



Information for **gambling companies** offering gambling and betting services online

Money laundering and terrorism financing

THE COORDINATING BODY FOR
ANTI-MONEY LAUNDERING AND
COUNTERING FINANCING OF TERRORISM

This folder is addressed to licence holders of commercial online gambling and betting (gambling companies). The information aims to enhance the anti-money laundering and terrorism financing expertise. The folder describes a few of the common risks and gives some examples of how online gambling may be exploited to launder money and finance terrorism. This guide also provides an overview of the gambling companies' obligations under the Anti-Money Laundering Act.

The information has been produced and elaborated by the Swedish Gambling Authority in collaboration with the Swedish Financial Intelligence Unit and the Coordinating Body for Anti-Money Laundering and Countering Financing of Terrorism.

The Coordinating Body for AML/CFT consists of 17 members under the direction of the Swedish Police Authority. Our mission is to identify, map and analyse risks and methods for money laundering and terrorism financing in Sweden. We are a forum for information exchange and knowledge transfer that disseminates information to business operators.

Representatives in the Coordinating Body

Swedish Companies Registration Office

Swedish National Council for Crime Prevention

Swedish Economic Crime Authority

Swedish Estate Agents Inspectorate

Swedish Financial Supervisory Authority

Swedish Enforcement Authority

County Administrative Board of Skåne

County Administrative Board of Stockholm

County Administrative Board of Västra Götaland

Swedish Police Authority

Swedish Inspectorate of Auditors

Swedish Gambling Authority

Swedish Tax Agency

Swedish Bar Association

Swedish Security Service

Swedish Customs

Swedish Prosecution Authority

For more information, please visit the Swedish Police web site: www.polisen.se/penningtvatt

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Your business is at risk of being used for money laundering

One of the characteristics of online gambling are large cash flows. Depending on the game, this can be carried out through a number of small transactions or larger, but fewer, transactions. To be allowed to play, customers need to register and identify themselves using e-identification or equivalent. This creates great opportunities for gambling companies to verify the identity of the customer. However, the use of other people's identities has become an increasingly common feature in various money laundering schemes, which is why it is necessary to remain extra vigilant. To gamble online, the customer also needs to have a gambling account. All transactions made to and from the gambling account are registered. This facilitates the gambling companies' monitoring activities. However, the gambling account itself is associated with particular risks given that it can be used for purposes other than gambling, such as for storing or transferring money.

Money laundering means that dirty (illegal) money is laundered to make it look as if it has been earned legally. The aim is to use the money from criminal activities in the legal economy. For example the money in question might be proceeds from drug-related crimes or frauds.

Terrorism financing means financially supporting terrorism and collecting, providing or receiving money or other properties to be used in the financing of terrorism.

Your business activity is covered by the Anti-Money Laundering Act

As a gambling company, you have an obligation to comply with the Act on Prevention of Money Laundering and Terrorist Financing (2017:630) (the Anti-Money Laundering Act).

The Anti-Money Laundering Act requires the gambling companies to take risk-based measures to prevent their business activities from being used to launder money or finance terrorism.

Your obligations under the Anti-Money Laundering Act

Risk assessment

In order to take a risk-based approach, the gambling companies need to carry out a risk assessment of their business activities. The general risk assessment should be the basis for the company's procedures to counter money laundering and terrorism financing. The risk assessment should explain the way in which the products and services of the gambling company may be used to launder money or finance terrorism and to what extent there is a risk of this happening. The risk assessment should be documented and kept up to date.

Procedures

The gambling company should have risk-based internal procedures for measures against money laundering and terrorism financing. The purpose of the procedures is to counter the risks identified by the general risk assessment. That is why it is important that there is a close connection between the risk assessments and the procedures.

Risk classification of customers

In addition to assessing the risks present in the business, the gambling company also needs to assess the risks that may be associated with each customer. The risk classification of customers should be carried out based on the general risk assessment of the business activity and



the knowledge that the gambling company has on the customer. It is important that the gambling company follows up the risk classification of the customers and adjusts the risk levels when necessary.

