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Challenges and trends currently facing the gambling industry (and what does the future hold?)

Good morning everyone

I am very aware that my audience this morning is made up of AML experts, so rest assured I am not going to approach this as a tutorial. I strongly suspect that you are all better placed to deliver a tutorial on that subject than I am myself.

I also understand that we have MLRO representatives from the gambling industry and AML specialist lawyers attending, so I will not approach this as if I was teaching my grandmother to suck eggs.

Instead, this will be a personal view on this subject after nearly 40 years of providing legal and regulatory advice to all sectors within the gambling industry.

Back then, when I started working in this field:

- the telephone was still at the cutting edge of information technology,
- it was 6 years before Tim Berners-Lee invented the World Wide Web and
- 13 years before the first money was staked with an online casino.

It's not surprising then that in the 1980s, my work was with exclusively land-based gambling industry clients.

In the mid to late 1990s, it gained a much more international (although some might consider it a more "wild-west") flavour, with the first online operators coming on the scene.

Come the 21st century, in the noughties, it was more a case of witnessing the growth of anti-money laundering/counter terrorist financing regimes worldwide following 9/11, accompanied by the establishment of the first reputable international online gambling jurisdictions.

Then in the last decade – the "twenty tens", if that's the correct label – witnessing:

- increasing sophistication on the part of money launderers,
- a material change in the UK's gambling legislation in late 2014, since which time any online gambling operator targeting the custom of British consumers has required a UK licence, and
- increasing expectations on the part of those enforcing compliance with AML regulations.

To capture in one sentence the changing financial crime related regulatory environment within the UK gambling industry over that period of time, I would suggest that, 40 years ago, KYC was much more a case of *"Is the customer good for the money?"* rather than *"Is the customer's money good?"*

KYC is an acronym that trips very easily off the tongue and has most notably done so ever since the USA's Patriot Act in 2001, but money laundering was most certainly a problem for very many years before then.

In fact, I am reliably informed that the first recorded incident of money laundering happened in China approximately 4,000 years ago when, in what would now be described as tax evasion, merchants would hide their wealth from rulers in order to avoid it being taken from them.

However, as far as I'm aware, it wasn't called "money laundering" in 2000BC. Many attribute the origin of that phrase to the Italian mafia based in the US during the 1920s, when Al Capone and his Chicago Outfit were purchasing laundromats to combine their illegitimate business proceeds with legal profits.

Whether that's correct or not, a decade later, money laundering met casinos head-on when the likes of Meyer Lansky and Bugsy Siegal seized on Las Vegas casino businesses as a "front" to disguise illegally obtained funds.

But that was by no means limited to Vegas or to the 1930s. As those of you who have seen recent films about the Kray twins may know, in the 1960s, Lansky and Philadelphia mobster Angelo Bruni used the American actor George Raft as their 'frontman' for the Colony Sports Club casino in London until Raft was refused re-entry to the UK in February 1967.

Don't get me wrong. By the time (as a newly qualified solicitor) I started to act for UK casino operators in the early 1980s, they were extremely respectable businesses run, in the main, by accountants and strictly regulated by the Gaming Board for Great Britain, the predecessor of the Gambling Commission.

A "fit and proper" test imposed by the Gaming Act 1968 very effectively ensured that criminals were prevented from involvement in running casinos and a "demand test" ensured that the number of casinos in Great Britain was sufficient to meet demand, but no more than that.

As many of you may be aware:

- the UK's first Money Laundering Regulations were brought into force in April 1994, targeted at the financial services sector,
- casinos were first brought within the AML regulatory ambit by the 2003 regulations, and
- the UK's "new" gambling legislation (the Gambling Act 2005) came into force in 2007.

The first of the legislation's three licensing objectives is to *"prevent gambling from being a source of crime or disorder, being associated with crime or disorder, or being used to support crime"*.

That applies:

- in the case of all forms of commercial gambling (i.e. betting, gaming and lotteries) and
- to all UK-licensed gambling operators, as well as gaming machine manufacturers and gambling software providers.

