

Public statement – May 2019

MT SecureTrade Limited (t/a guts.com, rizk.com)

Regulatory settlement

- 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.
 - Licence condition 12.1.2 – Anti-money laundering measures for operators based in foreign jurisdictions requiring compliance with Money Laundering Regulations 2007 (superseded in 2017).
- Customer interaction – Failure to comply with code of practice - Social Responsibility Code 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 Act.
- Key event notification - Breach of licence condition 15.2.1 relating to key event notifications in respect of reporting changes in the holders of management offices.
- Customer interaction – Failure to act in accordance with a code of practice – Ordinary Code 3.4.2. Operators should keep a record of customer interactions, and where an interaction has been ruled out, the reasons for this.

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

Following a compliance assessment, the Gambling Commission identified weaknesses in MT SecureTrade Limited's (MTST) anti-money laundering and social responsibility controls. The assessment (carried out in August 2017) also identified failures relating to requirements around key event notifications.

MTST acknowledged its shortcomings at an early stage and accepted that it failed to act in accordance with the Licence Conditions and Codes of Practice (LCCP), the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer Regulations 2017 (the 2017 Regulations) and our guidance on money laundering and terrorist financing.

In line with our [Statement of principles for licensing and regulation](#), MTST will make payments in lieu of a financial penalty of £700,000. 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 requires operators to conduct an assessment of 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.

The assessment found that MTST did not have a formal money laundering and terrorist financing (MLTF) risk assessment in place. Whilst it is accepted that MTST had carried out risk assessments in March 2017, November 2017 and November 2018, these assessments were not considered sufficient to meet the requirements of licence condition 12.1.1.1 or the 2017 Regulations.

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

At the time of the assessment we found that MTST had failed to establish and maintain appropriate risk-sensitive policies, procedures and controls relating to the management of its customers (including 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, 12.1.1.3 and contrary to Regulation 19 of the 2017 Regulations.

We found MTST:

- only conducted basic checks on all customers, which consisted of a soft credit check and verification of a customer's name and address. This approach to customer due diligence (CDD) is inadequate as it means that the same approach is adopted for all customers irrespective of the level of risk attributed to the customer.
- MTST's AML policies did not sufficiently define situations where enhanced customer due diligence (EDD) and enhanced ongoing monitoring would be required.
- MTST acknowledged that improvement to their policies, procedures and controls was required in order to better cater for a risk-based approach. MTST have taken steps to remedy the issue and have implemented new policies, procedures and controls.

3. Breaches of licence condition 12.1.2.1 – Anti-money laundering measures for operators based in foreign jurisdictions

MTST was required to put in place and implement the measures described in Parts 2 and 3 of the Money Laundering Regulations 2007 (superseded by the 2017 Regulations) insofar as they relate to casinos.

The investigation found that MTST failed to:

- apply EDD and enhanced ongoing monitoring on a risk-sensitive basis, contrary to Regulation 14 of the 2007 Regulations and Regulation 33 of the 2017 Regulations
- take appropriate steps to identify and assess the risks of money laundering and terrorist financing, contrary to Regulation 18 of the 2017 Regulations
- establish and maintain appropriate risk-sensitive policies and procedures, contrary to Regulation 20 of the 2007 Regulations
- apply customer due diligence measures in relation to any transaction that amounted to €2000 or more (Regulation 27(5) and (6) of the 2017 Regulations). MTST's procedures included seven triggers, which it has acknowledged were not sufficiently risk-sensitive. MTST implemented a withdrawal threshold figure of €2,300 for customer

due diligence, based on Maltese rules and regulations, rather than a threshold of €2,000 in deposits or withdrawals

- have in place appropriate risk-management systems and procedures to determine whether a customer is a politically exposed person (PEP) or a family member or known associate of a PEP, as required by Regulation 35 of the 2017 Regulations
- have an appropriate MLTF risk assessment in place in accordance with Regulation 19 of the 2017 Regulations.

4. Failure to comply with Social Responsibility code 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. SR code provision 3.4.1.1.e requires specific provision for making use of all relevant sources of information to ensure effective decision making, and to guide and deliver effective customer interaction, including in particular:

- (i) provision to identify at risk customers who may not be displaying obvious signs of, or overt behaviour associated with, problem gambling; this should be by reference to indicators such as time or money spent.
- (ii) specific provision in relation to customer designated by the Licensee as 'high value', 'VIP' or equivalent.

We found that at the time of the assessment (August 2017) MTST was in breach of 3.4.1.1 by failing to put into effect its own policies and procedures for customer interaction.

For example, Customer A deposited £134,350 over the course of the business relationship with MTST (March 2017 - August 2017) and withdrew £60,683. It was established that despite the fact that MTST's responsible gambling flags had been triggered i.e. cancelled withdrawals, request to increase daily deposit limit, and deposits made with five different credit cards MTST had failed to identify the customer as high risk and obtain source of funds (SOF). MTST has voluntarily agreed to refund this money back to the individual involved.

Customer B deposited £78,155, during a 10-month period, (September 2015 and June 2016) and withdrew £75,960. Due to the customer not reaching the thresholds in place after migration onto MTST's platform, the Licensee had not conducted customer due diligence (CDD) and no customer interactions had taken place. MTST acknowledged that, under the current policies and procedures they now have in place, this player would have been identified, flagged and subject to a customer risk assessment.

Customer C deposited £38,000 across four of MTST's brands. No customer interaction took place and no source of funds or source of wealth was requested. It has been established that this was stolen money and the customer subsequently pleaded guilty to fraud. As part of the Regulatory Settlement, MTST will divest these funds for the benefit of the victims identified whose money was stolen by Customer C and then spent on gambling.

5. Breach of licence condition 15.2.1 – Key event reporting

Licensees must notify the Commission of the appointment of a person to, or a person ceasing to occupy, a 'key position' which includes the person responsible for the Licensee's anti-money laundering procedures, including suspicious activity reporting.

MTST failed to inform the Commission that a person was no longer carrying out the role of the MLRO and that another person had been appointed, in accordance with licence condition 15.2.1.8(c).

Useful guidance

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

Regulatory settlement

The regulatory settlement package consists of:

- a) A payment in lieu of a financial penalty of £592,333 which will go to National Responsible Gambling Strategy project(s) to pay for research and treatment as determined appropriate to address the risk of harmful gambling.
- b) Divestment of:
 - £73,667 to Customer A
 - £34,000 for the benefit of Customer C's victims
- c) The voluntary placing of additional conditions on MTST's' operating licence under section 117(1)(b) of the Act, requiring the licensee to:
 - maintain the appointment of an appropriately qualified Money Laundering Reporting Officer (MLRO) who holds a Personal Management Licence (PML), and, in appointing the MLRO, ensure that the individual undertakes annual refresher training in AML and be able to evidence this to the Commission.
 - ensure that all PML holders, senior management and key control staff undertake outsourced anti-money laundering training. All such staff must undertake outsourced refresher training annually thereafter.
 - continue its review of the effectiveness and implementation of its AML and social responsibility (SR) policies, procedures and controls. In addition, MTST will engage external auditors - whose appointment and terms of reference must be agreed with us - to sample the reviews that have been carried out to provide additional assurance as to the findings.
- d) Agree to the publication of a statement of facts by the Commission
- e) Payment of £15,301 towards our investigative costs.

Conclusion

Our investigation found, and MTST accepts, that there were 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 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 MTST to address all the issues identified
- MTST being open and transparent from the outset of the investigation and fully co-operative throughout
- A demonstrable insight into the seriousness of the failings
- The nature of the licensee, including their financial resources