Customer due diligence

When a customer wishes to register and open an account, the gambling company must identify the customer and verify the customer's identity. When opening an account for the customer, a business relationship is being established with the customer. The gambling company is also required to assess the purpose of the business relationship and check whether the customer is a Politically Exposed Person.

During the whole period in which the individual is a customer, the gambling company should, on a continuous basis, monitor the transactions of the customer and follow up the business relationship. The extent of the measures to be taken depends on the risk class of the customer. The activities and transactions carried out by high risk customers need to be monitored and followed up more closely than those carried out by low risk customers.

If the gambling company is unable to achieve sufficient customer due diligence, the individual may not become a customer of the gambling company. If the individual is already a customer, the gambling company must terminate the customer relationship.

Monitoring and reporting

The gambling company will monitor ongoing business relationships and examine individual transactions to detect activities or transactions that are suspicious or inconsistent with what is known about the customer. Any suspicions must be reported immediately to the Swedish Financial Intelligence Unit (FIU). For more information on reporting, please see page 14.

Other provisions

The Anti-Money Laundering Act comprises more provisions that the gambling company is to comply with, such as provisions on training and protection of staff, documentation of data and internal governance and monitoring.

Facts on penalties for money laundering offences

If, as part of the gambling company, you participate in measures that may be presumed to have been taken to conceal the fact that money or other properties have originated from crime or to make it easier for someone to appropriate themselves of such property, you may find yourself guilty of having committed a crime in accordance with the Act on Penalties for Money Laundering (2014:307).

You are not required to know that the money is derived from criminal activities, the mere fact that you should have realised that it was is sufficient. This means that if you do not fulfil your obligations in accordance with the Anti-Money Laundering Act as regards monitoring and verifications of transactions, you could face a fine or a prison sentence for, among other things, commercial money laundering.

Modus operandi

Consumption of proceeds of crime

The consumption of means acquired through criminal activities is considered a common feature in the Swedish gambling market. Criminals use crime proceeds for everyday and luxury consumption in a range of business lines within the commercial and services sector, including gambling. By gambling with crime proceeds, criminals use the illegally acquired funds while at the same time also having the possibility to increase the value of their assets.

Gambling can be a part of the criminal's lifestyle, which means that while the person may lose substantial sums of money, any proceeds may also be used to indicate legal income. This means that money spent on gambling could be an indication of money laundering, and particularly so if the amount used is not in line with what one could expect of the customer's financial status.

Misuse of gambling accounts

Gambling accounts can be used for the purpose of money laundering through deposits of illegally acquired funds into the accounts. Deposits into a gambling account can be made by various payment service providers of which some offer e-wallets and cryptocurrency exchange. There are cases of deposits through tokens of value that can be bought in cash from an agent, which provide the opportunity to indirectly use cash to gamble.

In certain cases, the tokens of value can be cashed in directly with the gambling companies. Gambling accounts can also be used for pure money storing and for concealing money from the authorities. The provenance of the money can be concealed by entering money from various sources and then transferring it into another account.

Games with high RTP (return to player) may allow for the money to be wagered several times before being withdrawn from the gambling account, so as to make it more difficult for the gambling company to detect the money laundering.



Transfers/intentional gambling losses

Poker is a game with its own unique risks. Funds can be transferred between players who are in cahoots with each other where one of the parties loses on purpose against the other party. There is also the risk of transfers being carried out through the misuse of identities.

Cheating

Knowing in advance the outcome of a game, race or any other event, provides an information advantage against gambling companies and players, which can be used for money laundering purposes. In this way, not only can the crime proceeds be laundered, but their value could also increase and then be used to finance other crimes.

Gambling accounts and terrorism financing

While there are similarities between money laundering and terrorism financing, there are also differences. The big difference being that money laundering aims at concealing the provenance of the money, whereas terrorism financing focuses on concealing what the money will be used for. Terrorism financing typically involves what is known as 'reverse' money laundering. Instead of laundering crime proceeds, legally earned money will be used for illegal activities. This does not rule out that the money is crime-related. However, the main purpose of terrorism financing is to conceal money transmissions until they reach their final destination.

