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Money laundering risks in the gambling sector

Recent developments and enforcement action taken within the gambling sector have highlighted the need for operators to carry out a robust assessment of their money laundering risks and to ensure that their anti-money laundering policies and procedures are implemented effectively.

This article explores recent updates within the anti-money laundering landscape of the gambling sector and looks ahead to see what changes may be on the horizon.

In November 2020, the Gambling Commission published a Compliance and Enforcement report which raised concerns that some licensees' money laundering and terrorist risk assessments, and policies, procedures and controls were not fit for purpose.

The publication of this report was preceded by a string of enforcement action taken by the Gambling Commission against companies for money laundering failures:

- In October, three online gambling operators were investigated by the Gambling Commission. As a result, two of the gambling operators had new conditions imposed on their licences. All three operators were required to improve their anti-money laundering policies and procedures, and the actions of the Personal Management Licence ("**PML**") holders in each are still to be reviewed. Each licensee also made a payment to the National Strategy to Reduce Gambling Harms in lieu of a financial penalty.
- In recent months, White Hat Gambling and Aspers Stratford City Casino have also been investigated and had decisions published against them for money laundering failures.

The action taken by the Gambling Commission should come as no surprise. For a number of years it has stated its intention to take tough and proactive compliance and enforcement action in order to raise standards in the gambling sector.

HM Treasury's national risk assessment of money laundering and terrorist financing, published in December 2020, identified the gambling sector as having a low risk of money laundering. However, casinos, off-course betting and all online gambling entities were considered to pose a higher risk when compared to others within the sector. Furthermore, it was noted that the strong mitigations by the Gambling Commission were enough to keep the overall risk score as low relative to the wider regulated financial sectors. It is clear, therefore, that operators should not draw comfort from the low risk score as it does not detract from their anti-money laundering obligations under the Proceeds of Crime Act 2002 and the Gambling Act 2005 (and if a casino, the Money Laundering Regulations also). An operator must identify its money laundering risks and mitigate them through the implementation of robust policies and procedures, which should be reviewed regularly and revised as necessary.

The Gambling Commission has expressed an intent to bring enforcement actions against not only companies, but also individuals holding a PML. This is clearly demonstrated in the case of Caesars Entertainment UK Limited, which was fined £13 million in April 2020 for breaches in relation to its social responsibility, money laundering and customer interaction failures. As a result of this investigation, three senior managers surrendered their PMLs and between June and December 2020, the Gambling Commission announced decisions against a further seven PML holders for failing to ensure that effective anti-money laundering policies, procedures and controls were implemented.

Looking forward, we may see changes to the regulatory system. The government has announced a review of the Gambling Act 2005 and has also published a Terms of Reference and Call for

Evidence, which will run until 31 March 2021. One item under review is the Gambling Commission's powers and resources. It will be interesting to see whether these are viewed as being sufficient or whether further powers will be granted to the Gambling Commission to investigate breaches. At the end of January it was also announced that the Department for Digital, Culture, Media and Sport had launched a consultation into the funding of the Gambling Commission. An uplift in fees has been proposed to allow the Gambling Commission to respond to new challenges in regulation. The Gambling Commission has identified that the increasingly global nature of the British gambling market means that key risks, such as money laundering, are global in nature and therefore require global solutions in response. Whilst the outcome of these consultations are not yet known, it is clear that the Gambling Commission intends to maintain an active role in the fight against money laundering.

If you would like to discuss any of the issues covered in this article or if you require advice in relation to your anti-money laundering policies and procedures, please get in touch with either of the key contacts listed or your usual Stephenson Harwood contact.

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