

<b>Forum:</b>	The Group of Twenty (G20)
<b>Issue:</b>	Assessing Money Laundering Risks in the Gambling Sector
<b>Student Officer:</b>	Kristi Efstathiou
<b>Position:</b>	Deputy President

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## PERSONAL INTRODUCTION

Dear delegates,

My name is Kristi Efstathiou, and I am a 10<sup>th</sup> grade student at Ekpaideutiki Anagennisi. This year, it is my utmost honor to be serving as one of the Deputy Presidents in The Group of 20 (G20) in the 13<sup>th</sup> PS MUN. I've been participating in MUN Conferences for four years, through which I have been given the opportunity to gain a deeper understanding of issues regarding global politics, economics, and the intricacies of diplomacy.

This year's G20 agenda enables participants to learn and engage in discussion about important topics that concern nations worldwide. Assessing money laundering risks in the gambling sector is an issue of paramount importance, as the repercussions on the overall economy can be detrimental. This guide will provide you with essential and vital knowledge on the topic so as to assist you in your efforts to formulate your own resolutions.

Nonetheless, I strongly advise you to undertake more study on the subject since new information emerges on a daily basis. If you have any questions, please do not hesitate to contact me through my email: [kristi.efsta2008@gmail.com](mailto:kristi.efsta2008@gmail.com)

I am looking forward to meeting all of you!

Yours truly,

Kristi Efstathiou

## INTRODUCTION

Money laundering is a serious crime that includes concealing illegal gains by making them appear legitimate. In today's world, money laundering is becoming increasingly prevalent, as according to the UN, it is estimated at around \$1.6 trillion per year, or

2.7% of global Gross Domestic Product (GDP)<sup>1</sup>. Money laundering aims to cover up a wide range of crimes, from small-time tax evasion and drug trafficking to corruption in the public sector and the funding of terrorist groups.<sup>2</sup> The nature of the gambling industry has been shown to offer organizations and individuals looking to launder illicit funds a safe haven to advance their criminal activities. Money laundering in the gambling sector might include utilizing illegal funds to gamble and then paying off the gains as clean money. This may be accomplished in many ways, including by utilizing many accounts, doing modest and frequent transactions, and evading detection by gaming operators. Money laundering can have serious implications, including economic, social, and reputational losses.

Money laundering in the gambling industry has the potential to seriously undermine socioeconomic security and stability as it can be used to finance a wide range of illegal activities, including terrorism, drug and human trafficking, and many other unlawful endeavors. Moreover, when illegal funds are laundered through gambling activities, it not only undermines the integrity of the industry but also enables corrupt practices such as bribery and fraud. This can lead to an unfair playing field and have a negative impact on the overall economy. Money laundering can also harm the sector by eroding public trust and confidence and tarnishing the reputation of legal operators. Furthermore, it may result in regulatory and legal consequences, which may be costly and detrimental to the industry. By eliminating money laundering, the casino industry can help safeguard society from illicit actions while still operating responsibly and sustainably and providing the economy with a profitable source of revenue.

The effort to fight against money laundering in the gambling sector is heavily reliant on the international community. To address this issue, groups like the Financial Action Task Force (FATF) create international standards and encourage interaction among nations. They collaborate to create and put into effect policies that stop money laundering, such those relating to reporting suspicious transactions and Know Your Customer (KYC) standards. But there are challenges in this battle. Money laundering methods are always changing, thus, international efforts must change with the times to remain competitive. Effective collaboration can also be hampered by cross-border complications and variations in legal frameworks between states. Notwithstanding these obstacles, the global community persists in collaborating to enhance anti-money laundering protocols and counteract money laundering inside the gambling sector.

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<sup>1</sup> "Tax Abuse, Money Laundering and Corruption Plague Global Finance | UN Desa Department of Economic and Social Affairs." *United Nations*, [www.un.org/development/desa/en/news/financing/facti-interim-report.html](http://www.un.org/development/desa/en/news/financing/facti-interim-report.html)

<sup>2</sup> Kenton, Will. "Anti Money Laundering (AML) Definition: Its History and How It Works." *Investopedia*, 25 May 2023, [www.investopedia.com/terms/a/aml.as](http://www.investopedia.com/terms/a/aml.as)

Therefore, taking steps to prevent money laundering in the gambling industry is vital, not only to protect the industry from the risks accompanying such illegal behavior but also to safeguard local, national, and international security and uphold law and order.