The Proceeds of Crime Act 2002 applies to all gambling operators, but it remains the case that only casinos – both land-based and online (or non-remote and remote, as the Gambling Commission terms them) – fall within the ambit of the Money Laundering Regulations.

That's because up to now, the UK Government has made a policy decision to exempt all gambling service providers other than remote and non-remote casino operators from the requirements of successive Money Laundering Directives.

That's notwithstanding the Gambling Commission's advice to the government that – along with casino operators – the non-remote betting sector and the remote betting and bingo sectors have *"a higher risk relative to other gambling sectors"*.

Some put the exemption of the betting sector down to the lobbying strength of the horseracing industry. Whether that is so or not, how long the exemption will continue to apply is open to question. In my view, it remains a distinct possibility that the betting sector could be brought within the ambit of the regulations at some stage in the future.

The reality is that consolidation within the industry means that the major online operators all provide their customers with both casino and betting facilities, as a result of which the Money Laundering Regulations kick in anyway.

In October 2017, what still remains the most recent National Risk Assessment of Money Laundering and Terrorist Financing assessed the gambling sector as low risk for both money laundering and terrorist financing.

Nevertheless it found that in the case of casinos:

- the large cash payments element,
- the relative lack of familiarity between the casino and its customer,
- the ability to exchange chips between third parties,
- the ability to open a customer account through which funds can be stored or remitted, and
- the ability to use foreign exchange and safety deposit services

continued to expose the sector to the risk of money laundering, including through criminal lifestyle spending.

The money laundering risks in relation to retail betting have been focused on a combination of anonymity and extensive use of cash in the retail betting sector, together with:

- the speed at which funds can be cashed in and out,
- the high level of footfall,
- the ability to deposit and withdraw on different dates and in different locations,
- the international reach of remote operators and
- the ease with which customers can move between operators.

However, the government took comfort from the fact that a combination of strengthened AML requirements for all gambling operators introduced by the Gambling Commission into its Licence Conditions & Codes of Practice in 2016 and increased supervisory action against operators helped to mitigate the identified risks in both the casino and retail betting sectors.

Amongst other things, it also took into account the introduction by the then trade association for land-based casinos of best practice AML and Counter Terrorist Financing guidelines for the land-based casino sector, the working group for which my company had the privilege to be a member.

As a result of that, we were also the principal co-authors of those guidelines which were intended to supplement the Gambling Commission's rather less practical guidance document that runs to nearly 100 pages in length.

What I always regarded as a fundamental consideration within the National Casino Forum guidelines is something for which I cannot claim any credit personally.

Instead that rests with the UK's largest casino group – Grosvenor Casinos (part of the Rank Group) – who came up with what was called the “3 question rule” to be applied by all casino operators when adopting a risk-based approach.

The three questions – to be read in conjunction with each other – are:

1. *Does what I know about this customer justify their level of spend and play?*
2. *Can I justify what I know, or have been told, about this customer is actually true?*
3. *Based on what I know, and the evidence I have to support it, can I justify maintaining a relationship with this customer?*

The NCF Best Practice Guidelines were welcomed by the Gambling Commission who recognised the collaborative efforts of the sector to raise standards in their AML controls, as too were the subsequent AML Good Practice Guidelines for Licensed Betting Offices and Remote Gambling, produced by the Gambling Anti-Money Laundering Group.

That was good news and very much in line with what the Commission had said some ten years earlier in its Annual Report 2007-08 when it talked in terms of working collaboratively with land-based and remote casinos to enable them to achieve compliance with the Money Laundering Regulations 2007.

At that time, the Commission concluded that “*the results of a pilot assessment of compliance with the Commission’s guidance and the regulations were encouraging*”, adding that “*compliance will be assessed and monitored on a nationwide basis by the end of summer 2008.*”

In the time that has passed since 2008, UK gambling operators (and those of us who advise them) have gone through a journey of intense regulatory change.

