

Public statement

Casino 36 Public statement

Published:

11 July 2019

1. [Licence Condition 12.1.1\(1\), 12.1.1\(2\) and 12.1.1\(3\)](#) (/licensees-and-businesses/lccp/condition/12-1-1-anti-money-laundering-prevention-of-money-laundering-and-terrorist). Anti Money laundering and terrorist financing
2. Anti-money laundering- Casino: failure to act in accordance with the Commission's guidance on anti-money laundering - ordinary code provision 2.1.1.
3. Customer Interaction: policies and procedures for customer interaction – breach of [Social Responsibility Code 3.4.1](#) (/licensees-and-businesses/lccp/condition/3-4-1-customer-interaction).
4. Self Exclusion – breach of [Social Responsibility Code 3.5.1](#) (/licensees-and-businesses/lccp/condition/3-5-1-non-remote-and-trading-rooms-sr-code).

On 8 October 2018 the Gambling Commission (the Commission) gave Casino 36 Limited (the Licensee) notice we were commencing a review of its operating licence under section 116(2) of the Gambling Act 2005 (the Act) because:

- we had reason to suspect activities may have been carried on in purported reliance on the licence but not in accordance with a condition of the licence (section 116(2)(a));
- we suspected the Licensee may be unsuitable to carry on the licensed activities (section 116(2)(c)(i))

Casino 36 Executive summary

This case concerns Casino 36 which holds a Combined operating licence for a Non-remote Casino authorising it to operate as a Casino; to provide facilities for playing bingo, to provide facilities for betting other than pool betting; and also an Ancillary remote operating licence for the same purpose.

The Gambling Commission has found, and Casino 36 accept, it breached Licence Conditions 12.1.1(1), 12.1.1(2) and 12.1.1(3) concerning Anti-money laundering and failed to ensure adequate customer Enhanced Due Diligence (EDD), Source of Funds (SOF) and Source of Wealth (SOW) had been conducted.

Casino 36 also accept it failed to ensure sufficient customer interaction was taking place when customers were potentially displaying signs of problem gambling, contrary to Social Responsibility code provision 3.4.1(1).

Casino 36 accept that there had previously been confusion with regards to its self-exclusion policy and implementation of that policy, but this issue had been resolved prior to the commencement of the review.

We also found, and Casino 36 accepts, it failed to act in accordance with our guidance on anti-money laundering, [The Prevention of Money Laundering and Combating the Financing of Terrorism - Guidance for remote and non-remote casinos](#) ([/guidance/the-prevention-of-money-laundering-and-combating-the-financing-of-terrorism](#)).

In line with our [Statement of principles for licensing and regulation](#) ([/policy/statement-of-principles-for-licensing-and-regulation](#)), Casino 36 has concluded a regulatory settlement with us, meaning they will pay the sum of £300,000, which includes a £152,259 payment in lieu of a financial penalty and divestment of £147,741 of monies received. The licensee will be directing the money in accordance with our Statement of Principles for determining financial penalties to appropriate third parties. A breakdown of the regulatory settlement, including additional licence conditions, is set out in the Regulatory Settlement Section .

Casino 36 Findings

Our investigation uncovered failings in respect of Casino 36's social responsibility and AML controls which affected a significant number of customers across its casinos.

During the relevant period from 10 November 2017 to 8 October 2018, 33 customers were allowed to gamble significant sums of money in Casino 36 without adequate EDD, SOF and SOW checks being conducted. The sums received by the Casino from these customers amounted to £147,741.

Further failings included not identifying and interacting with customers showing signs of problem gambling.

Casino 36 Response from Casino 36

Casino 36 acknowledge certain policies in force at the relevant time were ineffective. It had already evolved those policies, and that process remains ongoing.

Casino 36 recognises there have been considerable learnings from these cases and has invested in improving its AML and responsible gambling processes. Casino 36 states it is also committed to working with the industry to raise standards, particularly in relation to safer gambling.

Casino 36 Good practice

We consider this case provides valuable learning for operators. They should consider the following questions:

- Do you have policies and procedures in place to identify customers who may be experiencing or at risk of developing problems with their gambling?
- Do you have systems in place to identify potential problem gamblers? Do these include appropriate trigger points for when the usual pattern of gambling becomes unusual (these should not be just financial)? How do you protect new customers (where a pattern of play cannot yet be established)?
- Are your staff sufficiently trained to spot problem gamblers and know how to report concerns? Are there clear procedures once a concern has been raised?
- Do you know your customer (KYC)? Are you gaining a holistic picture of the customer's source of funds, particularly in relation to VIP customers?
- Are you critically assessing assurances you receive as to source of funds?
- Have you ensured you have clear, up-to-date, and fit for purpose AML policies and procedures available to all who require guidance?
- Have you ensured your policies and procedures have been informed by our guidance on AML? Have you taken into account the Commission's Money Laundering and terrorist financing risk assessment?

For further guidance on good practice read our [Enforcement report \(opens in new tab\)](http://www.gamblingcommission.gov.uk/PDF/Raising-standards-for-consumers-enforcement-report.pdf) (<http://www.gamblingcommission.gov.uk/PDF/Raising-standards-for-consumers-enforcement-report.pdf>).

