



BGLC
SECTORAL RISK ASSESSMENT OF GAMING
LOUNGES

November 23, 2022

OVERVIEW

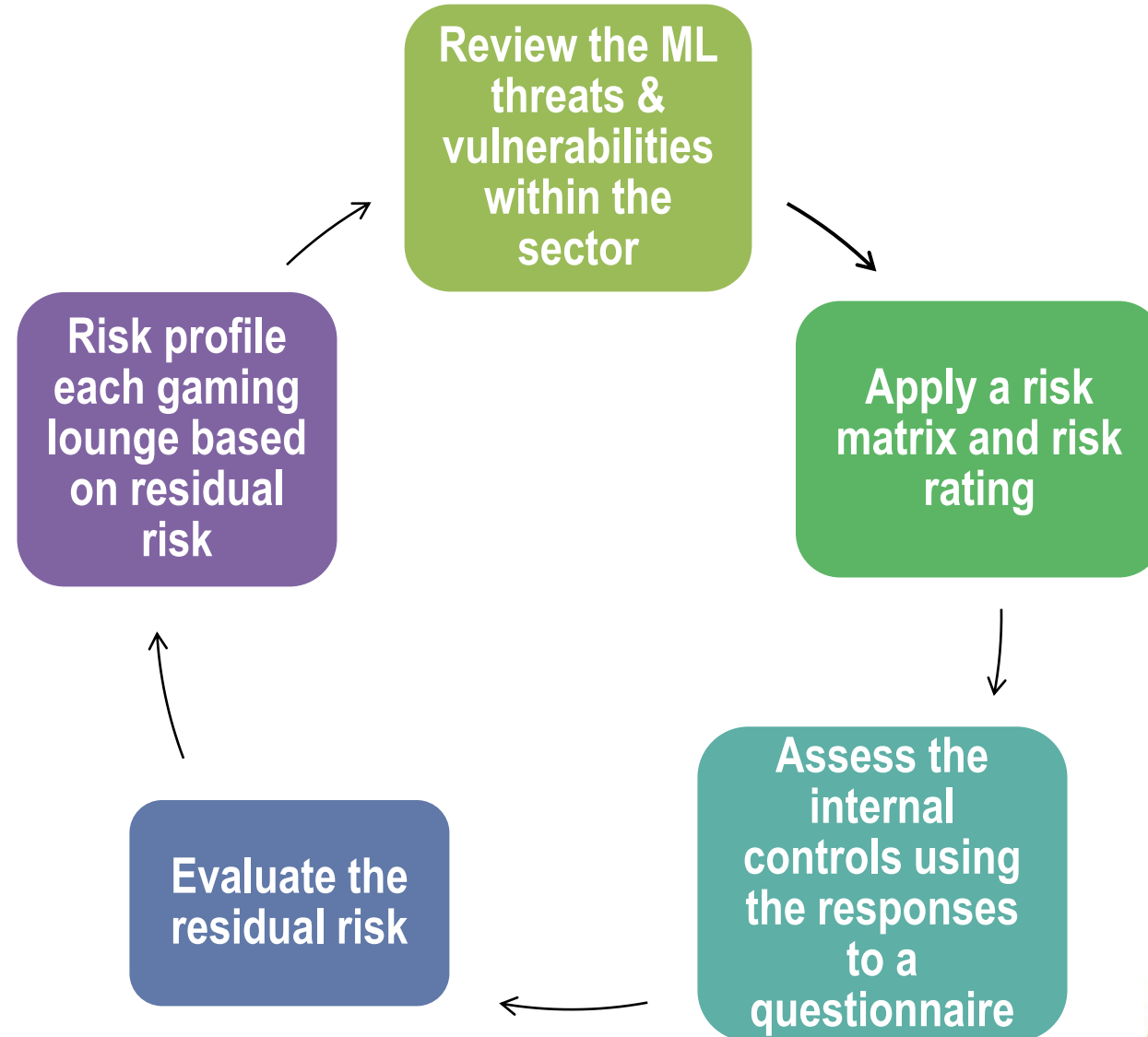
- ❑ Methodology
- ❑ Risk Factors
- ❑ Control Factors
- ❑ Sectoral Ratings
- ❑ Assessment Findings
- ❑ Sector Deficiencies
- ❑ Other Risk Typologies
- ❑ Expectations & Takeaways
- ❑ Questions



Why a Sectoral Risk Assessment?