That has been particularly so in the last seven years, as a result of which my work has become increasingly focused on advising clients who are either facing regulatory enforcement action for AML breaches or (preferably, as far as I am concerned) seeking advice in advance on how to ward off the risk of such action being taken against them.

The most common problems have been encountered in relation to:

1. Firstly, a disconnect between an operator’s money laundering and terrorist financing risk assessment and its AML & CTF policies, procedures & controls. I still have to explain to some operators that the risk assessment must necessarily be the first building block on which the rest of their systems and controls are based.
2. Secondly, inadequate customer risk profiles, record keeping & effective staff training. In my experience, it is smaller gambling operators who have often run into record-keeping problems. Because they have been more likely to talk to each other face to face during the decision-making processes, less – if indeed anything at all in some cases – has been committed to writing in terms of the rationale for those decisions.
3. Thirdly, the perennial issue of EDD failures. I am talking here about:
 - a. establishing Source of Wealth and Source of Funds evidence – although the difference between those two expressions often seems not to be fully understood – and
 - b. an over-reliance on purely financial thresholds and triggers, based on an operator’s commercial considerations rather than the customer’s risk profile.

4. Fourthly and finally, AML failings on the part of gambling operators are almost invariably associated with social responsibility failings (mainly arising from an absence of adequate KYC customer interactions). Some operators have been very slow to appreciate that a money launderer and a problem gambler can often display very similar patterns of behaviour.

Without a shadow of a doubt, in general terms, gambling operators' AML standards have improved greatly over the last seven years but that did not stop the Gambling Commission stating in its Enforcement Report last year:

"Compliance activity and enforcement cases revealed again and again that operators' AML policies, procedures and controls are not fit for purpose This must change, for these are not just regulatory matters but breaches of UK law. Those failing to learn these lessons will face further draconian action."

This year's Enforcement Report has been delayed by the Covid-19 pandemic but is due to be published any day now.

However, I'm afraid to say that, with a record tally of £42,262,000 in financial penalties and voluntary payments by operators for AML and associated social responsibility failings in the year since the last report was published, it is unlikely that the Commission will be any less critical in its comments than it was last year.

Those failings have been by both online operators (most recently in a case involving the tragic suicide of a problem gambler) and land-based operators (as illustrated by the recent £13million financial penalty imposed on a major international casino operator for AML and social responsibility breaches, to which I shall refer in more detail in a few minutes).

As some of you may be aware, these cases, and others before them, in which financial crime and problem gambling have been closely interlinked, have made national media headlines.

In the process, they have plunged the British gambling industry into crisis, with expectations of a massive regulatory clampdown on online gambling (with the potential for the land-based sector to suffer collateral damage too) after the UK government commences its promised review of our gambling legislation later this year.

The industry will go into that with the latest Gambling Commission statistics indicating that:

- only 29% of adults think gambling is fair and can be trusted and
- as many as 43% thinking that gambling is associated with crime.

Let me make it clear that I consider it wholly misleading for anyone to maintain that the UK gambling industry is "associated with crime".

Were that so, both the legislation and the regulator would have totally failed in one of their three principal aims.

The Gambling Commission operates an extremely rigorous licensing process that has successfully prevented infiltration of the industry by criminals. A recent example of this occurred in January this year, when it revoked the licence of an online gambling operator because of its failure to produce to the regulator adequate evidence of the source of funds that had been used to acquire and finance the business in 2017 and 2018.

I firmly believe the Commission to be the most robust supervisor of compliance with AML regulations by gambling operators anywhere in the world.

I suggest this not least because, at the end of 2018, the Financial Action Task Force found:

- a) the UK's anti money laundering and counter terrorist financing regime to be the strongest of over sixty countries it had assessed, and
- b) the Gambling Commission to be the strongest of all of this country's AML and CTF supervisory authorities, describing it as having *"a very strong understanding of risks both at a sector and firm-specific level."*

I think it fair to say that the Commission's drive to uphold the highest standards in AML compliance has been heavily influenced by what has, since 2015, become its core mission to be the consumer's champion.

