GamblingCompliance

Casino AML Compliance Continues To Evolve

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Casinos should pay close attention to new federal requirements for banks to apply closer scrutiny to their customers, as anti-money laundering (AML) compliance challenges continue to evolve, a senior executive with PwC said on Thursday.

Vas Chrisos, a principal with PwC's financial crimes unit, said in the past year alone there have been various instances of AML regulatory regimes worldwide focusing more on the gaming industry.

Chrisos said the biggest news has been the Financial Crimes Enforcement Network (FinCEN) of the U.S. Department of Treasury finalizing its Customer Due Diligence (CDD) rule, which comes into effect on July 11, but compliance is not mandatory until May 11, 2018.

FinCEN's CDD rule requires financial institutions like banks to conduct risk-based due diligence to identify the beneficial owners of businesses with which they transact.

FinCEN's new rule also calls for customer identification and verification, understanding the nature and purpose of customer relationships to develop a customer risk profile, ongoing monitoring for reporting suspicious transactions, and, on a risk-basis, maintaining and updating customer information.

"This rule technically does not apply to casinos ... [but] this type of rulemaking at some point may very well be extended to casinos or companies covered under the Bank Secrecy Act (BSA), Title 31," Chrisos said Thursday at IAGA's International Gaming Summit in New York City.

Chrisos advised casinos to have some procedures in place to be prepared if this rule starts to affect the industry.

Besides FinCEN's CDD rule, other major developments for AML compliance in the global gaming industry were the Bangladeshi bank heist in the Philippines in February 2016, the Macau proxy betting ban in May 2016, the release of the American Gaming Association's (AGA) update to its Best Practices report in January and recent legislation to extend AML reporting obligations to casinos in the Philippines.

The Bangladesh cyberattack involved hacking into and stealing money from the Bangladesh central bank account at the U.S. Federal Reserve. Chrisos said those responsible for the attack stole $81m and most of that cash went through casinos in the Philippines.

That cyberattack has led the Philippines to strengthen its AML laws for casinos.

The Philippine Congress on Tuesday approved an amendment to a money laundering law to cover gambling businesses, such as casinos.

The measure requires any casino transactions worth $100,500 or more to be reported to an anti-money laundering agency, a notably higher threshold than that applied to casinos in Europe, the U.S. or Macau.

The Philippines has emerged as the third largest gambling hub in Asia, after Macau and Singapore, Chrisos noted.

Other panelists at the IAGA conference underlined the increasing importance of AML compliance in the gaming industry.

"Ultimately AML compliance is really a focus of your policy, your resources and your tone," said Stephen Martino, chief compliance officer with MGM Resorts International in Las Vegas.

MGM has ten casinos on the Las Vegas Strip and five properties in four regional states, with one in downtown Springfield, Massachusetts, scheduled to open next year.

Martino said prior to the new focus by FinCEN and scrutiny on the industry, all of MGM's compliance was done at the property level until about 2013 when efforts were made to consolidate compliance operations in one office in Las Vegas.

"We now have a compliance department that in 2012 was three people ... its now consolidated with a staff of 65," Martino said.

Martino also said MGM has benefited from new FinCEN guidance issued earlier this year allowing the sharing of information on SAR (suspicious activity reports) filings.

"Previously, a property could not inform another property that a SAR had been filed," Martino said. "For a company like MGM that has as many properties as it has, it was very confounding to us that Bellagio couldn't tell Aria or MGM Grand that it had filed a SAR on the same customer."

Martino said that MGM is still not allowed to share SAR information with third parties, so Bellagio can inform MGM Grand but not Caesars Palace.

"There are still a few restrictions out there, but it has really benefited us," Martino said of the new FinCEN sharing rule.

Martino and Chrisos were joined on the IAGA panel by Jessica Weisman, a special agent with the FBI's office in Atlantic City.

Weisman told attendees that there are several red flags the FBI looks at when it comes to casino transactions, including large cash deposits, minimal play, and then cash withdrawals.

The other red flag, Weisman said, is so-called structuring, or the practice of frequent buy in and cash out just under the federal reporting thresholds of $10,000.

Carl Fornaris, moderator of the panel and co-chair of the financial practice group at Greenberg Traurig, suggested to Weisman that there was a lingering industry perception that CTRs (currency transaction reports), and in some cases SARs, are just paperwork sent to the government that nine out of ten times are never looked at.

Fornaris asked Weisman from an FBI standpoint what happens to those documents.

Weisman reiterated that FBI agents get alerted right away to the filings and that they are used evidence in their cases.

She said there is not a typical type of offender in casino money laundering cases.

In Weisman's 19 years with the FBI, a launderer can be a CEO that is stealing money or involved in securities fraud, gang members laundering drug proceeds or a political corruption case with bribes moving through a casino.

"So, I don't think there is a typical offender, you just need to be alert for those red flags of structuring, large cash buy ins and minimal play, and people going from casino to casino, to casino," she said.

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