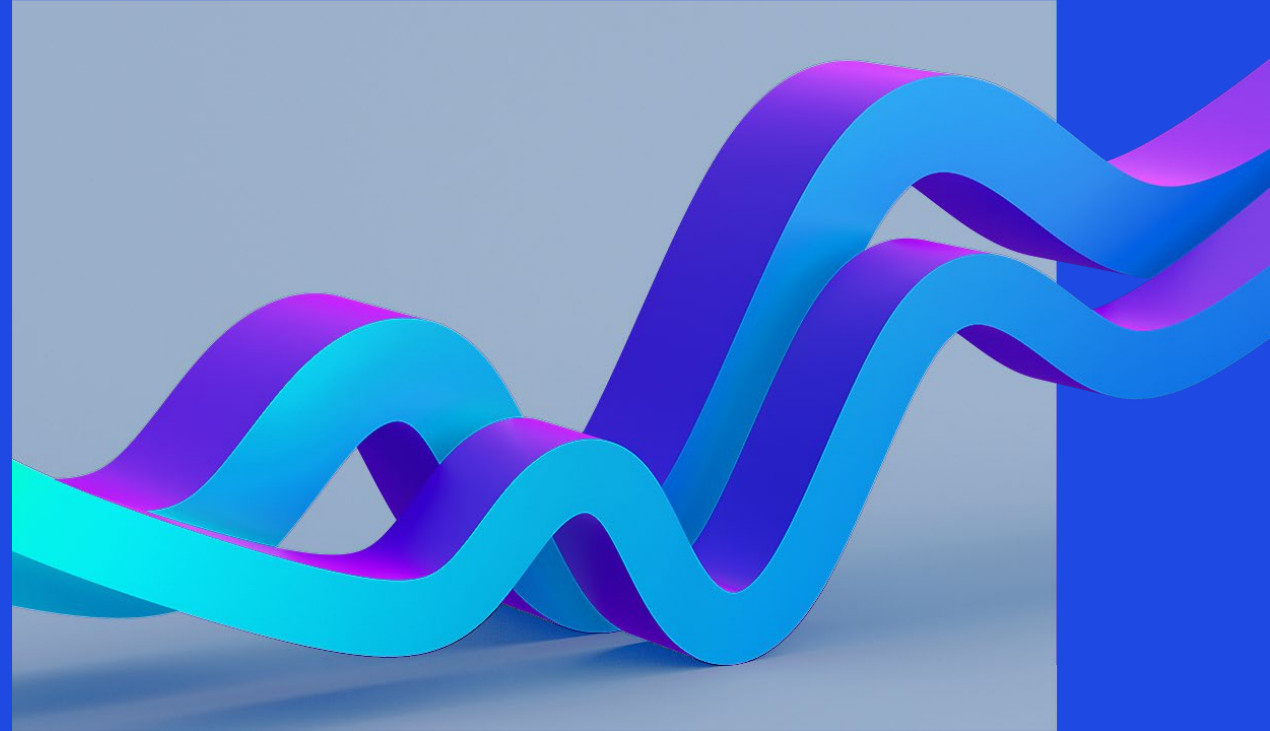




# Monetary Limits for AML and Safer Gambling

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# Introduction

## Structure of this presentation

1. Background to limits and thresholds
2. Basis of thresholds
  - 5 constituent elements of limits
  - The parameters on which these elements should be considered for AML and safer gambling
3. The application of these elements and parameters to the Gambling Act Review White Paper
4. Impact of the single customer view

# Background to monetary limits

What do we mean by monetary limits?

Do we need monetary limits at all?

Should limits be mandatory or discretionary?

