

Public Statement - June 2019

Gamesys (Gibraltar) Limited trading as jackpotjoy.com

Anti-money laundering – breaches of the Money Laundering regulations of 2007

- Failure to conduct ongoing monitoring of a business relationship, including scrutinising the transactions undertaken by the customer throughout the course of the relationship (Regulation 8);
- Failure to apply on a risk sensitive basis, enhanced due diligence measures (for example by using additional documents data or information to establish the customers; identity and supplementary documents measure to verify or certify the documents supplied) and enhanced ongoing monitoring in any situations which by their nature present higher risk of money laundering (Regulation 14);
- Failure to establish and maintain appropriate risk sensitive policies and procedures (Regulation 20);

Customer interaction – Failure to comply with code of practice – Social Responsibility Code Provision 3.4.1. Compliance with a social responsibility code of practice is a condition of the operating licence by virtue of section 82(1) of the Gambling Act 2005 (the Act).

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

Executive summary

The Gambling Commission (the Commission) undertook an investigation which identified historical weaknesses in Gamesys (Gibraltar) Limited's anti-money laundering and social responsibility procedures and controls.

The investigation focussed on three customers between 2014 to 2016. All three customers had been the subject of police investigations and following these investigations it was established that stolen money had been spent on online gaming with Gamesys.

At the time of the customers' spend the Licensee was required to comply with the 2007 Regulations, insofar as they relate to casinos. On 31 October 2016 the Commission updated the Licensing Conditions and Codes of Practice condition 12.1.1 which requires licensees to put in place safeguards to prevent money laundering and terrorist financing.

The Licensee acknowledged its shortcomings during the period of the customers spend and accepts that it failed to act in accordance with the 2007 Regulations. The Licensee also accepts that it failed to ensure that sufficient customer interaction was taking place when customers were potentially displaying signs of problem gambling, contrary to social responsibility code provision (SRCP) 3.4.1 (1).

In line with our [Statement of principles for licensing and regulation](#), the Licensee will pay a regulatory settlement, which includes a £690,000 payment in lieu of a financial penalty, and a total of £460,472 to the identified victims. A breakdown of the penalty is set out below.

Findings

The Commission's investigation identified historical weakness in Gamesys' AML controls between 2014 and 2016.

1. Ongoing monitoring

The Licensee failed to conduct sufficient ongoing monitoring of its business relationship with the customers, contrary to regulation 8 of the Regulations. For example:

- Gamesys did not adequately scrutinise the customers' transactions (including, where necessary, the source of funds) to ensure that the transactions were consistent with their risk profile and the information that was held on the customers.

2. Enhanced customer due diligence and ongoing monitoring

At the time of the customers' spend the Licensee failed to apply enhanced customer due diligence and enhanced ongoing monitoring on a risk-sensitive basis contrary to regulation 14 of the Regulations. This includes the requirement to apply additional measures to establish and verify the customers' identity and to scrutinise the transactions undertaken by the customer (including source of funds) in situations which, by their nature, present a higher risk of money laundering. For example:

- Due to the remote nature of the business relationship held with the customers, Gamesys should have taken additional steps to establish and verify the customers' identities and scrutinised transactions undertaken by the customers (including source of funds).
- The 2007 Regulations required casino operators to be able to demonstrate that the extent of the ongoing monitoring is appropriate to the risk of money laundering. The Licensee failed to apply enhanced due diligence on a risk sensitive basis.

3. Policies and procedures

The Commission found that the Licensee did not establish and maintain appropriate risk sensitive policies and procedures, contrary to the requirements of regulation 20 of the 2007 Regulations. This is evident from the failures that were identified above.

4. Social Responsibility Code 3.4.1

Licensees must put into effect policies and procedures for customer interaction where they have concerns that customer's behaviour may indicate problem gambling. The Licensee failed to have effective social responsibility interactions with the three customers.

For example, with Customer A effective social responsibility interactions should have occurred on two occasions when:

- Losses increased, alongside increased gameplay session time and becoming a top depositor.
- Losses increased alongside increased gameplay and meeting the daily deposit threshold.

In another example, Customer B indicated to an account manager that the amounts of spend had decreased due to affordability. The Licensee failed to make sufficient interactions and allowed the customer to continue using the account for approximately three months.

Due to Licensee's failing to take prompt effective interaction we consider this is a breach of a condition of its operating licence.

Useful guidance

- [How to comply with your anti-money laundering responsibilities](#)
- [Social responsibility](#)
- [Customer interaction](#)

Regulatory settlement

The regulatory settlement package consists of:

- a) A payment in lieu of a financial penalty of £690,000 which will go to the National Strategy to Reduce Gambling Harms.
- b) A divestment to reimburse identified victims of crime of £460,472.
- c) Payment towards our investigative costs.

Conclusion

Our investigation found, and Gamesys accepts, that there were historical weaknesses in its systems relating to how it managed its customers for anti-money laundering and social responsibility purposes.

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

- There were 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 improvements taken by the Licensee to address the issues identified.
- The Licensee being open and transparent from the outset of the investigation, fully co-operative throughout and actively self-identifying the issues in each of the three cases.
- A demonstrable insight into the seriousness of the failings.
- Self-identification of the issues in each of the three cases.
- The nature of the licensee, including their financial resources.