- ❑ Build on the findings of the National Risk Assessment (NRA) published August 2021
- ❑ Assess the ML/TF threats faced by gaming lounges and determine and highlight the key vulnerabilities of the sector most likely to be exploited for ML/TF purposes & the potential impact on the sector
- ❑ Strengthen our supervisory understanding of the effectiveness of the internal control environment in gaming establishments
- ❑ Informs the BGLC's Risk-based supervision and intervention programmes

METHODOLOGY



RISK FACTORS

PRODUCT RISK

- Payout following minimal or no play
- Anonymous Gaming
- Live Dealer

CUSTOMER RISK

- Unsupported Customer Spend
- Politically Exposed Person (PEPs)
- Suspicious Customer Transaction
- Suspicious Customer Activity
- High Rollers
- Sanctioned Listed Entities/Individuals
- Sanctioned Proscribed Entities/Individuals

RISK FACTORS

GEOGRAPHIC RISK

- International Business Relationships
- Increased Monitoring Jurisdiction
- High-Risk Jurisdictions

PAYMENT RISK

- Use of Cash
- Credit Card
- Wire Transfers
- Cheque

RISK FACTORS

EMPLOYEE RISK

- Employees Interference/Collusion
- Unproficient Staff

CONTROL FACTORS

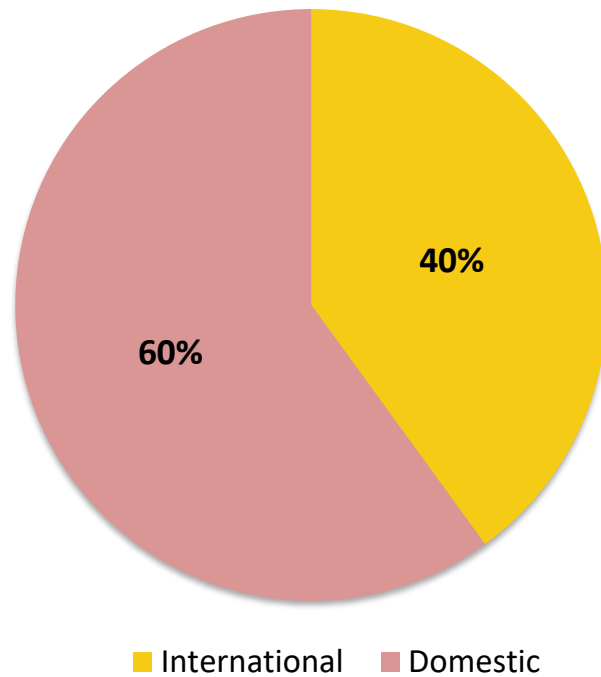
#	CONTROL CATEGORY
1	Effectiveness of Institutional Risk Assessment
2	Effectiveness of Customer risk identification, analysis and evaluation practices including Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD), screening for PEPs & against sanctions list
3	Effectiveness of Training and awareness
4	Effectiveness of Management Information & Record Keeping
5	Effectiveness of Transaction Monitoring
6	Effectiveness of Control Procedures for Suspicious Transaction Reporting
7	Effectiveness of Compliance function

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RESULTS OF SECTORAL ASSESSMENT

