

10 - Betting (Non-remote)

Table actions: [Turn tags off](#)

Sector rating

| Sector | Previous overall risk rating | Current overall risk rating |
|----------------------|------------------------------|-----------------------------|
| Betting (Non-remote) | HIGH | HIGH |
| Off-course | HIGH | HIGH |
| On-course | MEDIUM | MEDIUM |

Existing inherent risk rating

There has been an increase in the risk levels for some of the inherent risks for the non-remote betting sector. For further information relating to the inherent risks (including vulnerabilities, consequences and controls), see our previous risk assessments:

- [Money laundering and terrorist financing risk assessment within the British gambling industry: 2019 \(PDF\)](#)
- [Money laundering and terrorist financing risk assessment within the British gambling industry: 2018 \(PDF\)](#)

| Vulnerability | Risk | Previous likelihood of event occurring | Previous impact of event occurring | Current likelihood of event occurring | Current impact of event occurring | Change in risk |
|-------------------------|---|---|---|--|--|-----------------------|
| Operator Control | Operators failing to comply with prevention of money laundering and terrorist financing legislation and guidance (off-course only) | HIGH | HIGH | HIGH | HIGH | No change |
| Operator Control | Operators failing to comply with prevention of money laundering and terrorist financing legislation and guidance (on-course only) | HIGH | HIGH | MEDIUM | MEDIUM | Decrease |
| Operator Control | Lack of effective customer interaction resulting in a failure to prevent/detect ML or TF (off course only) | MEDIUM | HIGH | MEDIUM | HIGH | No change |
| Operator Control | Lack of effective customer interaction resulting in a failure to prevent/detect ML or TF (on course only) | MEDIUM | HIGH | MEDIUM | MEDIUM | Decrease |
| Operator Control | Inadequate/lack of 'know your customer' (KYC) checks resulting in criminals laundering criminal proceeds (off course only) | MEDIUM | HIGH | HIGH | HIGH | Increase |
| Operator Control | Inadequate/lack of 'know your customer' (KYC) checks resulting in criminals laundering criminal proceeds (on course only) | MEDIUM | HIGH | MEDIUM | MEDIUM | Decrease |
| Licensing & Integrity | Betting operations being acquired by organised crime to launder criminal proceeds (off course only) | MEDIUM | HIGH | LOW | HIGH | Decrease |
| Licensing & Integrity | Betting operations being acquired by organised crime to launder criminal proceeds (on course only) | MEDIUM | HIGH | LOW | HIGH | Decrease |
| Licensing & Integrity | Betting employees acting in collusion with organised criminals to launder criminal funds (off course only) | MEDIUM | HIGH | MEDIUM | HIGH | No change |
| Licensing and Integrity | Betting employees acting in collusion with organised criminals to launder criminal funds (on course only) | MEDIUM | HIGH | LOW | MEDIUM | Decrease |
| Customers | Unverified customers laundering proceeds of crime through betting (off-course only) | HIGH | HIGH | HIGH | HIGH | No change |

| Vulnerability | Risk | Previous likelihood of event occurring | Previous impact of event occurring | Current likelihood of event occurring | Current impact of event occurring | Change in risk |
|------------------|--|--|------------------------------------|---------------------------------------|-----------------------------------|----------------|
| Customers | Unverified customers laundering proceeds of crime through betting (on-course only) | HIGH | HIGH | MEDIUM | MEDIUM | Decrease |
| Customers | Accessibility to multiple premises/operators (off-course only) | HIGH | HIGH | HIGH | HIGH | No change |
| Customers | False or stolen identification documentation used to bypass controls to launder criminal funds (off-course only) | MEDIUM | MEDIUM | MEDIUM | MEDIUM | No change |
| Product | Gaming machines used to launder criminal funds (off course only) | HIGH | HIGH | HIGH | HIGH | No change |
| Product | Self Service Betting Terminals and Ticket-in-Ticket Out Machines used to launder criminal funds (off-course only) | HIGH | HIGH | MEDIUM | HIGH | Decrease |
| Means of Payment | Cash Transactions | HIGH | HIGH | HIGH | HIGH | No change |
| Means of Payment | Cashless Transactions | MEDIUM | MEDIUM | MEDIUM | MEDIUM | No change |

