



Preventing and detecting financial crime in the Gambling sector



The risk of Money Laundering (ML) and Terrorist Financing (TF) threatens a country's national security, the economy and international standing. Such risks can have a detrimental impact on society, can damage communities and undermines the integrity of both public and private sector organisations. Serious and organised crime has been estimated to cost the tens of billions of pounds and euros every year across for UK and Ireland.

For the gambling industry specifically, it faces diverse, complex, and rapidly evolving challenges when it comes to ML and TF threats for which appropriate processes and safeguards need to be implemented to fight financial crime. If left unimpeded, this may result in:



significant potential for Money Laundering (ML) and Terrorist Financing (TF) exploitation



significant potential for criminal exploitation and detriment to society



a major threat to the business environment and wider industry



potential for serious breaches that can lead to significant penalties, fines or sanctions which will need punitive outcomes



international concern, resulting in governmental inquiry or sustained adverse national and international media



critical failure of gambling operations and businesses i.e. the survival of the operator is under imminent or severe threat, ultimately harming consumers and, or as well as, negatively impacting the gambling industry.

Notwithstanding the significant efforts undertaken by gambling operators to implement process & procedures to fight financial crime, regulatory bodies supervisory inspections continue to find weaknesses and impose fines. The cost of these fines imposed by regulatory bodies is based on the severity of the breaches and can range from the hundreds of thousands to millions. At a glance, in 2022, the UK and Ireland gambling sector bore a total financial penalty of c.€50m for AML and Social Responsibility failures.

Market Research

KPMG undertook market research to understand the root cause of these financial penalties, the result of which are presented in the table below:

| Theme | Findings | Expectation |
|--|--|--|
| AML policies, procedures and controls | Inappropriate or not continuously kept under review and revised appropriately to ensure they remained effective | AML policies, procedures and controls should be aligned with the business model, in line with regulatory obligations and updated on a regular basis to stay in line with regulatory changes. |
| Source of funds / source of wealth; | Insufficient SOF/W review conducted, missing or inadequate supporting documentation identified as part of regulatory compliance inspections. | Source of funds/source of wealth documentation should clearly outline the origination of funds passing through the customer's account. The explanation and supporting documentation should clearly corroborate with the level of activity on the account. |
| Financial triggers | Ineffective controls enabled significant levels of gambling to take place without knowing the customer's financial state. | Gambling service providers should have procedures and controls in place to monitor their clients for problem gambling. For example, the number of bets placed per day, along with value thresholds. In addition gambling service providers should implement and maintain a Responsible Gambling Framework. |
| Deposit thresholds | Lack of efficient controls or checks to monitor customers deposit limitations | Gambling service providers should have procedures and controls in place to ensure there are deposit thresholds in place for each client. This threshold should be in line with the risk profile for each client. |
| Risk Assessments | Inadequate assessments in place and failure to perform the assessments appropriately. | Gambling service providers should have a definitive risk scoring model, to clearly determine the risk rating for each client. Factors that would contribute to the risk scoring should include; Occupation, Nationality/Location, PEP, Adverse Media screening, IP location stats, account activity, source of wealth/source of funds. |

*The above findings are based on analysis of recent fines imposed on gambling operators in both the EU and UK

In conclusion, gambling service providers have made great strides to fight financial crime by implementing AML/CFT frameworks with a suite of policies and procedures. However, there have been weaknesses identified with respect to both the controls in place to ensure the framework is implemented appropriately or keeping these policies and procedures current in line with regulatory obligations.

Why this is important now

Action needs to be taken now. Regulators are becoming more acutely aware of AML/CTF compliance and are completing on-site inspections to assess the appropriateness and robustness of gambling operators AML/CFT frameworks. Additionally, the AML landscape is evolving with new legislative changes in the pipeline, therefore it is essential for gambling operators to stay up to date with these changes to ensure compliance and mitigate potential risks associated with money laundering and financial crime.

There is well established and advancing gambling regulators in UK, Malta, Gibraltar, Isle of Man, Australia, Sweden and France who all have AML as a key priority. Closer to home, Ireland is now in the process of establishing a Gambling Regulatory body (the "GRAI"). With the introduction of the Gambling Regulatory body, Gambling operators will now be subject to routine AML inspections, which will be a high area of focus for the GRAI once it becomes operational from 2024 onwards.

How KPMG can help

KPMG is a global leader in the fight to disrupt financial crime. KPMG teams made up of thousands of industry and domain professionals from across the globe bring a wealth of knowledge and strong relationships with regulators.

We've extensive experience across multiple sectors for AML doing business wide risk assessments, AML CTF frameworks, compliance monitoring and transaction monitoring. In addition we bring specific industry knowledge having worked with both gambling regulators and operators both domestically and internationally.

KPMG can support clients achieve Operational Excellence across a full suite of offerings; including:

- Ongoing Customer Due Diligence for driving cost reductions using data and applied intelligence to identify risk events and changes in a customer profile;
 - Design, implement or gap analysis of Target Operating Model and lines of defence to ensure robust compliance by design AML/CTH frameworks, including business risk assessment and risk and control assessments.
 - Through the use of data and technology, support clients deliver remediation efforts such as KYC (Know Your Customer), CDD (Customer Due Diligence) in an effective and efficient manner.
- Optimisation of Transaction Monitoring for enhanced results and reduced false positives through the use of data and technology;

Get in touch



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