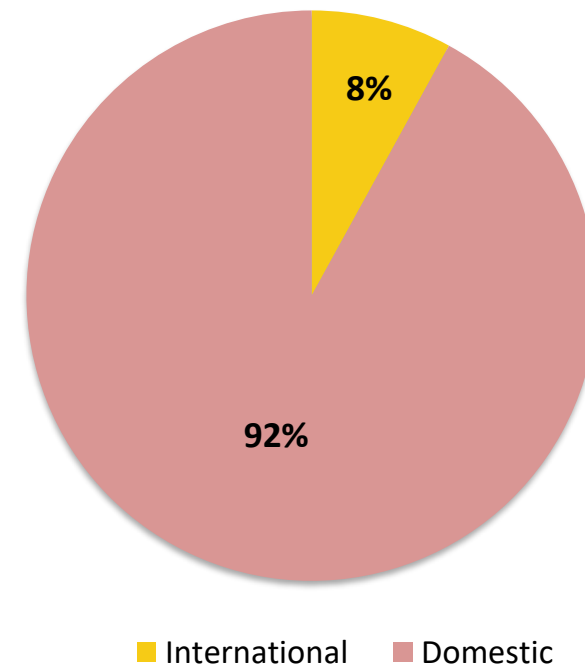
% COMPOSITION OF CUSTOMERS

Composition of Customers



VOLUME OF TRANSACTIONS

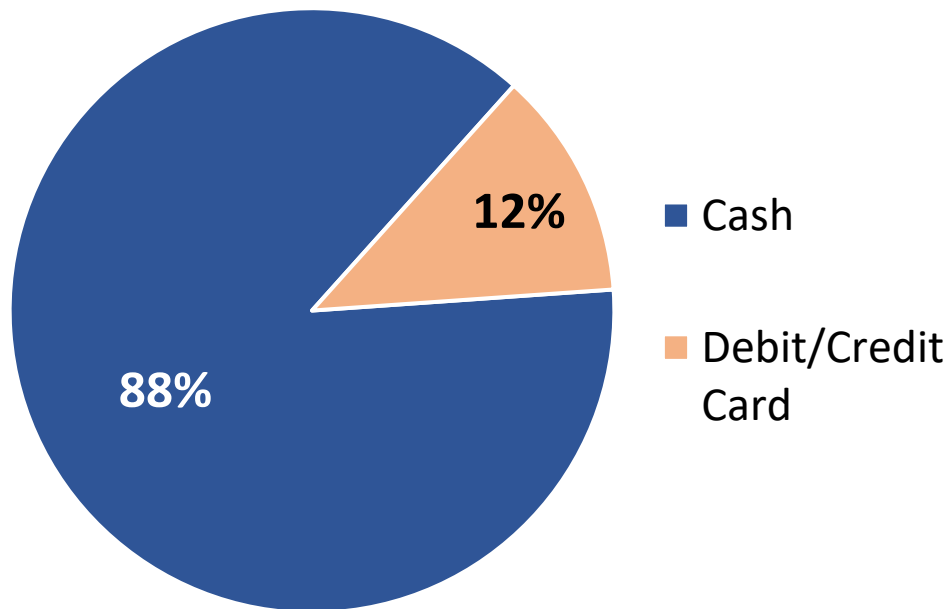
Volume of Transactions



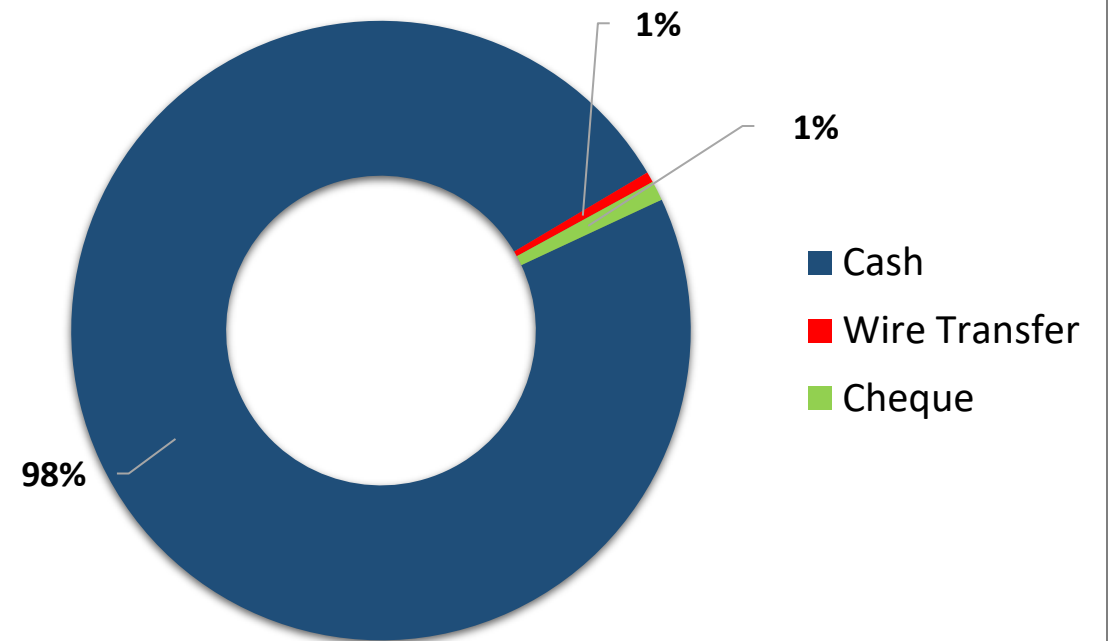
RESULTS OF SECTORAL ASSESSMENT

Percentage Use per Payment Method

DEPOSITS - CASH-INS



WITHDRAWALS/PAYOUTS - CASH-OUT



SECTOR INHERENT RISK PROFILE

RISK	INHERENT RISK RATING
Customer Risk	Medium
Payment Risk	Medium High
Geographic Risk	Medium
Product Risk	Medium Low
Employee Risk	Medium

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ASSESSMENT OF CONTROL EFFECTIVENESS

MITIGATING CONTROLS		The control effectiveness assessment in the sector suggests that the controls need to be strengthened further. The outcome of the assessment is appropriately reflected in the effectiveness rating of “Moderately Effective” from the risk assessment model used.	Control Effectiveness Rating
Risk Assessment	Business/Enterprise Risk Assessment	<ul style="list-style-type: none"> * Document Business risk assessment * Assess the types of risks * Annual review and assessment 	Moderately effective
	Customer Risk Assessment	<ul style="list-style-type: none"> * Document the customer risk profile rating * Customer risk rating reviewed periodically and updated * appropriate business rules implemented in IT system 	Moderately effective
Customer Due Diligence	Customer identification & verification	<ul style="list-style-type: none"> * Identify & verify all gaming customers * keep records of ID (up to date) * no incomplete customer data 	
	Ongoing due diligence	Ongoing due diligence - KYC information up to date; records kept of ID; transactions in line with expected spend and risk profile	

ASSESSMENT OF CONTROL EFFECTIVENESS

Enhanced Control Measures	Identify & assess high risk customers	Screen and identify high risk customers & customers in high-risk countries	Moderately effective
	Apply EDD measures	Conduct enhanced due diligence measures: - apply EDD controls - senior management oversight (periodic)	Moderately effective
		Monitor high risk customer transactions	Moderately effective
		Identify & assess the risk of new products	Moderately effective
Targeted listed entities & countries	Listed entities/persons	* Screen against UN sanctions list	Moderately effective
	Screening procedures	* Updated lists from BGLC screened * System in place for ongoing screening * procedures in place to address positive match - identify, record, maintain, report	Moderately effective

