Public statement – May 2019

Bestbet Limited (trading as Bestcasino)

Following a section 116 review that commenced on 16 February 2018, the Commission determined that Bestbet Limited failed to comply with the following conditions attached to its operating licence:

- Anti-money laundering – breaches of:
    - Licence condition 12.1.1(1) - Licensees must conduct an assessment of the risks of their business being used for money laundering and terrorist financing.
    - Licence condition 12.1.1(2) and 12.1.1(3) – Having regard to the risk assessment, licensees must have appropriate policies, procedures and controls to prevent money laundering and terrorist financing, and such policies, procedures and controls are implemented effectively, kept under review and revised appropriately.
    - Licence condition 12.1.2 – Anti-money laundering measures for operators based in foreign jurisdictions requiring compliance with Money Laundering Regulations 2007 (superseded in 2017).

- Customer interaction – Failure to comply with Social Responsibility Code Provision (SRCP) 3.4.1. Compliance with a SRCP is a condition of the operating licence by virtue of section 82(1) of the Gambling Act 2005 (the Act).

- Customer interaction – Failed to take into account Ordinary Code Provision 3.4.2.2. Operators should keep a record of customer interactions, and where an interaction has been decided against, the reasons for this.

Operators are expected to consider the issues here and review their own practices to identify and implement improvements in respect of the management of customers.

Executive summary

The Gambling Commission (the Commission) undertook an investigation which identified weaknesses in Bestbet Limited's (Bestbet) anti-money laundering (AML) and social responsibility procedures and controls.

On 16 February 2018, the Commission gave notice to Bestbet that we were commenced a review of its operating licence. We commenced a review under section 116(2) of the Gambling Act 2005 (the Act) because we:
- had reason to suspect that the activities may have been carried on in in purported reliance on the licence but not in accordance with a condition of the licence (section 116(2)(a) of the Act) and,
- suspected that the Licensee may be unsuitable to carry on the licensed activities (section 116(2)(c)(i) of the Act).

The licence review followed a compliance assessment that identified weaknesses in Bestbet's AML and social responsibility controls.

Bestbet acknowledged its shortcomings and accepts that it failed to act in accordance with the Licence Conditions and Codes of Practice (LCCP), the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the 2017 Regulations) and our guidance on money laundering and terrorist financing.

In line with our [Statement of principles for licensing and regulation](#), Bestbet will pay a financial penalty of £230,972. A breakdown of the penalty is set out below.

Findings

1. Breaches of licence condition 12.1.1(1) (Anti-money laundering) – Licensees must conduct an assessment of the risks of their business being used for money laundering and terrorist financing

Licence condition 12.1.1(1) requires operators to conduct an assessment of the risks of their business being used for money laundering and terrorist financing. Such risk assessment must be appropriate and must be reviewed as necessary in the light of any changes of circumstances, including the introduction of new products or technology, new methods of payment by customers, changes in the customer demographic, or any other material changes, and in any event reviewed at least annually.

The compliance assessment found that the Licensee did not have a formal money laundering and terrorist financing risk assessment in place. The Licensee failed to conduct an assessment of the risks of its business being used for money laundering and terrorist financing as required by licence condition 12.1.1(1) and contrary to the requirements of Regulation 18 of the 2017 Regulations.

2. Breaches of licence condition 12.1.1(2) and 12.1.1(3) – Licensees must have appropriate policies, procedures and controls to prevent money laundering and terrorist financing, and such policies, procedures and controls must be implemented effectively, kept under review and revised appropriately

At the time of the assessment, we found that Bestbet had failed to establish and maintain appropriate risk-sensitive policies, procedures and controls relating to the management of its customers (including monitoring and management of compliance with such policies and procedures) to prevent money laundering and terrorist financing, as required by licence conditions 12.1.1(2), 12.1.1(3) and contrary to Regulation 19 of the 2017 Regulations.

