

8 - Casinos offering money service businesses (MSBs)

The Regulation's designate the Commission as the supervisory authority for casinos in the UK. While under the Regulations HMRC is the supervisory authority for money service businesses (MSB) activities, the Commission and HMRC have agreed, under Regulation 7(2), that the Commission will act as the supervisory authority for MSB activities carried out by casinos (which includes: foreign exchange, third-party money transmission and third-party cheque cashing).

The Commission found that around 14% of business to customer remote casinos offered some form of MSB activity. In the same period around 79% of non-remote casinos offered some form of MSB activity ¹⁸. Commission-based research found that the following types of MSBs were offered by casinos:

- 33 casinos offered cheque cashing
- 54 casinos offered foreign currency exchange
- 35 offered third party money transfer
- 20 casinos offered all the above three types

Some red flag risk indicators identified with MSB activity were:

- casino operators with weak KYC policies and/or implementation of those policies
- casino operators who demonstrate a lack of curiosity concerning customers' source of funds
- operators with a high turnover of staff, especially those working in Compliance teams, the Money Laundering Reporting Officer (MLRO) and staff of the MLRO's office
- operators with an MLRO who is not a personal management licence holder with the Commission or professionally qualified (MLROs do not have to be PML holders, though we strongly advise this as it allows us to perform criminality, identity, integrity and competency assessments on the individual)
- operators who do not demonstrate a risk based approach to their interactions and checks relating to customers
- customers from high risk jurisdictions using MSBs. Operators must be considering geographical risk in their risk assessments.

Example case study:

Third party payment MSB activity for online casinos might include cases of a spouse's card being used to fund the gambler's account, or the money is paid out from the account to the third party. Clearly there are risks associated with this and we expect operators to have measures in place such as identification and source of fund checks.

The Commission found that some remote casino operators were unable to separate their financial data accurately in relation to MSB activity and other activity in customers' e-wallets. Failing to do so means that operators are not sufficiently assessing, monitoring, and controlling the risks associated with MSB activity.

This highlights the importance of operators adopting a risk-based approach in order to mitigate the potential Money Laundering (ML) and Terrorist Financing (TF) risks associated with MSB activity.

References

18 In the period between 1st January 2018 to 31st December 2018.