ASSESSMENT OF CONTROL EFFECTIVENESS

Suspicious Transaction Reporting	Transaction monitoring	Monitors transactions and customer activity against risk profile for suspicious transactions	Moderately effective
	STR/SAR reports	STR/SARs reported	
		Cash transactions monitored and exceptions investigated	
Internal control Environment	Policies, Procedures & Systems	* Documented AML/CFT Compliance programme in a manual * Documented policies to mitigate risks identified in Risk Assessment * Policy & procedures to prevent and address breaches	Moderately effective
		* IT system to support the policy & procedures, screening & reporting obligations * IT system updated periodically * Business continuity measures implemented	Moderately effective
	Nominated Employee	* Nominated employee appointed * NE at the senior management level * NE regime implemented and there is access to gaming customer's records and transactions	Moderately effective
		Employee screening	
	Training & Awareness	Comprehensive training programme implemented for all relevant employees & conducted regularly	
	Independent Audit	* Independent evaluation of AML/CFT programme conducted as required * Independent Audit covered all elements of the compliance programme * All recommendations have been implemented	Moderately effective

Control Rating: Moderately effective

- Risk is managed adequately, could be improved in certain parts, but works adequately.
- Controls implemented and the design and performance meet the minimum to mitigate the risk.
- Policies and procedures meet the minimum legislative & compliance requirements or the implementation of such policies and procedures are fairly satisfactory.
- There is a fair level of effectiveness with the applied AML/CFT Compliance Program with considerable improvements required.

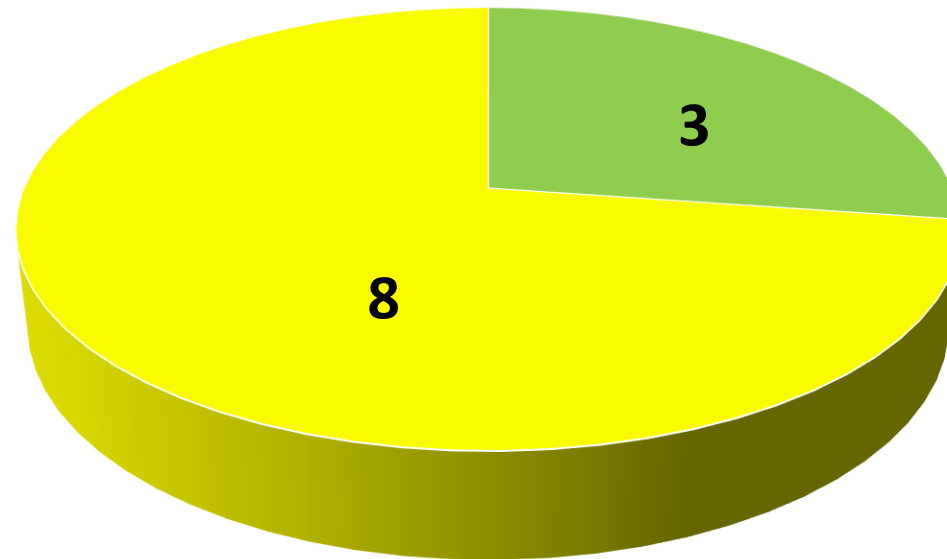
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RESIDUAL RISK

RISK	RESIDUAL RISK RATING
Customer Risk	Medium
Payment Risk	Medium High
Geographic Risk	Medium
Product Risk	Medium Low
Employee Risk	Medium

RISK PROFILE OF ALL OPERATORS

Gaming Operator Risk Profile Breakdown



■ Low

■ Medium Low

■ Medium

Residual Risk Rating Description

RISK RATING	DESCRIPTION
HIGH (H)	Inherent risk is high with no existent mitigating controls require a very high priority and a high level of ongoing active management and support.
MEDIUM-HIGH (MH)	Inherent risk is high with weak controls involving a high priority and a fair ongoing active management and support.
MEDIUM (M)	Inherent risk is moderate with acceptable controls in place, which requires a moderate or fair effort of ongoing active management oversight and support.
MEDIUM-LOW (ML)	Inherent risk is low but strong effective control in place requiring a moderate priority and a fair ongoing active management and support.
LOW (L)	Inherent risk is low, with excellent controls or highly effective controls do not represent a serious threat and can usually be easily remedied.