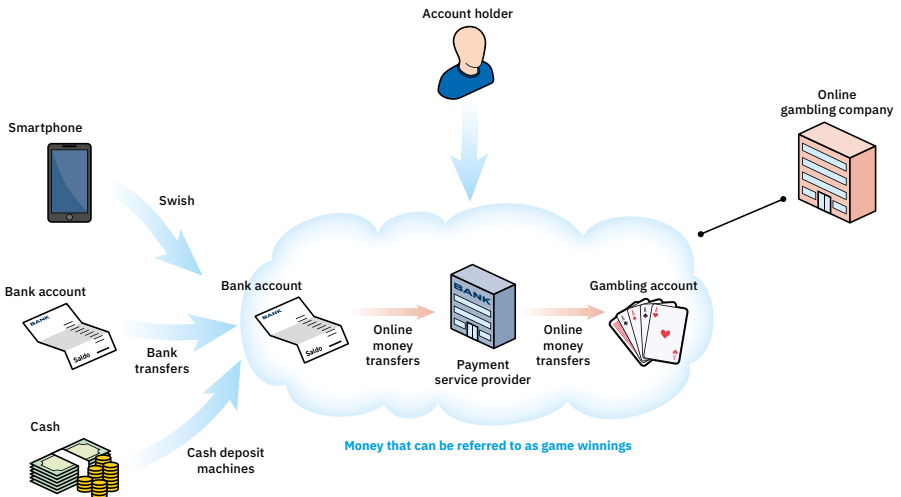
It is frequently the case that terrorism is financed through both lawful funds and crime proceeds. Lawful funds can be collected through traditional fundraising or e.g. crowdfunding via social media. This will typically involve a fundraising initiative with an apparently legitimate purpose. Most people are likely to be unaware of the true destination of the money they are donating. Moreover, it is also frequent that profits from various types of economic activities are channelled to finance terrorism.

Fundraising for the purposes of funding terrorism could be carried out by making transfers/deposits into the account of a particular actor, which would subsequently be forwarded to a gambling account that can also receive funds from tokens of value and debit cards. These funds would then be transferred to another actor through e.g. rigged poker games, where one of the parties will lose intentionally against the other party. The funds transferred into the account of another actor could then be withdrawn by means of a bank account in the country or abroad.

