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## 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 any criminal activity.

### 1. Current situation

In the European Commission's supranational risk assessment on money laundering – published in July 2019 – the licensed land-based casino industry's strong and efficient framework against money laundering was clearly recognised. In the European Commission's analysis<sup>1</sup>, the vulnerability was assessed as moderately significant – the second-lowest level. The report states that from competent authorities' point of view, fit and proper checks are mitigating the main vulnerability for casinos. According to the report *"The inclusion of casinos in the list of obliged entities earlier on in the EU AML legislation has helped the sector to become more aware of risks. The legal framework already in place for casinos has, for example, created incentives to train staff and to improve checks. Casino staff is regularly informed of, and trained to identify, patterns and behaviours considered to represent money laundering threats."* This demonstrates that the processes and measures that the licensed land-based casino industry has implemented have substantially increased in their effectiveness to prevent and 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) Directive<sup>2</sup>, 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 AML procedures, training courses and other measures throughout its membership. As a result, all ECA members have measures in place that

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<sup>1</sup> Annex can be found here

[https://ec.europa.eu/info/sites/info/files/supranational\\_risk\\_assessment\\_of\\_the\\_money\\_laundering\\_and\\_terrorist\\_financing\\_risks\\_affecting\\_the\\_union\\_-\\_annex.pdf](https://ec.europa.eu/info/sites/info/files/supranational_risk_assessment_of_the_money_laundering_and_terrorist_financing_risks_affecting_the_union_-_annex.pdf)

<sup>2</sup> The 3<sup>rd</sup> 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>, the 4<sup>th</sup> 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&](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2015_141_R_0003&) and the 5<sup>th</sup> Anti-Money Laundering Directive 2018/843 available under <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32018L0843>



**Update: December 2019**

- 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.

## **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 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 constant dialogue with policymakers 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 policymakers 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 further 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.
- **Enhance Public-Private co-operation:** Further ensure that the Financial Intelligence Units (FIUs) provide immediate feedback and regular guidance to obliged entities to improve understanding and reporting quality. And ensure that obliged entities are able to share information between them and with relevant industry actors where required.
- **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 takes into account negative externalities, such as the negative impact on customers and problem gambling and considers the already high standard of anti-money laundering processes. Exemptions for the land-based casino industry – a



**Update: December 2019**

predominately cash driven industry - from any such restriction should be envisioned as a suitable policy option<sup>3</sup>.

### **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:

#### ***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. In many countries in Europe casinos are entirely or partly owned by the state or publicly listed, which also lowers the vulnerability considerably in a pan-European perspective. 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 Staff working document of the EU's supranational risk assessment<sup>4</sup> from June 2019, according to which

*“Law enforcement agencies have indicated that casinos in particular would be exposed to infiltration threats. However, casinos which are run by State monopolies or public companies appear to be less exposed to infiltration threats, due to regulations in place imposing, for example, transparency on beneficial ownership. This element may have an impact on the intent and capability of organised crime groups to infiltrate casinos. Also, stakeholders have pointed out that national licensing systems guarantee that the ownership (and any changes in ownership) takes place according to national laws and regulations. Under these laws national regulatory authorities carry out strong fit and proper checks as well as checks concerning the origin of the funds involved. They also vet operators, key staff and high-ranking employees. Stakeholders also point out that*

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<sup>3</sup> 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](http://www.europecasinoassociation.org/fileadmin/eca-files/ECA_response_-_European_Commission_public_consultation_on_EU_initiative_on_cash_payment_restrictions.pdf)

<sup>4</sup> The staff working document can be found here [https://ec.europa.eu/info/sites/info/files/supranational\\_risk\\_assessment\\_of\\_the\\_money\\_laundering\\_and\\_terrorist\\_financing\\_risks\\_affecting\\_the\\_union\\_-\\_annex.pdf](https://ec.europa.eu/info/sites/info/files/supranational_risk_assessment_of_the_money_laundering_and_terrorist_financing_risks_affecting_the_union_-_annex.pdf)



**Update: December 2019**

*casinos typically have stringent systems in place to prevent fraud and safeguard against all criminal activity.”*

***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 confirmations of winnings to customers unless the winning has been carefully verified. This can happen if a customer wins a slot machine jackpot or a substantial amount of money during a longer casino visit. The 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.

***Myth 3: Casinos are easy places to launder vast amounts of money***

The opposite is the case. A licensed European casino is a hostile environment for any potential and actual money launderer. First, almost all licensed land-based casino operations in Europe have registration – including ID checks and data storage as well as taking an actual picture of the person upon entering the casino. Hence, the casino knows who entered the casino at what time, what ID the person showed and how the person looked like when entering the casino. This makes proper identification possible, even if a person uses one or several fake ID documents. In the casino area CCTV systems are covering not only the gaming area, but also cages and any other crucial areas of the business. The use of face recognition software becomes more common in the casino environment every year. Assigned and trained security personnel is always supervising the casino - in person and via video surveillance. All transactions taking place are monitored and documented. Any attempt to launder money in a licensed casino is a high-risk operation. This is also reflected in the number of suspicious transaction reports licensed land-based casinos are filing. Lastly, the amounts of cash that can be laundered in a casino are very limited, as any substantial amount of cash money would immediately draw the attention of employees at the cage or the tables – which makes licensed land based casinos totally unattractive for potential money launderers.



**Update: December 2019**

### ***About the ECA***

The ECA represents licensed land-based casinos in Europe, with 30 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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