## DEFINITION OF KEY TERMS

### Anti-money laundering (AML)

“Anti-money laundering (AML) refers to the web of laws, regulations, and procedures aimed at uncovering efforts to disguise illicit funds as legitimate income.”<sup>3</sup> These procedures are of paramount importance, specifically in the gambling sector, where money laundering is a serious problem.

### Capture the Flag (CTF)

“In cybersecurity, Capture the Flag (CTF) competitions are exercises in which participants, either individually or as part of a team, are challenged to find and exploit vulnerabilities in a system to capture a "flag" or piece of information.”<sup>4</sup> These exercises are also beneficial in the e-gambling sector, as they can identify the illegal activities and transactions that occur.

### E-gambling

“Online gambling refers to using the Internet to wager something of value, usually money, on the outcome of a game or event. Online gambling has become one of the most popular and lucrative businesses present on the net, and it's a lot of fun for millions of people.”<sup>5</sup> However, through this activity many people choose to perform illegal activities and secretly launder unlawful money.

### Enhanced Due Diligence (EDD)

Enhanced Due Diligence is a collection of KYC regulations and processes designed to undertake in-depth verification of high-risk consumers. It assists financial organizations in monitoring and managing massive transactions as well as assessing the possible risks connected with them.

### Gambling

“Gambling, the betting or staking of something of value, with consciousness of risk and hope of gain, on the outcome of a game, a contest, or an uncertain event whose

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<sup>3</sup> Kenton, Will. “Anti Money Laundering (AML) Definition: Its History and How It Works.” *Investopedia*, 25 May 2023, [www.investopedia.com/terms/a/aml.asp](http://www.investopedia.com/terms/a/aml.asp)

<sup>4</sup> Filipkowski, Ben. “Capture the Flag: What You Should Know about Cybersecurity Ctf’s.” *Field Effect*, 14 Apr. 2023, [www.fieldeffect.com/blog/capture-the-flag-cybersecurity](http://www.fieldeffect.com/blog/capture-the-flag-cybersecurity)

<sup>5</sup> “Online Gambling.” *Online Gambling - NetLingo The Internet Dictionary: Online Dictionary of Computer and Internet Terms, Acronyms, Text Messaging, Smileys ;-)*, [www.netlingo.com/word/online-gambling.php](http://www.netlingo.com/word/online-gambling.php)

result may be determined by chance or accident or have an unexpected result by reason of the bettor's miscalculation.”<sup>6</sup> Money laundering is a very frequent phenomenon in the gambling sector, as its particular nature can provide a safe haven for such illicit activities.

### Junket

“A trip or celebration that organized for government officials or business people and paid for by somebody else, especially using public money”<sup>7</sup>

### Know Your Customer (KYC)

Know Your Client (KYC) is a gambling industry standard that requires financial advisers to validate a customer's identity as well as their financial profile. It is a required step when opening an account and should be done on a regular basis.<sup>8</sup>

### Money Laundering

“Money laundering is the illegal process of making large amounts of money generated by criminal activity, such as drug trafficking or terrorist funding, appear to have come from a legitimate source. The money from the criminal activity is considered dirty, and the process “launders” it to make it look clean.”<sup>9</sup> Money Laundering is a practice that has been widely used in the gambling sector for decades.

### Risk Assessment

“Risk assessment is the identification of hazards that could negatively impact an organization's ability to conduct business. These assessments help identify these inherent business risks and provide measures, processes and controls to reduce the impact of these risks to business operations.”<sup>10</sup> In the case of money laundering, risk assessment can help identify the risks of a casino and prevent the illegal activities from occurring.

<sup>6</sup> “Gambling.” *Encyclopædia Britannica*, 30 June 2023, [www.britannica.com/topic/gambling](http://www.britannica.com/topic/gambling)

<sup>7</sup> *Junket Noun - Definition, Pictures, Pronunciation and Usage Notes ...*, [www.oxfordlearnersdictionaries.com/definition/english/junket](http://www.oxfordlearnersdictionaries.com/definition/english/junket)

<sup>8</sup> Jermakov, Romil. “What Is KYC Verification and How It Works?” *Wallester*, 14 June 2023, [www.wallester.com/blog/business-insights/what-is-kyc?gclid=CjwKCAjwwb6lBhBJEiwAbuVUSuSPsG0dQIYNolakVulhjlRBz0uVvP\\_CSybxogA0JZ\\_ljgqH3Uua\\_vxoCz1wQAvD\\_BwE](http://www.wallester.com/blog/business-insights/what-is-kyc?gclid=CjwKCAjwwb6lBhBJEiwAbuVUSuSPsG0dQIYNolakVulhjlRBz0uVvP_CSybxogA0JZ_ljgqH3Uua_vxoCz1wQAvD_BwE)

