

Supplementary consultation Extending the requirement to assess money laundering risk to non-remote lottery licence holders

Consultation response form

- 1.1** This template is provided for responses to the Gambling Commission's supplementary consultation on *Extending the requirement to assess money laundering risk to non-remote lottery licence holders*. Please use this template if possible.
- 1.2** The templates leaves space for responses to all the questions asked in the consultation.
- 1.3** All responses should be sent by email to consultation@gamblingcommission.gov.uk by **20 June 2016**.

Alternatively, responses can be sent by post to:

Consultation co-ordinator
Gambling Commission
Victoria Square House
Victoria Square
Birmingham B2 4BP

Name:	Sue Whitehouse/Jonathan Pannaman
Organisation:	51 CICs/The Health Lottery ELM Ltd
Email address:	jonathan.pannaman@thlgroup.co.uk sue.whitehouse@healthcics.org

- 1.4** If you are responding on behalf of an organisation, please indicate which type of organisation:

Industry body		Regulatory body	
Government body		Charity	
Local authority		Help group	
Academic institution		Faith group	
Other (please specify)	Community Interest Companies (Society Lotteries) and ELM		

- 1.5** If you are responding as an individual, please indicate your own interest:

Section 2.1 – 2.14 of the consultation:

Extending the requirement to assess money laundering risk to non-remote lottery licence holders

Q1. What are your views on extending the new licence condition on assessing and managing money laundering risk to non-remote lotteries?

In principle we believe that the risks inherent in lotteries are naturally low, owing to the prevalence of low stakes and the poor odds of winning. In addition the time necessary to print out tickets is in itself a control as it is a disincentive for anyone wanting to launder money or fund terrorist activities. In order to be guaranteed a return it would be necessary to “buy out” the lottery and in the larger lotteries such as ours this would be extremely time consuming and not practical. In the smaller lotteries the return, in our view, would not be attractive enough to entice the fraudsters. We are reluctant to support an additional regulatory burden on society lotteries to mitigate what we perceive to be low risk.

However focusing purely on the lotteries sector, we would advise licensees to have appropriate measures in place to monitor unusual / high value transactions and/or restricting the value of purchases at retailers. Both these controls should be considered taking into account the cost/benefit of implementing such a requirement which may result in significant cost of development of software to establish a control to mitigate a low risk scenario. We are a major operator with a significant retailer database and no evidence of money laundering or terrorist funding activity to date for reasons previously stated and controls already in place to restrict the value of purchases. We don't believe it should be a formal regulatory requirement forcing an additional regulatory burden in an already heavy regulated industry. In our view the risk is far greater in the betting shops and casino sectors due to the fast turnaround of cash based transactions.

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- 1.7** Any information or material sent to us and which we record may be subject to the Freedom of Information Act 2000 (FOIA). The Commission's policy on release of information is available on request or by reference to our website at www.gamblingcommission.gov.uk.
- 1.8** The Commission will treat information marked confidential accordingly and will only disclose that information to people outside the Commission where it is necessary to do so in order to carry out the Commission's functions or where the Commission is required by law to disclose the information. As a public authority the Commission must comply with the requirements of FOIA and must consider requests for information made under the Act on a case-by-case basis. Therefore when providing information, if you think that certain information may be exempt from disclosure under FOIA, please annotate the response accordingly so that we may take your comments into account.

- 1.9 All information provided to the Commission will be processed in accordance with the Data Protection Act 1998. However, it may be disclosed to government departments or agencies, local authorities and other bodies when it is necessary to do so in order to carry out the functions of the Commission and where the Commission is legally required to do so.

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Gambling Commission
Victoria Square House
Victoria Square
Birmingham B2 4BP

Name:	Clive Mollett
Organisation:	The Lotteries Council
Email address:	Clive.mollett@121-fundraising.co.uk

- 1.4** If you are responding on behalf of an organisation, please indicate which type of organisation:

Industry body	<input checked="" type="checkbox"/>	Regulatory body	<input type="checkbox"/>
Government body	<input type="checkbox"/>	Charity	<input type="checkbox"/>
Local authority	<input type="checkbox"/>	Help group	<input type="checkbox"/>
Academic institution	<input type="checkbox"/>	Faith group	<input type="checkbox"/>
Other (please specify)	<input type="text"/>		

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Section 2.1 – 2.14 of the consultation:

Extending the requirement to assess money laundering risk to non-remote lottery licence holders

Q1. What are your views on extending the new licence condition on assessing and managing money laundering risk to non-remote lotteries?

In principle we believe that the risks inherent in lotteries are naturally low, owing to the prevalence of low stakes and the poor odds of winning. Whilst it is conceivable that in some formats it might be possible to effect a laundering process by “buying out” a lottery, we believe that the time and labour required to execute this process make it highly implausible and would not justify the cost and practical implications of measures required to frustrate the process.

