

## 13 - Arcades

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### Sector rating

Sector	Previous overall risk rating	Current overall risk rating
Adult Gaming Centres	<b>MEDIUM</b>	<b>MEDIUM</b>
Family Entertainment Centres (FECs)	<b>LOW</b>	<b>LOW</b>

### Existing inherent risks

There has been some change in the risk levels for the inherent risks for the arcade 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 \(PDF\)](#)

<b>Vulnerability</b>	<b>Risk</b>	<b>Previous likelihood of event occurring</b>	<b>Previous impact of event occurring</b>	<b>Current likelihood of event occurring</b>	<b>Current impact of event occurring</b>	<b>Change in risk</b>
Operator Control	Operators failing to comply with prevention of money laundering and terrorist financing legislation and guidance	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>LOW</b>	<b>MEDIUM</b>	Decrease
Licensing & Integrity	Arcade businesses being acquired by organised crime to launder criminal proceeds ( <b>AGCs only</b> )	<b>LOW</b>	<b>MEDIUM</b>	<b>LOW</b>	<b>MEDIUM</b>	No change
Licensing & Integrity	Arcade businesses being acquired by organised crime to launder criminal proceeds ( <b>FECs only</b> )	<b>LOW</b>	<b>MEDIUM</b>	<b>LOW</b>	<b>LOW</b>	Decrease
Operator Control	Lack of competency of key personnel and licence holders which can then be exploited by criminals seeking to launder the proceeds of crime ( <b>AGCs only</b> )	<b>LOW</b>	<b>MEDIUM</b>	<b>LOW</b>	<b>MEDIUM</b>	No change
Operator Control	Lack of competency of key personnel and licence holders which can then be exploited by criminals seeking to launder the proceeds of crime ( <b>FECs only</b> )	<b>LOW</b>	<b>MEDIUM</b>	<b>LOW</b>	<b>MEDIUM</b>	No change
Customer	Anonymous customers laundering proceeds of crime through gaming machines ( <b>AGCs only</b> )	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>MEDIUM</b>	no change
Customer	Anonymous customers laundering proceeds of crime through gaming machines ( <b>FECs only</b> )	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>LOW</b>	<b>LOW</b>	Decrease
Product	Automated ticket redemption (ATR) machines used to facilitate the laundering of criminally derived funds ( <b>AGCs only</b> )	<b>MEDIUM</b>	<b>LOW</b>	<b>LOW</b>	<b>MEDIUM</b>	Decrease
Product	Gaming machines, category B3 being used to launder criminally derived funds ( <b>AGCs only</b> )	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>MEDIUM</b>	No change
Product	Privacy booths ( <b>AGCs only</b> )	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>MEDIUM</b>	No change
Product	Privacy booths ( <b>FECs only</b> )	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>LOW</b>	Decrease
Means of Payment	Cash transactions	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>LOW</b>	<b>MEDIUM</b>	Decrease

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
Means of Payment	Cashless payments	N/A (no rating provided in previous Risk Assessment)	N/A (no rating provided in previous Risk Assessment)	<b>MEDIUM</b>	<b>MEDIUM</b>	N/A
Means of Payment	Ticket-in-ticket-out (TITO) facilities used to launder funds when used in conjunction with ATR machines ( <b>AGCs only</b> )	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>LOW</b>	<b>MEDIUM</b>	Decrease

## Additional inherent risks

### Dyed notes

As previously mentioned, there have been reported instances where AGCs have noticed dyed bank notes in gaming machines. As well as the importance of reporting any dyed notes found on premises to the relevant local police force, it is also a mandatory requirement to submit Suspicious Activity Reports (SARs) to the UKFIU in all cases where there is knowledge or suspicion of Money Laundering (ML) and Terrorist Financing (TF) in relation to any dyed bank notes detected. This has been given a medium risk rating.

## New emerging risks

### ‘Bring your own devices’ (BYODs)

Recent product innovations in the gambling industry 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 Know Your Customer (KYC) checks on customers
2. transactions not being monitored in real time
3. anonymity: customers could gamble without needing an account or interacting with employees of the operator
4. ‘smurfing’: a common money laundering method where a customer will make numerous low level transactions with illicit monies to avoid suspicion.

The risks associated with cashless apps further increase where a customer uses multiple premises and there is a lack of customer interaction. The Commission sees cashless payments (along with digital payment methods) increasing in popularity due to continuing innovation in the industry, as well as the drive towards cashless payment due to COVID-19. This has been given a medium risk rating in relation to the arcade sector.