

iGaming TIMES

Incorporating Betting Business

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UK remote sector under investigation for laundering negligence



2018 kicked off with an ominous letter from the UK regulator, the Gambling Commission, which according to licensing expert David Clifton is just the beginning of escalating enforcement measures – which “some may find too steep a hill to climb.”

The UK regulator wrote to all UK-facing casino operators in January warning them of an industry-wide ignorance as to what money laundering is, and a persistent neglect of their obligations to detect and report it.

In what the Gambling Commission describes as “just one example” of its resolve, seventeen operators are now being investigated for failing to meet rudimentary requirements – five of whom may now lose their licence.

Operators are required to submit Suspicious Activity Reports to the National Crime Agency (NCA) or equivalent Financial Intelligence Unit, yet many in-house compliance officers “had been unable to provide suitable explanations as to what constitutes money laundering”, said the Commission, and had “no understanding of the main principles” involved in the 2002 Proceeds of Crime Act.

The regulator’s outgoing CEO, Sarah Harrison, emphasised its ongoing commitment to keep crime out of gambling, and warned that this latest investigation “is just one example of how we will be relentless in turning that vision into reality.”

“That is why in addition to our work on compliance among online casino operators, we have also been conducting a wider-ranging review of online gambling looking at how the market has evolved and to identify where further action can be taken.”

For David Clifton, licensing expert at consultancy Clifton Davies, operators should take heed. This is “just the start”, he says, of an inevitable escalation of scrutiny in this and other areas.

“Under no circumstances ignore what is said in the Commission’s letter. If you do, you might as well hand in your licence now.”

LICENSING IN REVIEW

iGAMING TIMES: Only seventeen operators are being investigated. But how significant is this to the wider remote sector?

DAVID CLIFTON: I think this is highly significant. The Gambling Commission’s letter follows a review of just the “first batch of assessments carried out with remote casino operators” and the findings set out within it are “not comprehensive”. I believe this is just the start and that further investigations and licence reviews may yet be commenced. The remote betting sector should not regard itself as immune from similar enforcement action, merely by reason of it falling outside the ambit of the MLR 2017.

iGT: Why has this heightened attention been brought now, and would it be prudent to expect escalating expectations in other areas in the near future?

DC: The Gambling Commission’s patience has run out. Operators should have learned lessons from the numerous public statements arising from AML and social responsibility failings published by the Commission since 2013.

Too many remote operators, including numbers of those who came through the transitional licensing process in 2014, ignored the repeated warnings within those public statements, wrongly believing that their controls would not fall beneath the Commission’s regulatory microscope in the same way that those of larger operators had done.

If I am surprised about anything, it is that it has taken this long for the regulatory hammer to fall and every indication from both the Commission and the CMA is that expectations will escalate even further in the coming months.

iGT: How much of the industry is really prepared, in terms of the human resources or technology needed to satisfy this scrutiny?

DC: Responsible operators have been working hard to improve their AML and social responsibility controls over the last three or four years. I know that because we have been advising a good number of them, including some who have been the subject of previous Gambling Commission investigations.

My fear is that they are still outnumbered by others who have been chancing their arm, and very little excuse can now exist for them to claim now that they were unaware that they needed to do more.

Some may find it too steep a hill to climb to reach the required standards and may look to surrender their operating licences. Given the seriousness of the failings identified in the Commission's letter, I think it likely that we could well now see both operating and personal management licence revocations for these types of breaches.

iGT: How much of this is being driven by the CEO herself, and might we expect the commission to take a different approach with a new head?

DC: Although Sarah Harrison has made it clear that the protection of the consumer is at the heart of gambling regulation throughout her time at the Gambling Commission, regulatory action such as this was taking place before her appointment and will continue after she has departed at the end of February. It is evident from the Commission's recently published three year strategy that all gambling operators must expect more of the same in the future.

iGT: What would be your advice to operators?

DC: Under no circumstances ignore what is said in the Commission's letter. If you do, you might as well hand in your licence now. These are not new requirements you are being asked to comply with. You should have been complying with them for some considerable time. If you are in any doubt what to do, seek immediate professional advice from specialists, such as my company.