<sup>9</sup> Chen, James. “Money Laundering: What It Is and How to Prevent It.” *Investopedia*, 8 May 2023, [www.investopedia.com/terms/m/moneylaundering.asp](http://www.investopedia.com/terms/m/moneylaundering.asp)

<sup>10</sup> Cole, Ben. “What Is a Risk Assessment? - Definition from Whatis.Com.” *Security*, 12 Oct. 2021, [www.techtarget.com/searchsecurity/definition/risk-assessment](http://www.techtarget.com/searchsecurity/definition/risk-assessment)

## BACKGROUND INFORMATION

### The Process of Money Laundering in the Gambling Sector

In the gambling sector, money laundering refers to the process of disguising illicit payments as lawful using a variety of techniques, including integration, layering, and placement. It serves to conceal the money's true source while maintaining an appearance of integrity.

#### Placement

Criminals will try to deposit their illegal money into a financial institution in a way that makes it impossible to trace the money back to its illegal source during the placement stage. This can be accomplished by dividing large quantities of money into smaller amounts or by transferring funds across various accounts. The idea is to seem authentic in order to avoid being detected by law enforcement authorities. In the gambling sector, this stage involves introducing illicit funds into the system. This could be done by making large bets with dirty money, using multiple gambling accounts, or exchanging cash for chips at a casino.

#### Layering

The second stage of money laundering is layering, in which unlawfully obtained cash is transferred through a succession of transactions or financial instruments to disguise its origin. This can include the use of shell companies, offshore accounts, and sophisticated financial transactions to make it difficult for law enforcement authorities to track down the money's origin. In the Gambling Sector, it can involve complex transactions such as transferring funds between different gambling accounts, using intermediaries, or placing bets with the intention of losing to create a paper trail. The purpose of layering is to build a complicated network of financial transactions that makes determining the original source of funds very difficult.

#### Integration

The last stage of money laundering is integration, in which unlawfully obtained funds are returned to the criminal in a way that makes them look legitimate. This might include purchasing assets such as real estate, luxury automobiles, or other high-value objects that can subsequently be liquidated for a profit. This can also be done by cashing out winnings or reinvesting the funds into the Gambling Sector to further legitimize the money. The purpose of integration is to make the money appear to have been obtained rightfully, making it more difficult for law enforcement authorities to recover the assets and prosecute the criminal.

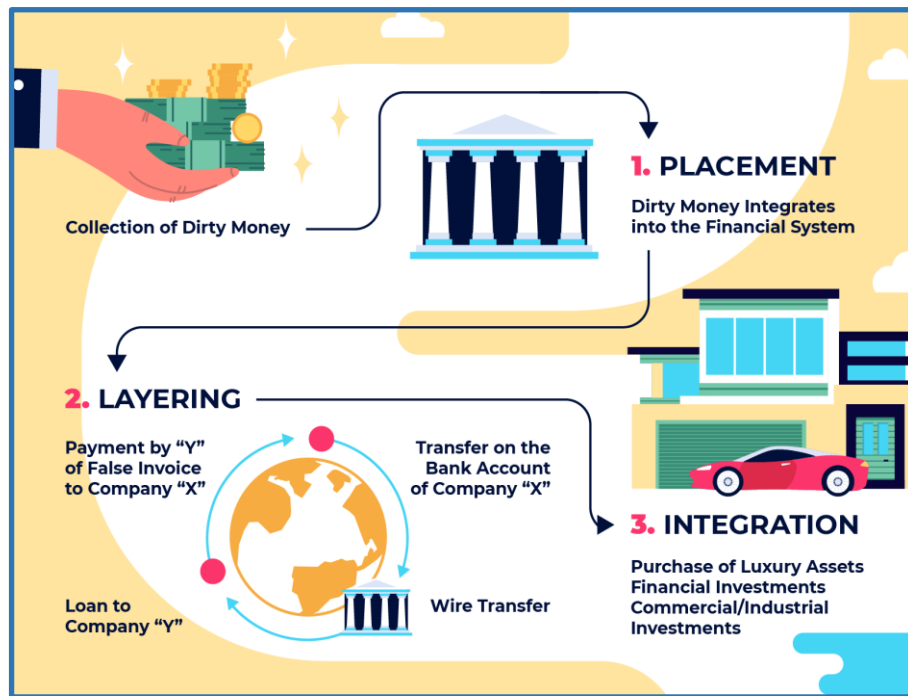


Figure 1 The 3 Steps of Money Laundering <sup>11</sup>

## Factors that contribute to Money Laundering in the Gambling Industry

### Large amounts of cash

The casino sector is notorious for being cash-intensive, which makes it simpler for criminals to launder money. Criminals may use cash to buy chips or tokens in a casino, then, cash out those chips later, thereby converting their unlawful wealth into "clean" money. Therefore, money laundering cannot so easily be detected.

