document.cfm?doc_id=45653

² The 3rd Anti-Money Laundering Directive 2005/60/EC, available under <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:309:0015:0036:en:PDF> and the 4th Anti-Money Laundering Directive 2015/849 available under http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2015_141_R_0003&



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2. Future developments in AML policies

The licensed land-based casino industry is persistent in its drive to improve its anti-money laundering processes in line with legal requirements. In implementing these, an adequately designed and risk-oriented approach is best-suited as it offers an excellent means for identifying potential money laundering attempts. It provides a set of rules for identifying money laundering risks, thus allowing the obliged entity to focus on those customers and transactions that potentially represent the greatest risk. The Financial Action Task Force (FATF) likewise promotes such a risk-based approach to money laundering in its recommendations. The ECA is in a constant dialogue with policy-makers and stakeholders on issues around money laundering and the industry's efforts against such criminal activity.

Combined with industry efforts and legal requirements, it is essential that policy-makers at EU and national level develop an appropriate legal framework that tackles money laundering in a responsible and effective manner. The European Casino Association therefore calls on the EU institutions to consider the following in developing the AML framework at EU level:

- **Risk-based approach:** Consistently implement the risk-based approach as advocated by the FATF in the development of policy and evaluation and analysis of existing legislation.
- **FIU feedback:** Ensure that the Financial Intelligence Units (FIUs) provide immediate feedback and regular guidance to obliged entities to improve understanding and reporting quality.
- **EU-compiled PEP lists:** Compilation of an official EU list of Politically Exposed Person (PEPs) provided to obliged entities to increase reliability and consistency of PEP reporting.
- **Cash payment restrictions:** Ensure that any restriction on the use of cash for the purposes of tackling money laundering considers negative externalities, such as the negative impact for customers and problem gambling and takes into account the already high standard of anti-money laundering processes. Exemptions for the land-based casino industry from any such restriction should be considered as a suitable policy option ³.

3. Myths about money laundering in casinos

Unfortunately, there are some persistent myths about the apparent ease of money laundering in land-based casinos that are not viable in practice, but nevertheless regularly appear in relevant articles and reports. To avoid confusion and misconceptions, the ECA would like to clarify the situation regarding the two most common ones:

³ See ECA submission to the European Commission's open consultation on an "EU initiative on restrictions on payments in cash" under http://www.europecasinoassociation.org/fileadmin/eca-files/ECA_response_-_European_Commission_public_consultation_on_EU_initiative_on_cash_payment_restrictions.pdf



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Myth 1: Casinos are vulnerable to infiltration of ownership by criminal organisations

The national licensing systems in Europe guarantee that the ownership (and any change in ownership) is executed according to national laws and regulations in the relevant country. These measures include strong and serious fit-and-proper checks by the national regulatory authorities, as well as checks concerning the origin of the funds involved and vetting of operators, key staff and high-ranking employees. All these measures have been implemented by EU member states to successfully eliminate the risk of infiltration of ownership by criminal organisations.

This is also recognised in the EU's supranational risk assessment from June 2017, according to which *"From competent authorities' point of view the most important vulnerability for casinos being the infiltration is rather well mitigated through fit and proper checks. Owners (shareholders), high ranking employees and key staff are systematically vetted by casino operators which grant rather efficient safeguards against risks of infiltration"*.

Myth 2: Purchase of chips for cash and almost-immediate exchange for cash

This scenario implies that money laundering can be easily done through converting "dirty" cash into casino chips, which after no or minimal play is converted into "clean" money. This scenario is entirely unfeasible in licensed land-based casinos in Europe. For it to be successful, a confirmation of winnings from the casino is required as without it there would be no proof of legitimate origin of the newly acquired cash. However, licensed land-based casinos in Europe in general do not issue any confirmations of winnings to customers. The only rarely-used exception to this rule would be if a customer wins a slot machine jackpot or a substantial amount of money during a longer casino visit. This confirmation would normally be supplied for security reasons, as such high amounts are usually not paid out in cash and would be subject to strict conditions and reporting rules.

This scenario, where large amounts of cash are exchanged and no or minimal gambling takes place would furthermore be extremely suspicious and be followed up by an investigation. Furthermore, if required a suspicious transaction report (STR) would be filed. The suspicion of staff would certainly be raised if a customer were to request such a confirmation and it would result in substantial exposure for the criminal involved.

About the ECA

The ECA represents licensed land-based casinos in Europe, with 27 members and over 70,000 direct employees supporting local economies across Europe. It has members from nearly all EU Member States, as well as non-EU countries. The main purpose and objective of the ECA is to address and promote issues related to casinos and promote the positive contribution of the industry. For more, please head to the ECA [website](http://www.europecasinoassociation.org).

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