In suggesting this, I should add that, like those it regulates, the Commission has a duty to pursue not only the crime prevention objective but also the other two statutory licensing objectives, namely:

- ensuring that gambling is conducted in a fair and open way, and
- protecting children and other vulnerable persons from being harmed or exploited by gambling.

Through its regulatory enforcement activity, it accordingly aims to protect consumers and the wider public and to raise standards in the gambling industry.

All holders of B2C gambling operating licences granted by the Gambling Commission are obliged by the Commission's Licence Conditions and Codes of Practice not only to:

- conduct a risk assessment of their respective businesses being used for money laundering and terrorist financing and
- implement effectively policies, procedures and controls to prevent such activities

but also to:

- interact with customers in a way that minimises the risk of customers experiencing harms associated with gambling.

It follows that operators must be able to identify the types of markers and behaviours that could indicate gambling-related harm. As I have already said, a money launderer and a problem gambler can very often display very similar patterns of behaviour.

As a result, time and spend indicators, as well as patterns of play indicators, merit particular scrutiny in both AML and safer gambling respects.

With all of that in mind, and regardless of whether any money laundering has actually taken place, failures by gambling operators to comply with AML-related KYC requirements are invariably linked with failures to conduct effective interactions with customers who are either problem gamblers or at risk of becoming problem gamblers.

One might assume from that comment that problem gambling rates have soared out of control. That is not so. Throughout the last ten years, the rate has remained broadly static at approximately 0.6% of the adult population (currently 0.5%).

Most recently, it was widely anticipated in some quarters that the COVID-19 lockdown would see rates of both online gambling and problem gambling soar.

However, as matters stand (and despite what one reads in certain sections of the media), no real evidence of this has yet arisen, although some problem gambling treatment providers have reported an upsurge in enquiries and requests for assistance during the lockdown.

I'm not suggesting that justification doesn't exist for some of the headlines that may have caught your eye, but – as last August's BBC *Panorama* showed – problem gambling activities featured in its "Addicted to Gambling" programme dated from as long ago as 2014 and 2015.

That was not long after the Gambling Commission first commenced enforcement action highlighting the need for the industry to address shortcomings in relation to both AML and social responsibility controls.

In saying that, I do not seek to excuse all gambling operators. Both they and the Gambling Commission have been on a steep learning curve over the last seven years. The regulator's concern is that some operators appear not to have learned sufficiently quickly from the mistakes made by others. In fact, an increasing number of examples now exist of operators facing a second bout of regulatory enforcement action for the same type of failings and breaches that occurred first around, leading the Commission to maintain that they have not learned from their own previous mistakes.

To provide a bit more flavour to what I am talking about, I will use two examples of enforcement action from this year, which between them have accounted for more than half of that £42million figure I mentioned earlier.

The first involves an online operator well-known to supporters of a Premier League football team who are accustomed to seeing the operator's name emblazoned across the front of their team's shirts.

Earlier this year, the operator was required by the Gambling Commission to pay £11.6million following a series of systemic and repeated social responsibility and AML failings linked to dealings with seven of its high spending customers between November 2014 and March 2019.

In one of those instances, it had failed to carry out source of funds checks on one of its top British customers, who – over a four-year period – had deposited over £8million with the operator.

It initially undertook open source checks intended to establish the customers' source of funds. That didn't work. It was unable to verify the customer's employment. So, to establish his source of funds, reliance was instead placed on information communicated by the customer to the operator's VIP Manager, but without any steps being taken to independently verify that information.

The customer triggered a further 20 financial thresholds and on each occasion his account was referred for review. An employee of the operator confirmed satisfaction with the customer's source of funds on each occasion, but again without requesting any further evidence from the customer to support this.

The operator only requested that the customer provide evidence of his source of funds more than two years after its initial review of the account. At this point, the customer said he was unable to provide the requested information. This should have resulted in the operator locking the customer's account in line with its policy at the time.

Instead, it commissioned an external report to investigate the customer's source of funds and his financial circumstances, leaving the customer able to continue gambling whilst the report was produced.