OVERALL SECTOR RATING

INHERENT RISK RATING	CONTROL RATING	RESIDUAL RISK RATING
Medium	Moderate	Medium

OTHER SECTOR TYPOLOGIES

CATEGORY	TRENDS HIGHLIGHTED
Unusual Transaction Activity	<ul style="list-style-type: none">▪ Accumulated gaming activities and increased spending not in line with client profile.▪ Funds deposited on gaming machine and/or gaming card with minimal or no gaming activities conducted, followed by either a request to cash-out funds on the same day or a return the following day.▪ Top-up with the use of credit card followed by minimal gameplay and cash-out.▪ Usage of other patron's gaming card to circumvent the AML system as the gaming activities of the client exceeds the daily cash limit of J\$1M.▪ Large cash deposit to gaming account on a monthly basis in excess of the gaming lounge stipulated limit.▪ Large top-ups, large betting on low return machines/games with high chance of winning and redeeming the winnings in cash.▪ Use of gaming lounge as a cambio by depositing funds in one currency and requesting payout in another

OTHER SECTOR TYPOLOGIES

CATEGORY	TRENDS HIGHLIGHTED
Adverse Media Report	<ul style="list-style-type: none">▪ Federal charges of wire/mail fraud and money laundering▪ Fraudulent conversion and embezzlement▪ Charged of heading a lottery scam ring▪ Misappropriation of company funds while being a director of a company▪ Arrested in the USA with the nature of the crime unknown
Debit/Credit Card Fraud	<ul style="list-style-type: none">▪ Attempted use of fraudulent debit card to top-up as the machines read invalid▪ Use of debit/credit card to top-up client's gaming card with the card and/or merchant receipt reflecting another name▪ Use of same debit card by multiple patrons to top-up gaming card

OTHER SECTOR TYPOLOGIES

CATEGORY	TRENDS HIGHLIGHTED
<p>Foreign Exchange Transactions <i>Applicable to gaming lounges outside of hotels</i></p>	<ul style="list-style-type: none">▪ Collecting payments in Jamaica Dollars, minimal play and requesting payment in US Dollars and vice versa

POLL & DISCUSSION

Summary

The role of the regulated sector is of high importance in assisting to stem the threat of **Money Laundering & Terrorist Financing**. Each entity, irrespective of size, can have a significant impact by simply ensuring:

1. Full implementation of risk-based approach
2. Customers are known (Customer Due Diligence) and there are proper record keeping methods implemented.
3. Ongoing due diligence and monitoring of transactions
4. Staff members are sufficiently trained and skilled in detecting these threats.
5. Appropriate policies, internal controls and reporting systems are in place to guide Board, Management & Staff in executing their roles in detecting these threats.
6. Board and senior management support to drive implementation of detection and preventative controls
7. Keeping up to date with all relevant laws and statutory requirements imposed on the sector in which they operate.
8. Comply with the regulatory and other legal requests as best as possible.

THANK YOU!
Questions?

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RISK-BASED APPROACH TO COMPLIANCE

November 23, 2022

OVERVIEW

- ❖ Risk-Based Framework
- ❖ Risk Assessment & Categorization
- ❖ Benefits of a Risk Assessment
- ❖ Expectations

RISK-BASED FRAMEWORK

- ❑ Under the FATF Forty (40) Recommendations it is a fundamental requirement to take a risk-based approach when developing and implementing AML/CFT/CFP policies.¹
- ❑ To meet this requirement involves the identification, assessment and understanding of money laundering, terrorism financing and proliferation financing risks.