# Target of limitation

Gross deposits

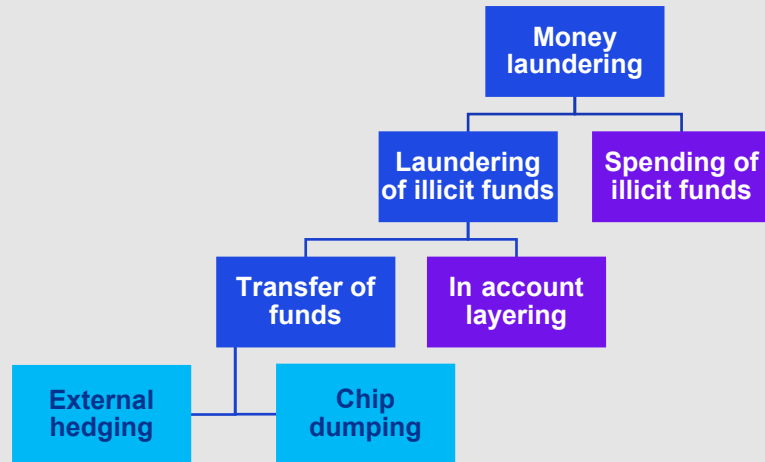
Net deposits

Total stakes

Losses

Product stakes

## AML



- Laundering vs spending
- Gross deposits for spending and internal layering
- Net deposits for transferring funds internally or externally

## Safer gambling

- Safer gambling = affordable gambling
- Measuring affordability, not liquidity
- Net deposits and losses for affordability
- Product-specific stakes for extra protections

	Primary threshold target	Secondary threshold target
AML	Gross deposits	Net deposits
Safer gambling	Net deposits Losses	Product stakes

# Extent of limitation

## Hard limits

- Prohibits further activity at defined limit
- Implemented when deposits and losses exceed risk appetite

## Soft thresholds

- Performs further checks at defined threshold
- Implemented when risk appetite exceeded unless checks to mitigate

## Voluntary limits

- Prohibits further activity at self-selected limit
- Implemented when customer's own risk appetite is exceeded

## AML

- Mostly soft thresholds
- Hard limits (in theory):
  - Risk appetite exceeded / impact of ML is too high
  - Undercutting other operators
- Soft thresholds:
  - Further information required

## Safer gambling

- All three types used (as well as combinations of them)
- Hard limits:
  - Risk appetite exceeded
  - Undercutting regulatory requirements on soft thresholds (commercial)
- Soft thresholds:
  - Further information required
- Voluntary limits:
  - Self-recognised (largely ineffective)
  - Pre-empting enforced action (commercial)

	Primary threshold extent	Secondary threshold extent
AML	Soft thresholds	Hard limits
Safer gambling	Hard limits Soft thresholds Voluntary limits	

# Result of limitation

SoF check	SoW / Sol check	Background checks	Guidance / information	Further restrictions	Reporting obligations
<ul style="list-style-type: none"> <li>Origin of funds in the account</li> <li>Must be effected via outreach</li> </ul>	<ul style="list-style-type: none"> <li>Alignment of activity with expectations and affordability</li> <li>Outreach or open-source</li> </ul>	<ul style="list-style-type: none"> <li>Adverse media / sanctions / PEP/ credit / occupation</li> <li>Open-source or screening software</li> </ul>	<ul style="list-style-type: none"> <li>Help with gambling and signposting</li> <li>Interaction or outreach</li> </ul>	<ul style="list-style-type: none"> <li>Marketing blocks, targeted blocks on activity</li> <li>Internal controls</li> </ul>	<ul style="list-style-type: none"> <li>Reporting of activity to government agency</li> <li>Internal controls</li> </ul>

AML	Safer gambling
<ul style="list-style-type: none"> <li>SoF key for identifying actual laundering</li> <li>Background checks and SoW / Sol for building suspicion</li> <li>Reporting obligations often initiated at a threshold</li> <li>Further restrictions likely unless light touch</li> <li>Action taken should match enforcement in the jurisdiction</li> </ul>	<ul style="list-style-type: none"> <li>Customer interactions to provide information and guidance</li> <li>Sol, or SoW if windfall, non-recurring, recycled winnings</li> <li>Open-source information for verification</li> <li>Further restrictions if documents requested</li> <li>Hard and voluntary limits to lead to further checks too</li> </ul>