The external report failed to come up with the goods, so the account was referred to Board members of the operator, who agreed to continue the relationship with the customer even though it still held no verified source of funds evidence.

The customer then triggered a further 33 financial thresholds before the account was closed after the operator was contacted by the police.

The Gambling Commission commenced an investigation and found out that, throughout the duration of the business relationship, the customer had triggered 51 customer interaction thresholds, but the operator had only undertaken 12 interactions.

The investigation revealed that, as a result of its failings, the operator had allowed £5.8million of money to flow through its business that was either found to be (or – in the Commission’s view – could reasonably be suspected to be) proceeds of crime.

The terms of the regulatory settlement accordingly required the operator to divest itself of that sum of money, the majority of which was to go to victims of the crimes. In addition, the operator had to pay a further £5.8million in lieu of a financial penalty, to be directed towards delivering the National Strategy to Reduce Gambling Harms.

Amongst other requirements, the operator also had to undertake (for each of the years 2015 to 2018) a full assessment of:

- its top 25 customers by Gross Gambling Yield (meaning profits from the gambling activity) and
- its top 25 customers by deposit

in order to determine whether any similar failings were evidenced and, if so, to divest the GGY accordingly.

As is usual, the Commission identified a number of good practice questions for all operators to consider. In this case, the questions were:

1. Are your policies and procedures for identifying high risk customers for AML and Social Responsibility effective?
2. Have you adequately resourced your AML and Social Responsibility departments, so your staff are able to put your policies and processes in place for all customers at all times?
3. Are you recording all customer interactions, including decisions not to interact with customers, and are these records available for colleagues to refer to when making decisions?
4. Are your customers providing documentation to support their level of spend and loss, and not simply giving verbal or email assurances?

The second example involved a land-based casino operator that was facing its second round of AML enforcement action in four years.

This time around, the operator agreed a regulatory settlement with the Gambling Commission whereby it agreed to pay a total of £13 million in lieu of a financial penalty – very considerably more than the £845,000 penalty it had incurred over four years before.

In this case, the Commission found the following AML failings had occurred between 2016 and 2018:

1. A failure by the operator to review its money laundering risk assessment at least annually
2. The operator had outdated AML policies and procedures that had not been refreshed since March 2016

3. A failure by key senior management personnel to maintain adequate oversight (coupled with insufficient curiosity on their part) in respect of source of funds and source of wealth used to gamble
4. A disconnect of understanding of responsibilities as between the compliance team and front-line operations staff within casino premises, that led to poor decision-making and delays in reviewing the risks posed by customers
5. Inadequate resourcing of the compliance team responsible for ensuring AML procedures were put into practice, and
6. Inadequate documentation and audit trail to demonstrate decision-making.

Examples of the AML failings included the operator:

1. Not carrying out adequate source of funds checks on a customer who was allowed to drop around £3.5million and lose £1.6million over a period of three months.
2. Not carrying out EDD checks on a consumer who lost £240,000 over a 13-month period.
3. Not obtaining adequate evidence of source of funds:
 - a. firstly, for a PEP who lost £795,000 during a 13-month period, and
 - b. secondly, for a customer who identified as a waitress and was allowed to buy-in £87,000 and lose £15,000 during a 12-month period.

As has often been the case, the Commission's investigation revealed governance failings and the terms of the regulatory settlement included this operator putting in place an improved system of governance.

At the heart of this new governance framework is an independently chaired 'Independent Compliance Committee', that meets monthly (or ad hoc as required) and is empowered to deliver independent governance in respect of all aspects of regulatory compliance.

This is another area of compliance where my company's experience and expertise has been growing fast since 2016 when the Gambling Commission criticised an operator in the following terms:

"We concluded that the identified issues highlighted by this customer indicated wider systemic faults with [the operator's] approach to AML and Social Responsibility at the relevant time The identified failings had a wider reach than the customer's particular case and demonstrated significant weaknesses in [the operator's] corporate AML and Social Responsibility regimes at that time".

