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## UK to Implement Fourth Money Laundering Directive Presenting an Opportunity for the Gaming Sector to Provide Input

The current EU Money Laundering and Terrorist Financing (ML/TF) measures are contained in the Third Money Laundering Directive (3MLD). 3MLD was implemented into UK law by the Money Laundering Regulations 2007, the Proceeds of Crime Act 2002, and the Terrorism Act 2000. These Regulations promote a proportionate risk-based approach that requires relevant businesses and individuals to identify and assess their money laundering risks and to put in place their own systems and controls.

The Fourth Money Laundering Directive (4MLD), published in June 2015, will give effect to the Financial Action Task Force's updated ML/TF standards. 4MLD places new requirements on relevant businesses and changes some of the obligations under 3MLD. All EU Member States have two years to implement the Directive into national law. Despite the [Brexit vote](#), the UK remains a full EU Member State for the time being, and must continue to negotiate and implement EU legislation until its exit agreement is finalised.

In September 2016, the UK government issued a consultation on the transposition of 4MLD (the **Consultation**). The purpose of the Consultation is to set out the government's proposals on how best to implement 4MLD into UK law and identify any outstanding issues. In particular, the Consultation poses specific questions to industry sectors affected by 4MLD, including businesses active in the gaming sector.

To date, only casinos have needed to comply with the 3MLD requirements. 4MLD has a much wider scope than 3MLD. In addition to casinos, 4MLD covers other gaming providers such as betting services, remote gaming providers (including online), adult gaming centres (amusement arcades), bingo, and lotteries as well as public houses and clubs which offer gaming machines. The Consultation asks the industry to provide its views on the advantages of increasing the coverage of the ML/TF measures to this broader range of activities. It also raises the issue of how practical it will be for different types of providers to comply with the obligations given the characteristics of the services they offer.

Under 4MLD, it is possible to exempt whole segments of the gaming industry, or to partially exclude certain activities, from compliance with the ML/TF requirements. The Consultation indicates that the government is willing to exempt certain gaming providers from the impact of 4MLD to the extent that they pose a proven low ML/TF risk due to the nature and scale of their operations. Alongside its own risk assessment process, the government is looking for evidence from the sector on the level of risk posed by different segments and activities in the gaming industry. This will inform the eventual exemption criteria and approach adopted in the implementing legislation. For those businesses that believe themselves to be low-risk, this is an opportunity to make that case.

Gaming providers who do not benefit from the exemption will need to apply customer due diligence (**CDD**):

- > When establishing a business relationship;
- > On collection of winnings or the wagering stake, or both, when any transaction amounts to £1,672 (€2000) or more;
- > When there is suspicion of ML/TF regardless of any derogation, exemption, or threshold; and
- > When there are doubts as to the accuracy of past CDD.

One of the questions posed for the sector relates to the timing of the CDD requirements in the context of 'large' transactions (*i.e.*, individual or linked transactions with a value over £1,672). The Consultation asks whether the requirement should be triggered when the wager is made, on the collection of winnings, on both occasions, or whichever is the latter. Respondents are asked to note their preference and provide the reasons behind it. Views are also sought on what should constitute a linked transaction for these purposes.

The CDD process will involve identifying and verifying customers' identities and, in the case of corporate customers, the identities of their beneficial owners. It will also involve obtaining information on the purpose and nature of the business relationship and engaging in ongoing monitoring. Gaming providers will have some flexibility to determine how in-depth their CDD should be using a risk-based approach.

To inform the government's understanding of what might be proportionate, and the general impact of 4MLD on the gaming sector, it has asked respondents to give an indication of the transitional costs involved in implementing the 4MLD measures and the ongoing cost of complying with CDD measures, as well as the cost of staff training. For any businesses concerned that 4MLD will introduce a disproportionate burden, this is an opportunity to convey that to the decision makers.

The Consultation is running until 10 November 2016. In addition to the questions specific to the gaming sector, respondents can provide opinions on the general issues raised in the Consultation.

This *GT Alert* was prepared by **Lisa Navarro** in Greenberg Traurig's London office. Questions about this information can be directed to:

- > [Lisa Navarro](mailto:navarrol@gtlaw.com) | +44 (0) 203 349 8757 | [navarrol@gtlaw.com](mailto:navarrol@gtlaw.com)
- > [Martha Sabol](mailto:sabolm@gtlaw.com) | +1 312.476.5114 | [sabolm@gtlaw.com](mailto:sabolm@gtlaw.com)
- > [Mark Clayton](mailto:claytonm@gtlaw.com) | +1 702.599.8006 | [claytonm@gtlaw.com](mailto:claytonm@gtlaw.com)
- > Or your [Greenberg Traurig](#) attorney

*For more information:*  
Greenberg Traurig, LLP  
The Shard, Level 8  
32 London Bridge Street  
London, SE1 9SG  
United Kingdom  
T +44 (0) 203 349 8700  
F +44 (0) 207 900 3632  
[www.gtlaw.com](http://www.gtlaw.com)

<b>Albany</b> +1 518.689.1400	<b>Delaware</b> +1 302.661.7000	<b>New York</b> +1 212.801.9200	<b>Silicon Valley</b> +1 650.328.8500
<b>Amsterdam</b> +31 20 301 7300	<b>Denver</b> +1 303.572.6500	<b>Northern Virginia</b> +1 703.749.1300	<b>Tallahassee</b> +1 850.222.6891
<b>Atlanta</b> +1 678.553.2100	<b>Fort Lauderdale</b> +1 954.765.0500	<b>Orange County</b> +1 949.732.6500	<b>Tampa</b> +1 813.318.5700
<b>Austin</b> +1 512.320.7200	<b>Houston</b> +1 713.374.3500	<b>Orlando</b> +1 407.420.1000	<b>Tel Aviv<sup>^</sup></b> +03.636.6000
<b>Berlin<sup>-</sup></b> +49 (0) 30 700 171 100	<b>Las Vegas</b> +1 702.792.3773	<b>Philadelphia</b> +1 215.988.7800	<b>Tokyo<sup>⌘</sup></b> +81 (0)3 4510 2200
<b>Berlin-GT Restructuring<sup>-</sup></b> +49 (0) 30 700 171 100	<b>London<sup>*</sup></b> +44 (0)203 349 8700	<b>Phoenix</b> +1 602.445.8000	<b>Warsaw<sup>~</sup></b> +48 22 690 6100
<b>Boca Raton</b> +1 561.955.7600	<b>Los Angeles</b> +1 310.586.7700	<b>Sacramento</b> +1 916.442.1111	<b>Washington, D.C.</b> +1 202.331.3100
<b>Boston</b> +1 617.310.6000	<b>Mexico City<sup>+</sup></b> +52 55 5029.0000	<b>San Francisco</b> +1 415.655.1300	<b>Westchester County</b> +1 914.286.2900
<b>Chicago</b> +1 312.456.8400	<b>Miami</b> +1 305.579.0500	<b>Seoul<sup>∞</sup></b> +82 (0) 2.369.1000	<b>West Palm Beach</b> +1 561.650.7900
<b>Dallas</b> +1 214.665.3600	<b>New Jersey</b> +1 973.360.7900	<b>Shanghai</b> +86 (0) 21.6391.6633	

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