

GAMBLING COMMISSION

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Areas for development in anti-money laundering and social responsibility controls

Aspers UK Holdings Limited

Summary

Following a police investigation relating to an individual customer, the Commission became aware of potential weaknesses in anti-money laundering and social responsibility controls put in place by Aspers UK Holdings Limited group ("Aspers") at one of its casino premises. As a result, Aspers has undertaken an extensive review of its anti-money laundering and other relevant controls. Aspers has agreed that the lessons it has learnt from dealing with this matter should be shared with the industry more widely. The Commission does not doubt the overall commitment of Aspers' management to combating both money laundering and problem gambling. Indeed, the fact that Aspers have invested significantly in these areas would suggest that even the most rigorous of operators is likely to find points of learning to be drawn from Aspers' experiences.

The lessons relate to the following:

- Ensuring the appropriate and effective management of regulatory risk within the commercial environment
- ensuring that information sources are appropriate and effective in identifying regulatory risk eg money laundering and potential problem gambling and are acted upon

Introduction

Towards the end of 2012, as a result of a police investigation into alleged serious offences by an individual who has since been convicted, the Commission's attention was drawn to potential weaknesses in anti-money laundering and social responsibility controls in relation to a number of online and land-based gambling operators in different sectors, including Aspers. For the avoidance of doubt, the Commission does not believe the individual is connected to any operator other than as a customer.

Although the Commission's investigations into issues arising from this case are continuing, the Commission has now concluded its discussions with Aspers. Aspers has co-operated fully with the Commission and has conducted itself with candour and diligence during its discussions with the Commission.

Aspers is keen to ensure that the lessons learnt by Aspers in dealing with this matter are made available to the gambling industry more widely.

Summary of circumstances

In brief, the circumstances relate to an individual, subsequently convicted of serious offences, whose only legitimate source of income now appears to be state benefits. The individual was able to spend comparatively large sums – more than one million pounds – with a number of operators in different sectors. In Aspers' case, the amount spent exceeded one hundred thousand pounds, incurring gambling losses running into tens of thousands over an extended period in a casino run by Aspers. Aspers had recognised the significance of the customer from

a commercial perspective. However, insufficient personal background investigations were undertaken by Aspers, although there were opportunities to do so.

This is a cause of concern for two main reasons:

- All licensed gambling operators are required to uphold the first licensing objective, which is to prevent gambling from being a source of crime or disorder, being associated with crime or disorder, or being used to support crime. In addition, all gambling operators have specific duties under the Proceeds of Crime Act 2002 and in the case of casinos further specific requirements are set out in the Money Laundering Regulations 2007. In these cases the procedures put in place by the operator were not sufficiently effective to deliver their obligations fully.
- All gambling operators are required to further the third licensing objective, which is to protect children and other vulnerable people from being harmed or exploited by gambling. In these cases, the individual concerned spent, over an extended period, considerably more on their gambling than they could reasonably have been expected to afford, and this was accompanied by suggestions of behaviour that have indicated problem gambling. Efforts made by the operator to determine whether the individual's gambling might be problematic were not sufficient.

From its engagement with the operator, it is clear to the Commission that senior management have regarded the circumstances – which were not predicted or expected – with extreme seriousness. The Commission is confident that significant and urgent steps have been and are being taken by Aspers to address the potential weaknesses. The Commission and Aspers agree that some of the potential weaknesses identified are likely to be shared by many other gambling businesses. Indeed, given the investment that Aspers has made in these areas and its efforts to put itself at the forefront of the industry, it is a helpful reminder that even the most committed operators may find their systems less effective in practice than had been expected. We therefore wish to draw the following learning points to the attention of all gambling businesses:

1. Ensuring appropriate and effective management of regulatory risk within the commercial environment

Aspers had procedures in place to identify high value customers. These systems were geared, understandably, to delivering commercial objectives. Information about the individual's spend was used by the operator primarily to determine the value of the individual to the business. High value customers received benefits as part of a loyalty membership scheme. Unfortunately there was insufficient use made of the loyalty programme to monitor regulatory risk associated with the business relationship with this individual.

Arguably, if Aspers had applied the rigour of their commercial management systems to the regulatory risks involved, the shortcomings would have been identified sooner, allowing earlier and more effective intervention. In the event, the operator did not ask the right questions at the right time.

Aspers acknowledges that commercial and business information could and should have been considered for anti-money laundering and social responsibility purposes when transacting with the individual. Aspers is taking urgent steps to remedy the shortcomings and improve arrangements for the on-going monitoring of customers with whom a business relationship has been established.

The Commission urges all operators to ensure that they review their own arrangements in the light of these lessons.

2. Ensuring that information sources are appropriate and effective, and are acted upon

Aspers did not use an appropriate range of information sources effectively to identify the risks to which it was subsequently seen to have been exposed.

The information sources that were routinely used by Aspers were more suited to carrying out checks on players with a national or international profile (for example politically exposed

persons). Those sources were inherently unsuitable for the provision of the kind of local information that might have helped it intervene earlier.

The Commission encourages operators across the industry to satisfy themselves that the sources of information commonly employed to carry out due diligence checks are suitable to mitigate the full range of risks to which they might be exposed.

Next steps

Aspers has co-operated fully. Aspers has been commendably open and candid and has made, and continues to make, serious efforts to address the vulnerabilities that have been identified within its organisation. Aspers also recognised immediately the importance of drawing these matters to the attention of the industry more widely and agreed very early in the course of the Commission's investigations that the detail set out in this statement should be made available. As a result, the Commission does not propose to take formal regulatory action.

Aspers acknowledges that had the improvements it has now implemented been in place previously, it is likely that it would not have made financial gain from the individual's custom. Aspers plans to put beyond doubt any question that it has gained financially from the weaknesses that have been exposed by these events. Aspers has already made a payment to an appropriate charity and a payment proportionate to defray the Gambling Commission's costs in the total sum of £40,000.

Matthew Hill, Director Regulatory Risk and Analysis, Gambling Commission, said:

"These events demonstrate the need for Boards, however committed, to ensure their controls on money laundering and problem gambling are effective on the ground.

These cases, and others like them, suggest that there are industry-wide vulnerabilities that need to be tackled as a priority.

The Commission is grateful for the assistance of Durham constabulary and the full cooperation of Aspers UK Holdings Limited in this case"

Notes to editors

1. The Gambling Commission (the Commission) regulates gambling in the public interest alongside its co-regulators local licensing authorities. It does so by keeping crime out of gambling, by ensuring gambling is conducted fairly and openly, and by protecting children and vulnerable people from being harmed or exploited by gambling. The Commission also provides independent advice to government on gambling.
2. The Commission and licensing authorities are responsible for licensing and regulating all gambling in Great Britain other than the National Lottery and spread betting, which are the responsibility of the National Lottery Commission and the Financial Services Authority (FSA) respectively.
3. See the terms & conditions section of our website for information on [legal advice](#).

Further information

Further information is available from the Commission's website at: www.gamblingcommission.gov.uk
John Travers on 0121 230 6700 or 07852 124624 or communications@gamblingcommission.gov.uk

Keeping gambling fair and safe for all