### Weak regulatory environment

Gambling authorities in some jurisdictions may lack the resources or knowledge required to properly monitor and implement anti-money laundering measures in the business. Additionally, they are not able to recognize customers who pose potential threats and, thus, provide opportunities for criminals to exploit system flaws and launder money via the sector.

### The global nature of the industry

The gambling business is a global one, with activities in several nations worldwide. Criminals can utilize online gambling sites to traverse borders, making it more difficult for law enforcement authorities to follow and discover

<sup>11</sup> Keaton, Brooke. "How Money Laundering Really Works & Why It's a Problem in the Gambling Industry." *Casino.Org Blog*, 26 Nov. 2021, [www.casino.org/blog/how-money-laundering-really-works/](http://www.casino.org/blog/how-money-laundering-really-works/)

suspicious transactions. Furthermore, discrepancies in anti-money laundering rules between nations might create gaps that criminals can take advantage of.

#### High-risk customers

High-risk consumers, such as individuals with a history of criminal involvement or those who engage in large and frequent transactions may raise red flags due to their potential to exploit the system for illicit activities. Clients that seek to utilize the industry to transport illegal cash may be more difficult to detect and monitor than regular clients.

#### Complex ownership structures

Some gambling companies may have complicated ownership arrangements that make determining the genuine beneficial owners of the organization challenging. For instance, criminals may utilize these entities to conceal their connections in the sector and to launder money using it as a distraction for their illicit activities.



Figure 2 Casino Money Laundering Indicators <sup>12</sup>

<sup>12</sup> Sood, Anu. "Casino Money Laundering Red Flags." *Alessa*, 31 Jan. 2023, [www.alessa.com/blog/casino-money-laundering-red-flag-indicators/](http://www.alessa.com/blog/casino-money-laundering-red-flag-indicators/)



## Money Laundering in the E-Gambling Sector

The ease of use and accessibility of e-gambling has led to its immense popularity. People may play their favorite games from the comfort of their homes without needing to go to real casinos since they have the opportunity to bet online. Furthermore, gamers may now bet while on the move using their smartphones or tablets thanks to the availability of mobile gambling apps, which has increased convenience. Its popularity has also been boosted by the large selection of games and betting opportunities that e-gambling platforms provide. However, its online nature does create challenges, including the potential for illicit activities like money laundering. Since e-gambling platforms offer anonymity, criminals may take advantage of it, making it challenging for law enforcement to identify and disrupt such criminal activity.

### Factors that contribute to Money Laundering in the E-Gambling Sector

#### Anonymity

Online gambling platforms can provide some anonymity, allowing people to conceal their identities and the source of their finances.

#### High transaction volume and speed

The fast-paced nature of online gambling enables for a significant number of transactions to occur in a short period of time, making it difficult to monitor and spot suspicious behavior.

#### Global reach

Because e-gambling works on a global scale, money launderers may easily move cash across countries and exploit variations in legislation and enforcement.

#### Complex payment methods

Online gambling companies frequently allow a variety of payment methods, including cryptocurrency and digital wallets, which can be difficult to track and monitor.

#### Inadequate legislation

There may be insufficient rules or enforcement mechanisms in place in some countries to successfully prevent money laundering in the e-gambling business.

#### Use of Betting Bots

A Betting Bot is a piece of software created to carry out predetermined tasks on a betting website without the direct involvement of a person.<sup>13</sup> Betting Bots

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<sup>13</sup> Varga, Gergo. "Betting Bots: How to Detect and Stop Them." *SEON*, 19 July 2023, [www.seon.io/resources/betting-bots-how-to-detect-and-stop-them/#:~:text=Betting%20bots%20aren%27t%20necessarily,iGaming%20companies%20and%20other%20players](http://www.seon.io/resources/betting-bots-how-to-detect-and-stop-them/#:~:text=Betting%20bots%20aren%27t%20necessarily,iGaming%20companies%20and%20other%20players)



can facilitate the laundering procedure because they are able to automate the use of illicit funds for placing bets. This can make it challenging to trace the origin of money and identify any suspicious activities.