The following year, the MLR 2017 came into force with (as you'll be aware) a requirement that *"where appropriate to the size and nature of the business"*, the operator must *"establish an independent audit function to examine, evaluate and make recommendations about the adequacy of its policies, controls and procedures and monitor compliance with them"*.

This raised the obvious question: what does "an independent audit function" mean in the context of the gambling industry? Does it mean:

- a Compliance Committee chaired by a non-executive director or other independent chairperson?
- a check conducted by a larger operator's Internal Audit department or by its Compliance Director?

or

- a completely independent third party?

I raised this question at the time with the Gambling Commission. Its response was that:

“The independent audit function could be an internal or external audit function (or even both), so long as it carries out its work freely and objectively, without influence from management and those responsible for implementing the controls. It’s an assurance and advice function How this function is constituted will be determined by the size and nature of the operator’s business. This need not necessarily involve an independent third party”.

That same year, the Gambling Commission announced a considerable strengthening of its enforcement policy. This was influenced by the fact that, in the Commission’s own words:

“Over time, settlement has become accepted and expected. Its repeated use is not creating sufficient deterrent and so we want operators to be clear that when we are alerted to a breach the full range of enforcement tools will be considered. We proposed that licence reviews should be placed on an equal footing with other enforcement tools. This provides us with a full range of enforcement options, from which we can select the most appropriate”.

A year later, in 2018, the Commission’s Chief Executive issued the following stark warning:

“Anyone in a position of authority needs to be aware that we will not only act against businesses when we take regulatory action – we will also hold individuals to account where they are responsible for an operator’s failings”.

And so it has done. In the last couple of years, we have witnessed increasing numbers of senior management within the industry losing or surrendering their personal management licences and leaving the industry for good.

We await the first revocation of a major operator’s licence but, the way things are going, that may well happen before too long – particularly if certain parliamentarians have their way. But more of that in a few minutes.

So, with time marching on, let me come completely up to date.

Just as within other regulated sectors, as supervisory authority for the gambling industry, the Gambling Commission has identified new financial crime risks associated with the Covid-19 pandemic, which have been duly notified to gambling operators during the last four months.

I imagine these new risks will be familiar to all of you, but they include:

1. increased cyber-attacks, online scams, card theft and fraud targeting vulnerable people, increased use of digital payments – all providing opportunity for criminals to dispose of and use illicit funds
2. illicit funds being transferred through a vulnerable third party’s bank account (“money mule” accounts) to break the audit trail and complicate any investigation
3. increased use of not only money service businesses but also the unregulated financial sector, e.g. informal value transfer systems such as ‘Hawala’ (a traditional system of money lending originating in South Asia), and
4. other increased Covid-19 related crimes notified by the Financial Action Task Force, including misdirection or exploitation of government funds or international financial assistance

No doubt more will be identified by the Gambling Commission when it publishes its annual money laundering & terrorist financing risk assessment of the British gambling industry. This is normally

published during July, but I am told it's being delayed until November this year, again for coronavirus related reasons.

For the gambling industry, the Commission's risk assessment is essential reading material, requiring all operators to immediately review their ML/TF risk assessments and, subsequently, their policies, procedures and controls. Those who don't may well get found out.

In last year's assessment, the Commission designated:

- as high-risk:
 - non-remote casinos and betting shops, as well as remote casino, betting and bingo operators
- as medium-risk:
 - non-remote bingo and high-value gaming machine arcades, as well as gaming machine and gambling software manufacturers
- as low-risk:
 - lotteries, on-course betting and family entertainment centres (low-value gaming machines)

Having engaged with relevant security agencies, the Commission rated terrorist financing as an overall medium risk within the British gambling industry.

I imagine that the overall impression I have given is of the Gambling Commission being a very robust AML supervisory authority not afraid to flex its regulatory muscles as soon as instances of non-compliance come to light.

