



Financial
Intelligence Centre

HOW THE GAMBLING SECTOR CAN HELP RAISE THE STAKES IN THE FIGHT AGAINST FINANCIAL CRIME

Gambling institutions can help raise the stakes in the fight against financial crime and avoid reputational damage by using an effective approach to combating money laundering and terrorist financing.

The variety, frequency and volumes of transactions that take place in gambling institutions make this sector vulnerable to criminals looking for ways to launder and legitimise their ill-gotten gains.

It is for this reason that gambling institutions are included as accountable institutions in the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FIC Act). The FIC Act places certain obligations on accountable institutions to aid the Financial Intelligence Centre (FIC) in identifying the proceeds of crime, and combat money laundering and terrorist financing.



FIC Act obligations for gambling institutions include:

- Applying a risk-based approach (RBA) in implementing customer due diligence (CDD)
- Applying an RBA by developing and implementing a risk management and compliance programme (RMCP)
- Keeping records of interactions with clients
- Registering with the FIC
- Reporting to the FIC
- Appointing persons responsible for compliance
- Training staff on FIC Act compliance obligations

Register with the FIC

As accountable institutions, gambling establishments are required to register with the FIC. The FIC website carries a host of information guiding gambling institutions on how to correctly register with the FIC. These include public compliance communication 5C and the goAML registration user guide.

Adopting an RBA

An RBA enables gambling institutions to determine the nature and extent of the risks relating to money laundering and terrorist financing (ML/TF) facing their institution.

To assess the ML/TF risk a client poses, the gambling institution should consider various factors. These may include the client type, geographical area, the institution's distribution channel for products and services, its actual products or services, as well as any other relevant factors. The geographic area as a risk factor relates to the location of the client, the product or service and the source or destination of the funds in relation to the business relationship or transaction with a client.

The better understanding the gambling institution has of its customers i.e. their spending patterns, product usage, their identification and verification information, their income, funding sources and changes in behaviour, the better it is for the institution to identify and manage their ML/TF risk.

Implementing an RMCP

Gambling institutions must develop and implement an RMCP as part of an effective approach to mitigating risk. The RMCP should include, among other aspects, the institution's policy documents, procedures, systems and internal controls directed at ML/TF risk management. Furthermore, the RMCP must be tailored to the institution's business, as no two institutions are the same.

CDD and ultimate beneficial ownership

Gambling institutions must establish and verify the identity of their clients before entering a business relationship or conclude a single transaction with a client. CDD refers to the knowledge that a gambling institution has about its clients and the institution's understanding of the business that clients are conducting with it.

A single transaction can be described as occasional or once-off business where there is no expectation on the part of the accountable institution or the client that the engagements would recur over a period. The value of the transaction in that single, once-off transaction should not be less than R5 000. As part of their compliance with the FIC Act, institutions need to determine what constitutes a single transaction in the context of their business.

Prominent influential persons

Business relationships with foreign prominent public officials are a high risk. Gambling institutions must have effective measures in place to know who their clients are and to understand their clients' business.

If the gambling institution finds out that it is dealing with a foreign prominent public official, approval of senior management of the institution must be sought on whether to establish the business relationship or not.

Gambling institutions must also take reasonable measures to understand the source of wealth and source of funds of the client and conduct enhanced ongoing monitoring of the business

relationship. They are not required to verify information about the client's source of wealth and source of funds, but they will have to include this information in their client profile which will be used as the basis for enhanced, ongoing monitoring.

Record keeping

Gambling institutions must keep records relating to client identification and transaction records. These records must be stored manually or electronically for at least five years from the date on which the business relationship was terminated, or at least five years from the date that a transaction was concluded.

Targeted financial sanctions

Gambling institutions must obtain and scrutinise sufficient client information to determine that they do not inadvertently have a sanctioned or listed person as a client. Section 28A of the FIC Act applies to a purely factual situation. The fact that an accountable institution has certain property in its possession or under its control is sufficient to prompt a report. Conversely, section 29 of the FIC Act applies where a particular transaction, activity or behaviour appears suspicious or unusual.

Where a client is a listed person, the gambling institution must freeze the funds in their possession, stop any transaction with this person and report to the FIC. A report under section 28A of the FIC Act must be sent to the FIC as soon as possible but no later than five (5) days after the gambling institution established it

has property associated with terrorist and related activities in its possession or under its control.

A report under section 29 of the FIC Act must be sent to the FIC as soon as possible but not later than 15 days after the gambling institution has become aware of the facts that gave rise to the suspicion.

The targeted financial sanctions list is available on the FIC website www.fic.gov.za. Institutions are invited to subscribe to receive alerts and notifications when changes are made to the list. Details of persons and entities linked to terrorist and associated activities are included on the list, which is also available on the South African Police Service and the United Nations Security Council websites.

For any queries, please contact the FIC's compliance contact centre on +27 12 641 6000, select option1 or submit a web query by clicking on:

<http://www.fic.gov.za/ContactUs/Pages/ComplianceQueries.aspx>



National Gambling Board

South Africa

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