We found Bestbet:
- did not have the required policies and procedures in place, as they were still being drafted and awaiting sign off, and
- was unable to evidence that it had appropriate policies, procedures and controls to prevent money laundering due to a risk assessment not being in place to identify the actual risk.
- Bestbet acknowledged that improvements to its policies, procedures and controls are required to adopt a risk-based approach and will take steps to remedy the issues and implement new policies, procedures and controls. Following the compliance assessment, Bestbet has pro-actively put remedial provisions in place to mitigate the risk to the licensing objectives.

3. Breaches of licence condition 12.1.2(1) – Anti-money laundering measures for operators based in foreign jurisdictions

Bestbet was required to put in place and implement the measures described in Parts 2 and 3 of the Money Laundering Regulations 2007 (superseded by the 2017 Regulations) insofar as they relate to casinos.

The Commission found that Bestbet failed:

- to take appropriate measures to ensure that relevant employees received training in the law relating to money laundering, contrary to Regulation 24 of the 2017 Regulations.
- to consistently apply enhanced due diligence and enhanced ongoing monitoring on a risk-sensitive basis, contrary to Regulations 28 and 33 of the 2017 Regulations.
- to have an appropriate money laundering and terrorist financing risk assessment in place in accordance with Regulation 19 of the 2017 Regulations.

4. Failure to comply with Social Responsibility Code Provision 3.4.1 – Customer Interaction. Compliance with a social responsibility code provision is a condition of the operating licence by virtue of section 82(1) of the Act

Licensees must put into effect policies and procedures for customer interaction when they have concerns that a customer's behaviour may indicate problem gambling. SRCP 3.4.1(1)(e) requires specific provision for making use of all relevant sources of information to ensure effective decision making, and to guide and deliver effective customer interaction, including in particular:

(i) provision to identify at risk customers who may not be displaying obvious signs of, or overt behaviour associated with, problem gambling; this should be by reference to indicators such as time or money spent.

(ii) specific provision in relation to customer designated by the Licensee as 'high value', 'VIP' or equivalent.

We found Bestbet in breach of SRCP 3.4.1(1)(e) as:
- minimal customer interaction had been undertaken on its customers since becoming licensed by the Commission.
- it had not undertaken customer interaction in a timely manner.
- it had failed to take into consideration previously issued Commission guidance and the LCCP.
- at the time of the compliance assessment, it did communicate with its players, but this was often only done at withdrawal stage.

Useful guidance

How to comply with your anti-money laundering responsibilities
Social responsibility

Penalty package

The penalty package consists of:
a) A warning under section 117(1)(a) of the Act in respect of the breaches set out above.
b) A financial penalty of £230,972 under section 121 of the Act - which will be paid into the Consolidated Fund.
c) The imposition of additional conditions on Bestbet's' operating licence under section 117(1)(b) of the Act, requiring the Licensee to:
   - appoint an appropriately qualified Money Laundering Reporting Officer (MLRO) who holds a Personal Management Licence (PML), and, in appointing the MLRO, ensure that the individual undertakes annual refresher training in anti-money laundering (AML) and be able to evidence this to the Commission.
   - ensure that all PML holders, senior management and key control staff undertake outsourced AML training. All such staff must undertake outsourced refresher training annually thereafter.
   - review the effectiveness and implementation of its AML and Social Responsibility policies and procedures, and within six months engage external

auditors, whose appointment and terms of reference must be agreed with the Commission to provide additional assurance as to the findings. The Commission requires a summary of the review and subsequent action plan, with timescales and ownership, to implement any recommendations. This must be reported to the Commission within one month of the audit being completed.

d) Payment of £15,000 towards the Commission's costs.

Conclusion

Our investigation found, and Bestbet accepts, that there were weaknesses in its systems relating to how it managed its customers for AML and social responsibility purposes.

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

- There were significant licence condition breaches for a sustained period of time. This impacted the licensing objectives – particularly preventing gambling from being used to support crime, and protecting vulnerable persons from being harmed or exploited by gambling.
- Proactive and timely action taken by Bestbet to address all the issues identified including ceasing to offer its services to customers based in Great Britain.
- Bestbet being open and transparent from the outset of the investigation and fully co-operative throughout.
- A demonstrable insight into the seriousness of the failings.
- The nature of the Licensee, including their financial resources.