¹FATF Recommendation 1 and Interpretive Note to Recommendation 1

RISK-BASED FRAMEWORK Cont'd

- ❑ Businesses within the regulated sector **must** undertake risk assessment and profiling of their general business operations and all its business relationships to determine overall risk and implement controls to mitigate same.²
- ❑ The BGLC Gazetted Guidance Notes have been updated to outline the requirements for a risk-based framework and give greater guidance on the completion of the risk assessment process.³

² Regulation 7A of the POCA (MLP) (Amendment) Regulation, 2019 and Regulation 6A (1) of the Terrorism Prevention (Reporting Entities) (Amendment) Regulations, 2019.

³ Part 4 of the BGLC Gazetted Guidance Notes

BUSINESS RISK ASSESSMENT



RISK ASSESSMENT & CATEGORIZATION

❑ NATIONAL RISK ASSESSEMNT

- » Gaming operators **must** ensure that their risk assessments are informed by the findings of the national risk assessment (NRA).
- » Relevant findings include:
 - The cash intensive nature of the Jamaican economy and gaming sector
 - Jamaica's several ports of entry and susceptibility to cash smuggling
 - High exposure to predicate offences due to specific geographic location of some operators
 - Dependence on tourist activity in the economy
 - Insufficiency in the quality and quantity of STRs filed

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CUSTOMER RISK ASSESSMENT

- ✓ Customer Due Diligence
- ✓ Enhanced Due Diligence
- ✓ Source of Funds/Wealth
- ✓ Customer Type
- ✓ Anonymous gamers
- ✓ Spending pattern and behaviour
- ✓ Customers from Specified Territories/High Risk Jurisdictions

RISK ASSESSMENT & CATEGORIZATION

- ❑ As a result, gaming operators should be able to establish whether all identified categories of risk pose a **LOW**, **MEDIUM**, or **HIGH** risk.
- ❑ A risk matrix can be used to conduct the categorization process.

		Impact →				
		Negligible	Minor	Moderate	Significant	Severe
Likelihood ↑	Very Likely	Low	Moderate	High	High	High
	Likely	Low	Moderate	Moderate	High	High
	Possible	Low	Low	Moderate	Moderate	High
	Unlikely	Low	Low	Moderate	Moderate	Moderate
	Very Unlikely	Low	Low	Low	Moderate	Moderate

RISK-BASED APPROACH BENEFITS

- ❑ Establishment of appropriate business strategies and risk appetite
- ❑ Development of adequate policies and procedures
- ❑ Implementation of commensurate AML/CFT/CFP measures and controls
- ❑ Efficient allocation of resources to ensure risks are effectively mitigated

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EXPECTATIONS

The risk assessment should:

- address ML, TF and PF risks
- be comprehensive
- be up-to-date and updated regularly
- be based on qualitative and quantitative information
- have relevant risk factors and scenarios
- assess likelihood and impact
- have a clear assessment of the control measures
- give an overview of residual risks

EXPECTATIONS Cont'd

- determine risk management measures
- cover the business' general operations: all business lines, departments, branches/subsidiaries
- serve as a basis for the internal policies and procedures
- function as a steering document for management
- be communicated within the institution
- involve 1st line, Compliance & Audit, and Management

FATF Recommendations & Interpretative Notes – updated March 2022

- Rec.1: Assessing Risk and applying a Risk-based approach
- Rec 10: Customer Due Diligence & interpretative notes which are applicable to DNFBPs
- Rec 11: Record Keeping
- Rec.12: Politically Exposed persons
- Rec.15: New Technologies
- Rec 16: Wire transfers
- Rec 17: Reliance of third parties
- Rec 18: Internal controls and foreign branches and subsidiaries (can be applied to gaming operators with multiple lounges)
- Rec 19: High risk countries
- Rec 20: Reporting of suspicious transactions
- Rec 21: Tipping-off and confidentiality
- Rec 22: DNFBPs Customer Due Diligence
- Rec 23: DNFBPs Other measures

THANK YOU!
Questions?