## Effects of Money Laundering in the Gambling Industry

### Distorted Competition

Money laundering in the gaming industry gives illegal players an unfair edge, which can cause competition to become skewed. These players could be able to provide more alluring incentives, greater chances, or higher prizes since they may have access to illegal money and resources. Customers may be drawn to this instead of reputable gambling providers, costing the latter money. Additionally, the existence of illegal operators may lead to a poor image of the sector as a whole, making it more difficult for legal enterprises to draw in clients and investors. In the end, unfair competition may have a big financial impact on gaming companies, affecting their long-term survival and profitability.

### Financial Loss for Casino Owners

Money laundering, which may be used to fund criminal activities such as drug trafficking and terrorism, can result in severe financial losses for casino operators. Regulatory bodies may impose significant financial penalties and sanctions on gambling operators involved in money laundering activities. These penalties can have a direct impact on the financial standing of the operators.

### Harm to Communities

The usage of illegal money for gambling has been linked to addiction and compulsive gambling. People and their families may suffer as a result, experiencing both financial and psychological difficulties. Furthermore, money laundering in the gaming industry can lead to a rise in crime and social problems in local areas resulting in people feeling unsafe.

## Case Studies

### Dore Entertainment:

Dore Entertainment is a Macau-based junket operator suspected of laundering \$4.4 billion between 2012 and 2016 through Macau casinos. The corporation reportedly utilized Underground Banking Networks to transfer money from mainland China to Macau, and, then, used that money to buy Chips at casinos. After that, the chips were paid out, essentially laundering the illegal proceeds.

The matter was investigated by Hong Kong authorities and the US Department of Justice, and 14 persons were arrested, including Dore Entertainment's CEO. The case exposed the role of Junket operators in assisting money laundering in

the casino sector, prompting authorities in Macau and other countries to intensify their monitoring of these operators.

#### Las Vegas Sands Corporation

The Las Vegas Sands Corporation is a casino operator located in the United States that was fined \$47 million by the US government in 2013 for failing to report suspicious transactions in its casinos. The corporation was accused of allowing affluent Chinese gamblers to send significant quantities of money to the United States while failing to properly disclose such transactions to anti-money laundering authorities.

The US Department of Justice and the Financial Crimes Enforcement Network investigated the case, which resulted in the largest-ever punishment for a casino operator. The case emphasized the significance of effective anti-money laundering systems in the gambling industry, which resulted in enhanced regulatory supervision and enforcement in the United States and other jurisdictions.

#### The Flaws in Both Cases

The problems that led both to the Dore Entertainment criminal case and the Las Vegas Sands Corporation case were mostly due to the companies' lack of internal controls and monitoring. Due diligence was lacking when it came to confirming the source of cash and doing sufficient risk assessments. Additionally, there were deficiencies in their reporting processes, making it easy to hinder the detection and reporting of potential money laundering activities. Furthermore, there were flaws in the company's anti-money laundering rules and processes, allowing illicit funds to flow undetected through its activities. These vulnerabilities eventually aided the case's money laundering operations.

## MAJOR COUNTRIES AND ORGANIZATIONS INVOLVED

### Macau

Macau is a Chinese special administrative area and the world's largest gambling center. Because of its vast and mostly uncontrolled gambling business, the area has been designated a key location for money laundering. Macau has been the site of many high-profile money-laundering incidents in recent years, including a high-profile

case involving Dore Entertainment in which a junket operator was suspected of laundering \$1.3 billion<sup>14</sup> via the territory's casinos.

### Singapore

Singapore is a Southeast Asian city-state with a huge and diversified gambling sector. Because of its role as a major financial hub and its closeness to other high-risk jurisdictions in the area, the nation has been designated a high-risk jurisdiction for money laundering. Singapore has strengthened its anti-money laundering policy, including the development of a casino regulatory framework and a specific anti-money laundering agency.

### The United States of America (USA)

The United States has a huge and diversified gambling business, which includes casinos, racetracks, and lotteries. Because of the massive sums of money that pass through the business, the country has been designated as a prominent destination for money laundering. To prevent money laundering in the gaming industry, the United States has established a number of regulations, including the Bank Secrecy Act, which requires casinos to disclose certain transactions to the Financial Crimes Enforcement Network.

### The United Kingdom (UK)

The United Kingdom is a prominent gambling market with a diverse range of gambling products, including casinos, betting businesses, and internet gambling sites. Because of its extensive and diversified betting sector and status as a major financial hub, the nation has been designated as a high-risk jurisdiction for money laundering. The United Kingdom has put in place a number of steps to prevent money laundering in the gaming industry, including the formation of an online gambling regulatory framework and a dedicated gambling commission.