You may therefore be surprised to know that, within the last month or so, three parliamentary enquiries published within the space of a mere twelve working days seem to think otherwise:

- The Gambling Harm Related All Party Parliamentary Group describes the Commission as *"not fit for purpose"* and as not having *"adequate enforcement powers"*,
- The House of Commons Public Accounts Committee has described it as *"a torpid, toothless regulator that doesn't seem terribly interested in either the harms it exists to reduce or the means it might use to achieve that"* adding that *"the Commission needs a radical overhaul"*, and
- The Chair of the House of Lords Select Committee on the Social and Economic Impact of the Gambling Industry has said that *"lax regulation of the gambling industry must be replaced by a more robust and focussed regime which prioritises the welfare of gamblers ahead of industry profits"*.

The Committees' criticisms of operators within the online gambling sector are no less fierce.

That is hardly surprising, given that all four major UK political parties called for reform of gambling legislation in their manifestos ahead of last December's General Election, with a particular focus on the online sector with the Gambling Act 2005 being described (wrongly, in my view) as *"an analogue law in a digital age"*.

In the Queen's Speech following the election, the Conservative Party accordingly promised a review of the 2005 Act. Albeit delayed by the Covid-19 pandemic, the review is on the way and it's not looking promising for either the regulator or the regulated.

As matters stand, it is those from the gambling-related harm and anti-gambling lobbies who have so far gained more political ground than the gambling industry has done itself. That is explained in some quarters – even by those traditionally supportive of the industry – by reference to historic examples of the online sector having so comprehensively shot itself in the foot that it is now so mortally wounded that it stands little chance of recovery unless it starts waving a white flag.

I believe that to be too pessimistic a view, although the mounting PR challenge facing the industry as the forthcoming government review gets ever closer will demand superlative lobbying skills to be employed by those able to displace opinion with evidence and substitute fact for fiction. High on its list of priorities should be hard evidence to prove that it will be illegal offshore black-market operators that will stand to benefit most from overly restrictive regulations being imposed on the online sector.

So, all in all, a perfect storm is brewing.

It's no surprise then that the last few months have seen most 'at threat' sectors of the industry (including through their new trade body the Betting and Gaming Council) making very concerted efforts to raise regulatory standards even further.

This includes supporting the Gambling Commission inspired concept of 'affordability checks' to ensure that customers are gambling with money they can afford to lose (i.e. lawfully acquired disposable income) and without experiencing harm, something which obviously ties in with source of wealth and source of funds checks for EDD purposes.

It doesn't stop there, because operators are now effectively committed to ensuring they can demonstrate that they have considered the sustainability of each VIP customer's leisure spend, not just their access to immediate funding – something that the Gambling Commission looks set to implement as an additional regulatory requirement in the coming months.

Also with issues of 'affordability' in mind, the House of Lords Select Committee report recommended that:

"the DCMS and the Gambling Commission should without delay contact the Information Commissioner's Office and agree a procedure, consistent with the GDPR, allowing operators to share with all other operators the information they derive from affordability checks on individuals".

At first sight, many may think this a good idea that could have extended application for AML purposes. It's easier said than done, however, and issues of personal privacy may not be readily overcome but, with additional buy-in from the financial services sector, perhaps it could gain serious traction.

It's not as if engagement between the gambling and financial sectors is not already happening. Many in the gambling sector would welcome greater responsibility being placed on banks to play their part in reducing gambling-related harm.

With this in mind, efforts are already underway to get more banks and other financial institutions to play their part in protecting customers from encountering problem gambling issues, the aim being to develop increasing levels of trust, confidence and common ground between all stakeholders.

In addition:

- this month's House of Lords Select Committee report also recommended that banks should work together with UK Finance to create an industry-wide protocol on blocking gambling payments, with at least a 48-hour cooling off period, and
- recent research commissioned by GambleAware (entitled "*A Blueprint for Bank Card Gambling Blockers*") has recommended that the government "needs to create the legal and regulatory conditions to encourage the financial services sector to innovate and develop a range of consumer spending controls".

To quote Bob Dylan, the times are most certainly changing.

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