Additional inherent risks

Dyed notes

There have been reported instances that betting shops have noticed dyed notes in gaming machines. It is vital that operators remain vigilant in this area. The Commission has recently issued an industry alert to operators to report this to the relevant local police force (through non-emergency contact options) where they have found dyed notes on their premises. At the same time it is a mandatory requirement that operators submit suspicious activity reports (SARs) to the National Crime Agency (NCA) in all cases where they have knowledge or suspicion of money laundering or terrorist financing where dyed bank notes are detected. This has been given an overall 'medium' risk rating.

New emerging risks

‘Closed loop’ system

As discussed earlier in this document, the pandemic has seen an increase in cashless payments. There is the risk of non-remote operators not operating a ‘closed loop’ system i.e., payment to the customer is made on the same card that was used by the customer to deposit funds. This coupled with the increased evidence the Commission is seeing of card fraud or theft means that operators should implement effective policies, procedures and controls involving a ‘closed loop system’. Whilst there is a limit placed on contactless transactions (currently maximum of £45), there is also the risk of ‘smurfing’. This has been given a high risk rating.

Organised Criminal Gangs (OCGs)

There is a risk that Organised Criminal Gangs (OCGs) are using multiple land based betting premises to place bets with funds that have been derived from the proceeds of crime. Operators are reminded to remain vigilant and report any such matters to the police as well as submit suspicious activity reports (SARs) to the UKFIU where there is knowledge or suspicion of Money Laundering (ML) (including criminal spend) or Terrorist Financing (TF). This has been given a medium risk rating.

Unlicensed gambling activities

There is the risk of on-course bookmakers providing gambling facilities that they are not licensed to provide i.e., accepting bets over the phone without having the required ancillary betting licence. Operators are reminded that where the Commission finds evidence of non-licensed activities, we will undertake compliance and enforcement action which might then lead to a review of the licence and possible revocation under s.116 of the Act. This has been given a low risk rating.

Scottish notes

The Commission has become aware of instances in this time-period where betting customers have tried to provide large quantities of Scottish notes to place their bets, which have well established Money Laundering (ML) vulnerabilities. Operators must remain vigilant in identification of customers depositing large quantities of Scottish notes, and if suspicious report their concerns to law enforcement and the UKFIU ²⁴. This has been given a medium risk rating.

Existing emerging risks

‘Bring your own devices’ (BYODs)

There is the technology available for customers to use their own device (for example, mobile phone) to place bets through non-account based play either in off-course or on-course venues. Recent product innovations include cashless apps that can be used on analogue and digital machines. The advantages for customers include ease of play and convenience, however there are associated risks. These include:

1. operators failing to undertake KYC checks on customers
2. transactions not being monitored in real time
3. anonymity: customers could place bets without needing an account or interacting with employees of the operator
4. ‘smurfing’: a common Money Laundering (ML) method where a customer will make numerous low level transactions with the proceeds of crime to avoid suspicion.

The above risks associated with cashless apps further increase where a customer uses multiple land based premises and there is a lack of customer interaction. The Commission currently understands that licensed betting operators are not providing this facility, therefore our below risk rating must be taken account of should operators choose to offer this facility. Due to cashless payments (along with digital payment methods) increasing in popularity and due to continuing innovation in the industry (as well as the drive towards cashless payment due to COVID-19), this has been given a theoretical high risk rating in relation to the betting sector and will be kept under review through this publication.

References

- ²⁴ Large numbers of Scottish notes have been known to be linked to cash seizures in drug investigations.