

Public statement – May 2019

InTouch Games Limited

Following a section 116 review that commenced on 16 April 2018, the Commission determined that InTouch Games Limited failed to comply with the following conditions attached to its operating licence:

- Anti-money laundering – breaches of:
 - Licence condition 12.1.1(1) - Licensees must conduct an assessment of the risks of their business being used for money laundering and terrorist financing.
 - Licence condition 12.1.1(2) and 12.1.1(3) – Having regard to the risk assessment, licensees must have appropriate policies, procedures and controls to prevent money laundering and terrorist financing, and such policies, procedures and controls are implemented effectively, kept under review and revised appropriately.
- Customer Interaction – Failure to comply with Social Responsibility Code Provision (SRCP) 3.4.1. Compliance with a SRCP is a condition of the licence by virtue of section 82(1) of the Gambling Act 2005.

Operators are expected to consider the issues here and review their own practices to identify and implement improvements in respect of the management of their customers.

Executive summary

The Gambling Commission (the Commission) has completed an investigation which identified weaknesses in InTouch Games Limited's (ITG) anti-money laundering and social responsibility controls.

On 16 April 2018 the Commission gave ITG notice that we were commencing a review of its operating licence. We commenced a review under section 116(2) of the Gambling Act 2005 (the Act) because we:

- had reason to suspect that activities may have been carried on in purported reliance on the licence but not in accordance with a condition of the licence (section 116(2)(a) of the Act), and
- suspected that the Licensee may be unsuitable to carry on the licensed activities (section 116(2)(c)(i) of the Act).

The licence review followed a compliance assessment (the Assessment) focussed on the measures that a remote gambling operator should have in place to address the prevention of money laundering and terrorist financing and compliance with related licence conditions. In carrying out the Assessment, Commission officials identified action that needed to be taken in respect of social responsibility code failures.

The identified failings raised significant concerns about the effectiveness of ITG's management and mitigation of risks to the licensing objectives in place at the time of the Assessment (August 2017). ITG acknowledged its shortcomings at an early stage.

In line with our [Statement of principles for licensing and regulation](#), ITG will make a payment of £2,200,000 in lieu of a financial penalty. A breakdown of the regulatory settlement is set out below.

Findings

1. Breaches of licence condition 12.1.1(1) (Anti-money laundering) – Licensees must conduct an assessment of the risks of their business being used for money laundering and terrorist financing

Licence condition 12.1.1(1) came into effect from 31 October 2016 and requires an operator to assess the risks of their business being used for money laundering and terrorist financing. Such risk assessment must be appropriate and must be reviewed as necessary in the light of any changes of circumstances, including the introduction of new products or technology, new methods of payment by customers, changes in the customer demographic, or any other material changes, and in any event reviewed at least annually.

An appropriate risk assessment allows operators to identify risks relevant to their business, including the risks associated with the customers they transact with, and to conduct effective customer due diligence based on this assessment, among other things.

The Licensee acknowledged that, whilst it did have individual policies concerning anti-money laundering (AML) risk in place, it did not, as at the time of the Assessment, have an appropriate AML risk assessment in place.

The Licensee's AML risk assessment and risk analysis indicated:

- An over reliance on deposits via the banking system / absence of cash in the business as reducing the money laundering risk.
- That money laundering risk was considered from an industry-wide perspective, where it placed itself as low risk compared to other remote casinos, rather than an assessment of the risk of money laundering within its own business.
- A degree of complacency in that it was a low risk business, rather than acknowledge that the casino sector is a high risk of money laundering.
- That criminal spend was not considered as a risk in the business.

The Licensee supplied a copy of an updated version of its AML risk assessment where several risk ratings had been modified. However, the rationale for these changes was not evident.

2. Breaches of licence condition 12.1.1(2) and 12.1.1(3) – Licensees must have appropriate policies, procedures and controls to prevent money laundering and terrorist financing, and such policies, procedures and controls must be implemented effectively, kept under review and revised appropriately

We found that ITG failed to establish and maintain appropriate risk-sensitive policies, procedures and controls relating to the management of its customers (including the monitoring and management of compliance with such policies and procedures) to prevent money laundering and terrorist financing, as required by licence conditions 12.1.1.2 and 12.1.1.3, and contrary to the requirements of regulation 19 of the Money Laundering, Terrorist Financing and Transfer of Funds (information on the Payer) Regulations 2017 (the 2017 Regulations).

We found that ITG:

- had inappropriate procedures and controls in place. Neither the Money Laundering Reporting Officer (MLRO), or the Deputy MLRO, were confident in the accuracy of the MLRO report. ITG has since confirmed, following a review, that all Suspicious Activity Reports (SAR) whether internal or submitted, are accurately recorded in the report.

- was not recording the rationale for decisions taken on employee reports to the MLRO (internal SARs). This should occur as an appropriate control in the prevention of money laundering or terrorist financing.
- was unable to demonstrate competency with the SAR reporting regime. ITG agreed that the MLRO was unsuitable for the role, did not have any previous AML or risk management experience and had received only limited internal training with no external training or qualifications.

Following the Assessment, ITG instructed a third party to review its AML processes, including dip sampling of SAR decision making.

