

Public statement

# Silverbond Enterprise Limited

## Public statement

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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' accounts.

Following a review of the licence issued to Silverbond Enterprises Limited (Silverbond) t/a Park Lane Club (the Licensee), the Commission found the Licensee:

- breached specific conditions of its licence in relation to ensuring full Enhanced Due Diligence (EDD) on its top 250 depositing customers within its customer profiling system
- failed to comply with anti-money laundering (AML) requirements
- failed to comply with social responsibility (SR) codes of practice.

In line with the Commission's Licensing, compliance and enforcement policy statement, the Indicative sanctions guidance and the Statement of Principles for determining financial penalties, the Commission has decided to:

- impose a financial penalty under section 121 of the Act in the sum of £1.8 million.
- issue a warning under section 117(1)(a) of the Gambling Act 2005 (the Act); and
- impose additional conditions on the Licensee's licence under section 117(1)(b) of the Act.

## Silverbond Enterprise Limited Executive summary

On 26 February 2016 the Commission commenced a review of the licence held by Silverbond Enterprises Limited (Silverbond) t/a Park Lane Club (the Licensee) under section 116 of the [Gambling Act \(opens in new tab\)](http://www.legislation.gov.uk/ukpga/2005/19/contents). This resulted in a decision notice being published and the addition of further licence conditions to address

failings to comply with [Money Laundering \(ML\) Regulations 2007 \(opens in new tab\)](https://www.legislation.gov.uk/ukxi/2007/2157/contents/made) (<https://www.legislation.gov.uk/ukxi/2007/2157/contents/made>).

Following the outcome of this review the Commission conducted inspections with the Licensee on 16 and 17 January 2018 and subsequently on 28 March 2018 at Park Lane Club.

During these visits customers' accounts were chosen at random from the Licensee's top 250 customers and it was discovered a significant number of those customers had not been subject to effective EDD checks. There was a reliance primarily on open source or third-party providers for these customers, which was insufficient to meet EDD requirements.

The Commission found the operator had failed to comply with licence condition 12.1.1. relating to anti-money laundering (AML) and had failed to adhere to their additional licence condition which stated the operator was required to "complete full enhanced due diligence on its top 250 customers within its customer profiling system."

The Commission is aware the Licensee's internal compliance team had correctly identified more EDD should be obtained before allowing players to continue gambling, but casino staff allowed the players to gamble without doing so.

The Commission had serious concerns about the manner in which the Licensee was undertaking its responsibilities regarding AML and social responsibility (SR) code 3.4.1. requirements. Although policies and procedures were in place they were not being adhered to. In addition to failing to perform Enhanced due diligence (EDD) on a number of its top 250 customers, Silverbond also failed to keep detailed records of those customers.

On 3 May 2018 the Gambling Commission gave Silverbond notice it was commencing a review of its operating licence.

The Commission stated, and it was accepted by the Licensee, the operator had:

- breached its additional licence condition in that it failed to complete full EDD on its top 250 customers within its customer profiling system
- breached [licence condition 12](#) (/licensees-and-businesses/lccp/1/12), relating to AML, of the Commission's [Licence conditions and codes of practice](#) (/licensees-and-businesses/lccp/online) (LCCP)
- failed to comply with [social responsibility code 3.4.1.](#) (/licensees-and-businesses/lccp/condition/3-4-1-customer-interaction) of the codes of practice.

## Silverbond Enterprise Limited Findings

### Breaches of additional licence condition

In relation to the additional licence condition the operator was required to complete full enhanced due diligence on its top 250 customers within its customer profiling system. It became apparent that sufficient EDD had not been

completed both the initial inspections in January and March 2018 and from a subsequent review of the current top 250 customers.

Following the commencement of the review an assessment of Silverbond's top 25 depositing customers revealed at least half required EDD checks. Many of these customers were long standing customers of the casino and, in some instances, this was the first time evidence of EDD had been requested or obtained other than information obtained from open source/third party providers.

A report from Silverbond's Compliance Audit, dated October 2017, stated an internal review conducted in June 2017 highlighted "further work was required to achieve a better EDD compliance standard". The Commission found 12 months on from the outcome of the Licensees last review the EDD compliance standard was still inadequate.

## **Breach of Licence Condition 12.1.1 - Requirement to comply with the prevention of money laundering and terrorist financing**

1. Licensees must 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.
2. Following completion of and having regard to the risk assessment, and any review of the assessment, licensees must ensure they have appropriate policies, procedures and controls to prevent money laundering and terrorist financing.
3. Licensees must ensure that such policies, procedures and controls are implemented effectively, kept under review, revised appropriately to ensure they remain effective, and take into account any applicable learning or guidelines published by the Gambling Commission from time to time.

The Commission found that although the Licensee's AML compliance procedure mirrored the Commission's advice it did not provide details as to how the policies and procedures were to be implemented or who was responsible for parts of the process.

Several breaches of the ML regulations were identified which highlighted a failure by the operator to comply with this licence condition. In one example the operator failed to identify a customer as a Politically Exposed Person. This is a basic AML requirement breaches Regulation 35 of the Money Laundering regulations as well as licence condition 12.1.1.3. of the LCCP.

An analysis of customer accounts held by the casino established a number of undated entries made by the Money Laundering Reporting Officer (MLRO) on

customer profiles requesting additional EDD, Source of Funds (SOF) or Source of Wealth (SOW) checks to be conducted. Retaining accurate records is a requirement of the ML regulations.

A review conducted by the Licensee revealed between January 2017 and May 2018, 495 customers activated financial triggers requiring EDD to be completed and in the case of 61 customers no EDD had been completed.