	Primary threshold result			Secondary threshold result	
AML	SoF check	Further restrictions	Reporting obligations	SoW / Sol check	Background checks
Safer gambling	Guidance / information	SoW / Sol check	Background checks	Further restrictions	

# Timeframe of limitation



## AML

- Less concerned with velocity, but still urgency involved
- Short-term for SoF and background checks
- Longer-term for SoW and Sol
- Lifetime less relevant

## Safer gambling

- Mostly velocity due to binge gambling
- Short-term for interactions and further restrictions
- Longer-term thresholds to cover edge cases and SoW / Sol
- Sub-24hr checks rare but useful

	Primary threshold extent			Secondary threshold extent		
AML	30 days	7 days	24 hours	365 days	90 days	
Safer gambling	7 days	24 hours	Sub-24h	365 days	90 days	30 days

# Value of limitation

- To be applied after consideration of all other elements
- Value should not necessarily flex proportionately depending on the other elements in play
- Key is matching the value with spending power of customers (will vary by jurisdiction)

## AML

- No obvious starting point as criminal proceeds vary
- For SoF, undercut other known thresholds (including cash)
- Benchmark against ML cases (accounting for structuring)
- Key to benchmark SoW / Sol checks against discretionary income

## Safer gambling

- Benchmark SoW / Sol against discretionary income
- Could be discretionary income or a percentage



# Gambling Act Review White Paper limits: how the evidence stacks up

## 1. Amounts customers currently spend on gambling:

- Patterns of play:
  - 3% lost £2k pa with 36% subject to any SG interaction and 0.8% subject to a phone call
  - 60% lost <£200, 13% lost £200 - £1k, 5% lost £1k to £5k, 1% lost >£5k

Three “key information points”

## 2. Population level information about discretionary income:

- FCA survey – 24% low financial resilience
- YouGov – discretionary income (54% <£250 pm, 73% <£500 pm, 89% <£1k), other ONS data

## 3. Problem gambling rates and other information about harms:

- Regulus / Ian McHale – 19.2% sometimes too much, 4.4% usually too much, 8.9% financial difficulties
- 37% National Gambling Treatment Service users £1k previous month
- 70% National Gambling Helpline callers with debt/hardship
- 22% with annual losses over £700 PGSI problem gamblers 1 year later
- 2018 Health Survey – 5.8% moderate risk, 4.2% problem

### Key White Paper Proposals:

- £125 per month and £500 per year net deposit “light checks”
- £1k per day and £2k per 90 day net deposit “more detailed checks”
- £2-£15 slot stake limits
- Consultation on player-centric controls

## Five building blocks

Target: Net deposits (high gambling spend overrepresented among harm)

Extent: Soft (self-certification not thorough enough,

Result: “Light checks” (financial vulnerability), “more detailed checks” (binge or sustained losses)

Timeframe: Various but defined (binge or sustained)

Value: Various but defined (no rationale)

## Stake and voluntary limits

### 1. Slots stake limits:

- High concentration of spend, highest average losses, longest sessions, highest binge gambling product %
- Most commonly used product (38%) for National Gambling Treatment service
- 4% of stakes >£2, 1% >£5
- High risk customers overrepresented among high stakers (e.g. high/medium risk 37% of stakes <£10)

### 2. Voluntary deposit limits:

- Consult on options ranging from entirely voluntary to default measures to mandatory to participate

	Target	Extent	Result	Timeframe	Value
<b>Defined</b>	✓	✓	x	✓	✓
<b>Rationale</b>	x	✓	✓	(✓)	x

# Single Customer View

## Intra-group:

- Immediately in play
- Short-term impact on the “long tail”

## Cross-operator

- Potential increase in unregulated activity
- Potential impact on the “long tail”

**Questions?**