### The Philippines

The Philippines is a Southeast Asian country with a substantial and expanding gambling sector. Because of its huge and mostly unregulated betting sector, as well as its closeness to other high-risk countries in the area, the nation has been classified as a high-risk jurisdiction for money laundering. In recent years, the Philippines has been the site of many high-profile money-laundering cases, including one in which \$81 million was stolen from Bangladesh's central bank<sup>15</sup> and laundered through the country's casinos. The Philippines has made moves to tighten its anti-money laundering framework, including the implementation of new casino legislation which introduces stricter regulations and enforcement measures as well as the development

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<sup>14</sup> *Macau Remains a Money Laundering Hotbed - FTI Consulting*, [www.fticonsulting.com/~media/Files/apac-files/insights/articles/macau-remains-a-money-laundering-hotbed.pdf](http://www.fticonsulting.com/~media/Files/apac-files/insights/articles/macau-remains-a-money-laundering-hotbed.pdf)

<sup>15</sup> Mollman, Steve. "Casinos in the Philippines Are a Great Place to Launder Money." *Quartz*, 31 Mar. 2016, [www.qz.com/651383/casinos-in-the-philippines-are-a-great-place-to-launder-money](http://www.qz.com/651383/casinos-in-the-philippines-are-a-great-place-to-launder-money)

of new financial institutions to create a safer and more responsible gambling environment.

### Financial Action Task Force (FATF)

The FATF is a multilateral organization founded in 1989 to combat money laundering and terrorism funding. The organization creates and promotes worldwide standards for anti-money laundering and counter-terrorist financing (AML/CFT), as well as assesses nations' AML/CFT regimes to guarantee compliance with these standards. Additionally, in an effort to stop money laundering in the gaming industry, the Financial Action Task Force (FATF) has created worldwide standards and guidelines which support nations in creating strong legal frameworks that stop money laundering in the gambling sector. FATF carries out assessments of member nations' adherence to these guidelines and offers recommendations to strengthen their efforts to combat money laundering. The FATF has 39 member nations and collaborates closely with other international organizations such as the United Nations and the World Bank to encourage AML/CFT implementation throughout the world.

### Egmont Group of Financial Intelligence Units

The Egmont Group, which was established in 1995, is a global network of financial intelligence units (FIUs) that collaborate to combat money laundering and other financial crimes. Within the gaming industry, they have played a vital role in fostering global collaboration among financial intelligence units (FIUs) to combat money laundering endeavors. The Egmont Group enables FIUs to efficiently identify and stop illegal financial activities in the gambling sector by exchanging best practices, training materials, and information. Their combined efforts have reinforced international initiatives to prevent money laundering and protect the integrity of the gaming industry.

### International Association of Gaming Regulators (IAGR)

The International Association of Gaming Regulators (IAGR) was founded in 1993 and has become a prominent global organization in the gaming regulation field. The IAGR is a non-profit organization that brings together global authorities in charge of monitoring the gambling industry. The association promotes best practices in gambling regulation and serves as a venue for regulators to share information and work together on industry-related issues. The IAGR is especially concerned with issues of responsible gambling, anti-money laundering, and the use of technology in the casino industry. Through its conferences, publications and networking opportunities the IAGR plays a critical role in ensuring the integrity and fairness of the global gambling sector.

## International Police (INTERPOL)

Interpol is an international police agency that works to enhance worldwide security by promoting collaboration between law enforcement agencies from various nations. It aids in the fight against transnational crimes such as drug trafficking, organized crime, terrorism, and cybercrime. Interpol is critical to combating money laundering in the gaming industry. They coordinate worldwide law enforcement activities by sharing intelligence and undertaking joint operations. Interpol assists in the identification and dismantling of transnational criminal networks engaged in money laundering through gaming. They offer training and assistance to member countries, strengthening their ability to successfully address this issue.

## TIMELINE OF EVENTS

DATE	DESCRIPTION OF EVENT
7 September 1923	Interpol is established.
16 July 1989	The Financial Action Task Force is created <sup>16</sup> .
8 November 1990	The Vienna Convention 1988 comes into force <sup>17</sup> .
1990	The International Association of Gaming Regulators (IAGR) is established.
1995	The Egmont Group of Financial Intelligence Units is created.
15 November 2000	The UN Convention against Transnational Organized Crime is adopted.
7 April 2005	Warsaw Convention 2005 takes place <sup>18</sup> .
2013	The Las Vegas Sands Corporation is fined <sup>19</sup> .
2012-2016	Dore Entertainment is suspected of money laundering <sup>20</sup> .
20 May 2015	The Fourth Anti-Money Laundering Directive (AMLD4) comes into force.