Casino 36 Regulatory settlement

The settlement agreement consists of:

- £147,741 divestment of monies received
- £152,259 payment in lieu of a financial penalty, which we would otherwise impose for breaches of a licence condition/social responsibility code in accordance with our [Statement of principles for determining financial penalties \(opens in new tab\)](https://www.gamblingcommission.gov.uk/PDF/statement-of-principles-for-determining-financial-penalties.pdf) (<https://www.gamblingcommission.gov.uk/PDF/statement-of-principles-for-determining-financial-penalties.pdf>). The licensee will be directing the money in accordance with our Statement of Principles for determining financial penalties to appropriate third parties.
- Payment of £18,648 towards our investigative costs.
- Additional specific conditions have been placed on the operating licence which state the following:

The Licensee must:

- Compile and put into effect a regular training needs analysis of all staff and provide training dependent on the role of individual staff members within three months from the date of the acceptance of this condition. Thereafter, the Senior Director and Compliance personal management licence holder must

conduct an annual training need analysis for all staff and act upon findings and be able to present findings to the Commission on request.

- Ensure all personal management licence holders (PML) and those staff in key positions (as defined in the LCCP) undertake outsourced anti-money laundering training. All such staff must undertake outsourced refresher training within three months from the date of the acceptance of this condition and annually thereafter.

The Licensee must:

- Maintain enhanced due diligence (EDD) on its top 250 customers across the group within its customer profiling system. This will consist of the top 125 customers by drop and 125 customers by loss. This is to be conducted within six months from the date of the acceptance of this condition and conducted thereafter every 12 months. The findings of the review should be presented to the board and acted upon. Records are to be maintained and presented to the Commission when requested.
- Maintain an independent chairperson to the Licensee's Compliance Committee to independently assess its internal controls and systems on at least an annual basis.

The Licensee also agreed to instruct external auditors to carry out an independent audit of the current top 100 customers, within six months. The external auditors and the terms of reference must be agreed with the Commission before appointment. The review must include a full review of the current top 100 customers of the client base and ensure full compliance in respect of EDD, SOF and SOW. A summary of the review and subsequent action plan, with timescales, to implement any recommendations must be reported to the Commission within one month of the audit being completed.

Casino 36 Conclusion Casino 36

Our investigation found, and Casino 36 accepts, there were weaknesses in its AML policies and procedures and its responsible gambling policies and procedures, which meant there were breaches of the licence condition and SR codes.

In determining the appropriate outcome, we took the following factors into account:

1. The seriousness of the breaches.
2. The Licensee accepted there were serious failings in their policies and procedures for AML and SR.
3. There was a lack of detailed customer interactions, which failed to protect vulnerable customers.
4. The impact on the licensing objectives from AML and SR failings was self-evident and serious.

5. There had been continued engagement with the Commission over a prolonged period namely during 2016, 2017 and then 2018, following which a review was commenced. The Commission was concerned the repeated guidance provided to the Licensee was either ignored or the Licensee failed to effectively implement the guidance provided. However, there had not been any previous formal enforcement action against the licensee.
6. The duration of the breaches. The breaches pre-dated the engagement with the Commission in November 2017.
7. The Licensee failed to take notice of similar failings by other licensees which were publicised by the Commission.
8. Breaches by the Licensee continued to occur for a period despite senior management becoming aware of them on 12 February 2018. The Licensee accepted there was a clear lack of governance and oversight of the compliance function. The Commission accepted that although there was involvement of middle and senior management, there was no intention to breach licence conditions.
9. The Licensee stated there had been several failed attempts to remedy the breach before the licence review commenced. Also, a number of key actions had already been implemented/planned prior to notification of the review.
10. The scale of the breach. The Commission found the breach was replicated across the Licensee's entire estate, where there was a lack of cohesion regarding their policies and procedures, poor levels of communications with no control sheets or mandatory obligations for policies and procedures to be updated.
11. The Commission found that although the operator had some controls in place, they were inadequate, outdated and failed to take account of current Commission guidance.
12. The level of potential financial gain from the breach. A review conducted by the Licensee showed the GGY of the 33 customers for whom there was inadequate EDD, SOF or SOW amounted to in excess of £147,000
13. The extent of the impact to customers and the public
14. The need to encourage compliance amongst other operators
15. The Commission considered there was now a willingness by the Licensee to ensure appropriate and effective policies are in place and being implemented, although this had only now been adopted after several engagements by the Commission, following a prolonged period of time.
16. The Licensee has been co-operative during the review process, and the Licensee did accept responsibility for the breaches during an initial meeting with the Commission.

In forming a view on the suitability of the proposed payment in lieu of financial penalty:

- the Commission noted the proposal enabled the case to be settled early

- the Commission did not consider any further adjustment to a financial penalty would have been necessary, either as an additional deterrent uplift, or to ensure the total financial liability was reasonable.

NEWS

New licence conditions for casino with money laundering and social responsibility failures

Published: 11 July 2019

Read the news story (</news/article/new-licence-conditions-for-casino-with-money-laundering-and-social>)