## **Failure to adhere to Social Responsibility Code 3.4.1 - Customer interaction**

This code sets out the expectations in respect of identifying behaviours that may indicate problem gambling. A review of the Licensee's customer accounts showed a record of incidents where customer interactions took place, but the operator failed to recognise the indicators of potential problem gambling.

Examples included:

- a customer displaying violent behaviour which included the threatening of staff and damaging of property.
- a customer asking for his winnings to be transferred to his personal bank account to prevent him playing further
- a customer asking to increase the maximum amount that could be deposited by cheque (cheque cashing facility)

Although interactions took place with the customers, there was insufficient recorded detail or rationale setting out why the interaction had taken place or consideration of whether the customer was suffering gambling related harm.

## **Failure to adhere to Ordinary code provision 2.1.1 - Anti-money laundering**

Operators should act in accordance with the Commission's guidance on anti-money laundering.

The Commission's AML guidance regarding Politically Exposed Person's (PEPs) explains operators are required to:

- have in place appropriate risk management systems and procedures to determine whether a customer is a PEP, or a family member or known close associate of a PEP.
- have approval from its senior management for establishing or continuing a business relationship with a PEP.
- take adequate measures to establish the source of wealth (SOW) and source of funds (SOF) of a PEP.
- conduct enhanced ongoing monitoring of the business relationship with PEPs.

In two separate incidents involving customers from the operator's top 250, the operator had either failed to identify a customer as a PEP or had failed to put an appropriate risk matrix in place for a customer who was a PEP, but was nonetheless deemed by the operator to be low risk.

A failure to identify such a customer over a substantial period of time could and should have been averted if the Commission's guidance had been followed.

## **Silverbond Enterprise Limited Regulatory settlement**

The Commission carefully considered all the available information gathered as part of the licence review, together with the Licensee's offers of a financial settlement. However, the Commission considered the breaches were so serious it was minded not to accept the Licensee's proposals for a regulatory settlement.

The Commission finalised the review as follows:

- Imposition of a £1.8m financial penalty under section 121 of the Act in respect of the Commission's findings of;
- Breach of additional licence condition to maintain top 250 customers in respect of EDD, SOF and SOW
- Breach of Licence condition 12 of the Licence conditions and codes of practice (LCCP) (Prevention of money laundering and terrorist financing)
- Breach of SR Code 3.4.1 - Customer Interaction.
- Issuing of a warning under section 117(1)(a) of the Act in respect of the breaches set out above.
- Imposition of additional licence conditions on the Licensee's operating licence under section 117(1)(b) of the act requiring the Licensee to:
- Have and put into effect a regular training needs analysis of all staff and tailor and provide training dependent on the role of individual staff members on an annual basis.
- Ensure that all personal management licence holders, senior management, and key control staff undertake outsourced anti money laundering training. All such staff must undertake outsourced refresher training annually thereafter. Arrangements to be made within three months.
- Ensure the MLRO must undertake annual refresher training in AML and be able to evidence this to the Commission. Arrangements to be made within three months.
- Maintain full enhanced due diligence (EDD) on its top 250 customers within its customer profiling system. Ensuring periodic reviews are completed to ensure ongoing compliance with EDD, Source of Funds and Source of Wealth.
- Complete and maintain EDD on its top five suppliers.
- Maintain an independent chairperson to the Licensee's Compliance Committee to independently assess its internal controls and systems on at least an annual

basis.

- Ensure that within six months an independent audit of the current top 250 customers is carried out by external auditors. 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 operator's current top 250 customers 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.

The Commission recognises the Licensee co-operated throughout the review process, accepted the failings at the preliminary assessment state, and offered a financial settlement together with a summary of the action it was now taking. This included appointing additional staff to support its current MLRO. The Commission considered the following factors when making the decision to refuse the voluntary settlement and impose a regulatory sanction:

## Aggravating

- The duration of the breach was over 17 months
- The operator failed to take note of Commission statements which highlighted similar breaches at the time of their failings
- Repetition of breaches previously identified to the operator by the Commission, with an additional licence condition imposed which was then not adhered to
- The breach continued after problems were identified with AML following inspections
- The scale of the breaches were such that following a review by the operator 61 customers were found not to have adequate EDD
- The impact on customers was significant and included a failure to identify PEPs or customers at risk of problem gambling.

## Mitigating

- Silverbond has now put in place additional resources concerning AML to support the current MLRO
- Silverbond has taken steps to remedy the breaches and has outlined work it has undertaken
- Silverbond has fully cooperated with the Commission's investigation
- There is no evidence of any attempts to conceal the breaches.

Following on from the review of the operator, the Commission commenced a review of two Personal Management Licence (PML) holders who had been employed by Silverbond. Both PML holders [received a formal warning \(opens in new tab\)](https://www.gamblingcommission.gov.uk/PDF/Regulatory-sanctions-register-new-tab) (https://www.gamblingcommission.gov.uk/PDF/Regulatory-sanctions-register-

[personal-licences.pdf](#)) for the roles they played in the operator's failing, the full details of which are outlined on the sanctions register for personal licence holders.

## Silverbond Enterprise Limited Good practice

Gambling operators should take account of the failings identified in this investigation to ensure industry learning. Operators should consider the following questions:

- Are your policies and procedures for identifying high risk customers for AML and SR effective?
- Have you adequately resourced your AML and SR departments, so your staff are able to put your policies and processes in place for all customers at all times?
- Are you recording all customer interactions, including decisions not to interact with customers, and are these records available for colleagues to refer to when making decisions?
- Are your customers providing documentation to support their level of spend and loss, and not simply giving verbal or email assurances, for example?

### NEWS

#### **£1.8m fine for Silverbond Enterprises**

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[Read the news story \(/news/article/gbp1-8m-fine-for-silverbond-enterprises\)](/news/article/gbp1-8m-fine-for-silverbond-enterprises)