<sup>16</sup> Home, [www.fatf-gafi.org/en/the-fatf/history-of-the-fatf.html#:~:text=The%20Financial%20Action%20Task%20Force,G7%20Summit%20in%20July%201989](http://www.fatf-gafi.org/en/the-fatf/history-of-the-fatf.html#:~:text=The%20Financial%20Action%20Task%20Force,G7%20Summit%20in%20July%201989)

<sup>17</sup> *United Nations Convention Against Illicit Traffic in Narcotic Drugs And ...*, [www.unodc.org/pdf/convention\\_1988\\_en.pdf](http://www.unodc.org/pdf/convention_1988_en.pdf)

<sup>18</sup> *CETS 198 - Council of Europe*, [www.rm.coe.int/168008371f](http://www.rm.coe.int/168008371f)

<sup>19</sup> "Vegas Sands Probes Potential Money-Laundering Breaches at Singapore Casino." *South China Morning Post*, 29 Mar. 2021, [www.scmp.com/news/asia/southeast-asia/article/3127431/las-vegas-sands-probes-potential-money-laundering-breaches](http://www.scmp.com/news/asia/southeast-asia/article/3127431/las-vegas-sands-probes-potential-money-laundering-breaches)

<sup>20</sup> "Wynn Macau Says Facing Lawsuits over Dore Junket Case." *GGRAsia*, 19 Aug. 2016, [www.ggrasia.com/wynn-macau-says-facing-lawsuits-over-dore-junket-case/](http://www.ggrasia.com/wynn-macau-says-facing-lawsuits-over-dore-junket-case/)

10 January 2020	The Fifth Anti-Money Laundering Directive (AMLD5) comes into force <sup>21</sup> .
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## PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

### European Union (EU) Past Actions

The European Union (EU) has taken a number of steps to tackle money laundering in the gambling sector. They have put in place a number of directives and rules and perform risk assessments on a regular basis in order to boost anti-money laundering efforts across all EU member states. The Fourth and Fifth Anti-Money Laundering Directives, for example, establish instructions for detecting and combating money laundering in several areas, including gambling. The Directive requires Know Your Customer (KYC) and Enhanced Due Diligence (EDD) measures to be implemented. The EU also encourages member states to cooperate and share information in order to improve the efficiency of anti-money laundering operations in the gaming industry.

#### The Fourth Anti-Money Laundering Directive (AMLD4)

The Fourth Anti-Money Laundering Directive (AMLD4) strengthened anti-money laundering procedures in the European Union by introducing many major clauses. Among these regulations include enhanced risk assessments, customer due diligence procedures, and the creation of consolidated registries for beneficial ownership information. AMLD4 also stressed the need for collaboration and information sharing among member nations, as well as tougher consequences for noncompliance.

#### The Fifth Anti-Money Laundering Directive (AMLD5)

The Fifth Anti-Money Laundering Directive (AMLD5)'s key elements include broadening the scope of anti-money laundering legislation to encompass virtual currencies, prepaid cards, and art dealers. AMLD5 further tightens customer due diligence obligations, implements tighter standards for high-risk nations, and expands the capabilities of financial intelligence units. Furthermore, by establishing centralized records of beneficial ownership information, it encourages more transparency.

The EU's initiatives, including the Fourth and Fifth Anti-Money Laundering Directives, have both benefits and drawbacks. Positively, these activities reinforce anti-money laundering regulations, broaden their application to incorporate new fields like virtual

<sup>21</sup> "The 5 Main Changes Made by the 5th AML Directive (5AMLD)." *Laven Partners - Appointed Representative & Fund Management Services*, [www.lavenpartners.com/thought-leadership/5-main-changes-made-5th-amld/#:~:text=The%20Fifth%20Anti%20Money%20Laundering,into%20force%20back%20in%202017](http://www.lavenpartners.com/thought-leadership/5-main-changes-made-5th-amld/#:~:text=The%20Fifth%20Anti%20Money%20Laundering,into%20force%20back%20in%202017)

currencies, and increase transparency by using centralized registries. They also boost member state collaboration, which can increase the efficiency of anti-money laundering initiatives. The cost of compliance for organizations and the requirement for continual adaptation to keep up with new money laundering strategies are, however, two possible downsides. Continuous review and monitoring of their effects in preventing money laundering in the casino industry are necessary to determine their overall efficacy.