However there remain some concerns per se in relation to lotteries run under Local Authority registrations, as these are typically poorly controlled by the latter, with little attention being given to control of licensing objectives.

We would counsel licensees to have measures in place to monitor unusual / high value transactions, subject to reasonable cost / risk proportionality and the same to be enshrined in appropriate policies.

Where a licensee deems it appropriate to reverse a transaction (prior to the draw, unless in case of an under-age player), refunded monies should not be made available in a form other than that originally used by the player to make the ticket purchase.

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Alternatively, responses can be sent by post to:
 Consultation co-ordinator
 Gambling Commission
 Victoria Square House
 Victoria Square
 Birmingham B2 4BP

Name:	Elizabeth Speed
Organisation:	Novomatic UK
Email address:	elizabethspeed@luxuryleisure.co.uk

- 1.4** If you are responding on behalf of an organisation, please indicate which type of organisation:

Industry body		Regulatory body	
Government body		Charity	
Local authority		Help group	
Academic institution		Faith group	
Other (please specify)	Integrated Gaming Group		

- 1.5** If you are responding as an individual, please indicate your own interest:

Section 2.1 – 2.14 of the consultation:

Extending the requirement to assess money laundering risk to non-remote lottery licence holders

Q1. What are your views on extending the new licence condition on assessing and managing money laundering risk to non-remote lotteries?

The Commission accepts, at paragraph 2.10 of the consultation, that the non-remote lottery sector has an even lower perceived risk than other gambling sectors.

This supplementary consultation has apparently nonetheless been launched on the basis of unspecified risks, considered by the Commission in a risk assessment that has not yet been published. This less than transparent approach makes it impossible to respond fully and properly to this consultation.

If, despite this difficulty in the consultation process, the Commission proceeds with the proposed extension of the condition to non-remote lotteries, we would submit that, as the Commission accepted in its February 2015 Response on the 2014 Strengthening Social Responsibility consultation, there are some ELMs and society lotteries which operate through the medium of machines to dispense lottery tickets. This must be taken into account, particularly in reviewing any risk assessments that are required as a result of this consultation.

In its response to the 2014 consultation as referred to above, the Commission confirmed its position that, when ticket dispensers are used as described, it expects retailers, such as public houses who commonly site lottery ticket vending machines, to comply with the licence holder's policies and procedures, including those relating to ticket sales limits and customer interaction, it being the responsibility of the licence holder to take all reasonable steps to ensure compliance.

If a condition in relation to AML risk assessment is imposed following this consultation, we trust the Commission's position will reflect this position. If the limitations of these circumstances are not accepted, the viability of such lottery products (and associated charitable funds raised) may be threatened.

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Consultation co-ordinator
Gambling Commission
Victoria Square House
Victoria Square
Birmingham B2 4BP

Name:	Susan Grossey
Organisation:	Thinking about Crime Limited
Email address:	susan@thinkingaboutcrime.com

- 1.4** If you are responding on behalf of an organisation, please indicate which type of organisation:

Industry body		Regulatory body	
Government body		Charity	
Local authority		Help group	
Academic institution		Faith group	
Other (please specify)	Anti-money laundering training consultancy		

- 1.5** If you are responding as an individual, please indicate your own interest:

Section 2.1 – 2.14 of the consultation:

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Q1. What are your views on extending the new licence condition on assessing and managing money laundering risk to non-remote lotteries?

I agree that non-remote lottery licence holders should be included, for the reasons stated in your consultation document – in essence, that, although low risk, they are not “no risk” when it comes to money laundering.

However, my own main concern is two-fold:

1. Criminals are always looking for loopholes, to find non-regulated and therefore naïve industries through which the launder their money, and they will soon sniff out any operator that is not required to do due diligence.
2. If non-remote lottery operators are not covered, and so their staff are not educated about money laundering and AML, this increases their vulnerability at the same time as increasing their attractiveness to launderers, as explained in 1 above.

For these reasons, I think it would be sensible to bring non-remote lottery licence holders into the AML fold.

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Gambling Commission
Victoria Square House
Victoria Square
Birmingham B2 4BP

Name:	Rob Capener
Organisation:	Talarius Ltd
Email address:	Rob.capener@tattsgroup.com

- 1.4** If you are responding on behalf of an organisation, please indicate which type of organisation:

Industry body		Regulatory body	
Government body		Charity	
Local authority		Help group	
Academic institution		Faith group	
Other (please specify)	AGC Operator		

- 1.5** If you are responding as an individual, please indicate your own interest:

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Q1. What are your views on extending the new licence condition on assessing and managing money laundering risk to non-remote lotteries?

It would make total sense for all sectors / operators to be assessing this risk to their business so agree this condition should be extended to capture all gambling operations.

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