The MLRO was removed from the role and a new MLRO and deputy MLRO was appointed. We also found that:

- monitoring was not used to determine risk as required. Information on customer spend was held, but not used to inform AML processes.
- no evidence that high risk customers were being identified, checked and/or monitored, with customer due diligence only being performed to confirm identity.
- source of wealth/source of funds were not considered because the financial trigger to do so was set too high for the business model. As a result, a customer's level of play was not assessed in line with their known wealth.
- when we asked ITG to provide details of the customer about whom most was known, the Licensee only related their stated occupation – there was no proof of income and the customer's word had been taken at face value.
- within the accounts examined, there was no evidence of source of wealth being established over and above open source checks. There was no evidence of interactions with customers requiring them to submit evidence of wealth.
- enhanced customer due diligence financial triggers that were in place were not appropriate when compared to average customer spend and would exclude most players, so did not reduce the risk of money laundering. No player had ever hit the trigger, so no customer had been asked to provide source of wealth. The thresholds were artificially high and even when triggered, no significant checks were conducted, they were very basic and not intrusive – limited open source checks were not supported by requests to customers, and the information was not at a reliable depth to provide assurance. The MLRO did not have input into the levels of these triggers and could not provide a rationale as to why they were set at that level.
- policies, procedures and controls did not take account guidance published by the Commission - *The prevention of money laundering and combating the financing of terrorism – guidance for remote and non-remote casinos* - for example enhanced due diligence, ongoing monitoring, politically exposed persons and SAR reporting.

The Licensee accepts that the financial levels at which some checks were applied were inappropriate, in that they did not capture high-depositing clients, for whom source of funds / wealth checks should have occurred.

Following the initial meeting, the Licensee implemented revised financial triggers. Once these triggers were applied retrospectively to existing players, a number required enhanced due diligence and source of wealth / source of funds enquiries were made. These accounts were either closed or subject to ongoing monitoring.

The Licensee has also implemented a system which analyses information such as deposit amounts, credit card use over multiple accounts and large withdrawals, and then produces reports for the MLRO, VIP or Payment Risk teams to review.

Their job descriptions, as well as Compliances', have been reviewed to include their role in AML and responsible gambling processes within them. ITG has also employed more skilled professionals with significant experience to its AML and Responsible Gambling teams, and has invested heavily in training.

ITG took further steps to remedy the issues by instructing a third-party auditor to conduct a detailed audit of the business in 2018 and conduct further AML focused audits on a quarterly basis.

3. Failure to comply Social Responsibility code provision 3.4.1 – Customer Interaction. Compliance with a social responsibility code is a condition of the operating licence, by virtue of section 82(1) of the Act

Licensees must put into effect policies and procedures for customer interaction when they have concerns that a customer's behaviour may indicate problem gambling. This must include specific provisions in relation to customers designated by the Licensee as 'high value', 'VIP' or equivalent.

Officials found ITG was in breach of SRCP 3.4.1 as there were significant limitations in its ability to proactively identify and mitigate risk. This manifested itself in terms of resource, systems and controls.

ITG did not have a customer interaction policy in place as required between 6 October 2008 until 16 June 2018.

Failings included the Licensee not querying one 'VIP' customer's spending rising from £200 a month to £10,000 a month. This increase in play should have been considered as a behaviour which may warrant an interaction, in accordance with SRCP 3.4.1(b) and (e).

ITG has since invested heavily in developing a Customer Intervention Policy with support from GamCare. A revised Responsible Gambling Policy was also issued in June 2018, to be reviewed annually, and new processes were introduced such as automated flags, which have improved the efficiency of customer interaction.

ITG has also invested heavily in external training for key personnel in the organisation, including the Specialist Certificate in Money Laundering Risk in Betting and Gaming. Further, ITG has become a member of the Remote Gambling Association.

Good practice

We consider that this case provides valuable learning for remote (online) and non-remote gambling operators. They should consider the following questions to address the issues identified in this case:

- Do you conduct appropriate assessments of the risks of money laundering and terrorist financing for your businesses? Do you implement policies, procedures and controls which manage the identified risks effectively?
- Do you have effective measures for customer due diligence, the ongoing monitoring of customers, enhanced customer due diligence and enhanced ongoing monitoring? Are these measures sufficiently risk-focused and include the risk profiling of customers for these purposes?
- Are you adequately evidencing customer interactions?
- Do you have policies and procedures in place which make specific provision for making use of all relevant sources of information where you have concerns that a customer's

behaviour may indicate problem gambling? Are you putting into effect such policies and procedures?

- Are your customer interaction policies and procedures effective? Are you alert to the risk various customers bring? Are commercial considerations overriding customer protections?
- Are you providing your staff with appropriate training to ensure that they are aware of the law relating to money laundering and terrorist financing, and how to recognise and deal with transactions, activities or situations which may be related to money laundering or terrorist financing?

Useful guidance

[How to comply with your anti-money laundering responsibilities](#)

[Social responsibility](#)

Regulatory settlement

The regulatory settlement package in this case consists of:

- a) a payment in lieu of a financial penalty of £2,200,000 which will go to a gambling harm related charity to address the risk of harmful gambling,
- b) an agreement to publication of a statement of facts by the Commission, and
- c) a payment of £14,565 towards the Commission's costs.

ITG has undertaken a review of all of its policies and continue to develop and improve its AML and Responsible Gambling policies, taking into consideration Commission guidance, previous public statements and lessons learned.

ITG has appointed a new MLRO and Deputy MLRO; both of whom have completed and passed the ICA International Advanced Certificate in AML with the MLRO achieving the grade of distinction.

Conclusion

Our investigation found, and ITG accepts, that there were weaknesses in its systems relating to how it managed its customers for AML and social responsibility purposes.

In determining the appropriate outcome, we took the following factors into account:

- There were significant licence condition breaches for a sustained period of time. This impacted the licensing objectives – particularly preventing gambling from being used to support crime, and protecting vulnerable persons from being harmed or exploited by gambling.
- Proactive and timely action taken by ITG to address all the issues identified.
- ITG being open and transparent from the outset of the investigation.
- A demonstrable insight into the seriousness of the failings.
- The nature of the Licensee, including its financial resources.

We consider that this case provides valuable learning for remote operators, who should review the conditions of their licences in light of these matters and take a critical approach to assessing their own policies and procedures.