### UN Past Actions and Resolutions

Several United Nations (UN) resolutions address the problem of money laundering in the gambling sector. The UN Convention against Transnational Organized Crime, which was enacted in 2000<sup>22</sup>, is one such resolution. This agreement includes provisions on money laundering prevention and calls on governments to implement steps to prevent and combat money laundering connected to organized crime.

Another pertinent UN resolution is the International Convention for the Suppression of Terrorist Financing, which was passed in 1999. This convention calls on nations to take steps to combat terrorist financing, including the prohibition of money laundering.

In addition to these treaties, the Financial Action Task Force (FATF), as mentioned before, is a G7 intergovernmental body aimed at combating money laundering and terrorist financing and has published a number of anti-money laundering and counter-terrorist financing recommendations. These suggestions, largely regarded as an international standard, establish a framework for governments to take steps to prevent and identify money laundering in the gambling industry.

There have been advantages and disadvantages to the UN's previous measures and resolutions on money laundering in the gambling sector. Positively, more attention has been paid to the problem and international collaboration in the fight against money laundering as a result of these measures and decisions. Additionally, they have stressed the significance of responsibility, transparency, and ethical gaming. There are still certain obstacles to overcome, such as the requirement for standard enforcement and implementation in many nations. All things considered, the UN's initiatives have aided in the development of a worldwide framework and conversation on money laundering in the gaming industry.

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<sup>22</sup> "United Nations Convention against Transnational Organized Crime." *United Nations : Office on Drugs and Crime*, [www.unodc.org/unodc/en/organized-crime/intro/UNTOC.html](http://www.unodc.org/unodc/en/organized-crime/intro/UNTOC.html)



## POSSIBLE SOLUTIONS

### Strict Checking

#### Robust KYC Procedures

Operators of gambling companies should put strict Know Your Customer (KYC) practices in place. Customers' identity documents, such as passports or driver's licenses, must be gathered and verified in this process.

#### Advanced Transaction Monitoring Systems

Advanced transaction monitoring systems should be enforced with government regulation so as to evaluate financial activities in real-time gambling companies. These systems can indicate questionable tendencies, such as recurrently making sizable deposits or withdrawals, for further analysis using algorithms and machine learning.

#### Reporting Requirements

Operators need to set up clear reporting guidelines for any suspicious transactions and activity. This entails immediately informing the appropriate authorities, such as financial intelligence units or regulatory agencies, of such instances. Potential money laundering activities can, then, be looked into and quickly handled.

#### Enhanced Due Diligence

Gambling operators can perform extra due diligence on high-risk clients, such as those who often make large transactions or gamble a lot. This entails doing more comprehensive background checks, closely observing their actions, and putting additional systems in place to guarantee compliance with anti-money laundering laws.

### Enhancing Regulations in the E-Gambling and Crypto casinos

By concentrating on a few main areas, we can improve e-gambling regulations. The first way to guarantee that only respectable and accountable businesses are permitted to operate is to impose stringent licensing criteria for online gaming operators. The second way to stop underage gambling is to enforce age verification procedures. Third-party harm connected to gambling may be avoided by putting in place strict player protection measures including betting limits and resources for responsible gaming. In conclusion, cooperation with global institutions such as the IAGR and Interpol can help to promote coordination and information exchange in the fight against illicit online gaming.

## Artificial Intelligence Assistance

Artificial intelligence (AI) has the potential to play a critical role in combating money laundering in the gambling sector. AI can scan enormous volumes of data to uncover patterns and anomalies linked to money laundering operations by employing powerful algorithms and machine learning techniques. Artificial intelligence-powered systems can monitor financial transactions in real time and indicate any questionable activity for further inquiry. However, regulatory checks will be conducted by experts so as to ensure that no mistakes concerning funds are made. These systems may also learn and adapt to new money laundering strategies on a constant basis, increasing their efficacy over time. By implementing AI into the gambling regulatory framework, we may improve the identification and prevention of money laundering, resulting in a safer and more secure environment.

## Enhancing Cooperation Between Law Enforcement Agencies

The establishment of joint task forces, the sharing of information on suspicious activity, and frequent meetings to discuss tactics and best practices are all ways that law enforcement organizations may improve their collaboration in the effort to combat money laundering in the gaming sector. Implementing technology and data-sharing platforms can also increase collaborative efforts by facilitating real-time information exchange. The expertise and abilities of law enforcement professionals in spotting and looking into money laundering in the casino business may also be improved via the organization of training programs and seminars.

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