Fictitious examples

Deposits made into and withdrawals from a gambling account

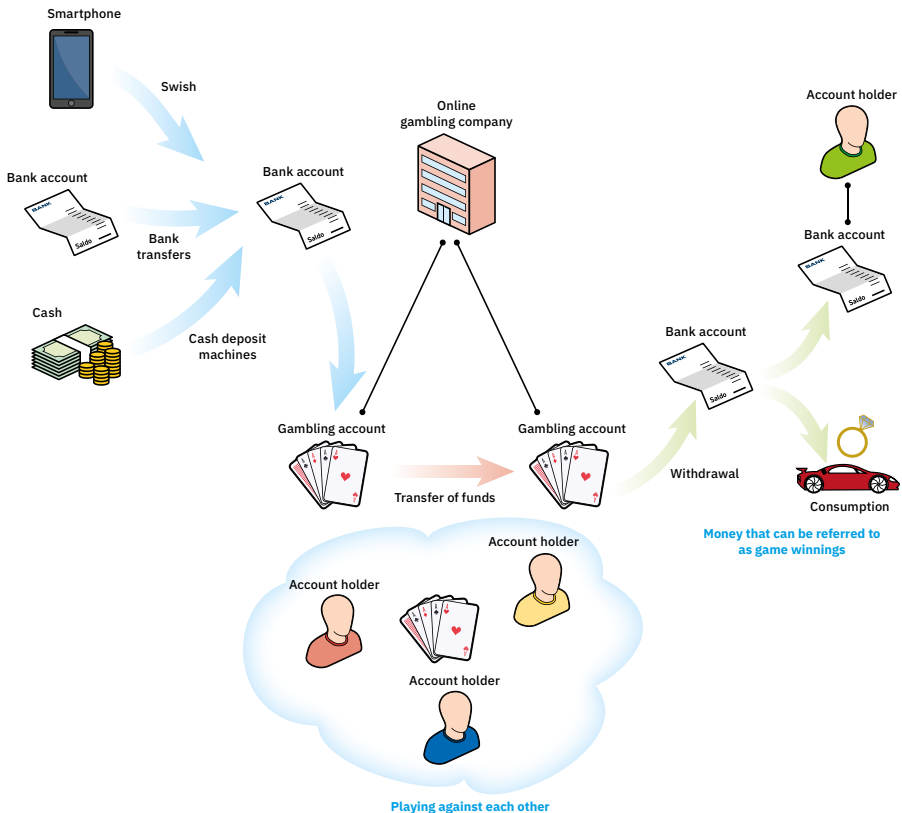
Drug trafficking money is deposited into the perpetrator's bank account using Swish, wire transfers or cash deposits. The perpetrator then transfers money from the account to a payment service provider and further to a gambling account. Deposits can also be made directly into the gambling account by means of payment cards and prepaid tokens of value bought at a shop. The perpetrator then plays a game with a high RTP. The money is wagered several times in order to avoid the monitoring of the gambling companies and at the same time fulfilling bonus terms and withdrawal conditions. The perpetrator then transfers the remaining sum into their bank account. Through a quick overview, the money can then be accounted for as winnings from gambling, as it will have been paid from the account of a gambling company. The possibilities to follow the money have been hampered in that the money has been transferred through various banks and payment services. The purpose of the deposits made into the gambling account is not the gambling per se, but to create a reasonable explanation to where the money comes from and to hamper the possibilities of following the transactions.



Transfers by means of internet poker

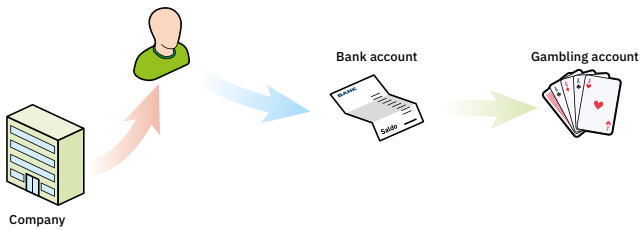
Proceeds from trafficking are deposited into the gambling accounts of two individuals through bank card payments, bank transfers and cash-bought tokens of value. The two individuals in question agree on a time with a third individual and then play at the same poker table on-line. During the course of the game, the three individuals are in contact with each other by phone and ensure that most of the two individuals' money is transferred to the third individual.

The third individual then makes a withdrawal of the winnings and deposits it into his or her account. As a result, the third individual can now show that the money comes from winnings.



Crime proceeds and gambling addiction

An individual, who has a history of sporadically gambling for small sums, shows a change in gambling behaviour when they start making large deposits on a continuous basis. The deposits cannot be explained based on what is known about the customer's financial situation. It turns out that the customer has a severe gambling problem and has begun funding their gambling by embezzling money from their employer.



You have an obligation to report any suspicious transactions and activities

Gambling companies have an obligation to report any suspicious activities and transactions to the Swedish FIU. Under the Anti-Money Laundering Act, the gambling company must also have a system in place allowing for rapid submission of data as to whether in the past five years the company has been in a business relationship with a certain person, and information as to the nature of that relationship.

Cases where the gambling company opts not to go through with a transaction due to suspected money laundering or terrorism financing should also be reported to the FIU. The reporting obligation of the gambling company remains in force even when the deal or business relationship has ceased.

A report to the FIU does not require that the gambling company have any evidence of money laundering or terrorism financing activities actually having occurred. It is sufficient that the company has reasonable grounds to suspect such activities or that the money is in fact crime proceeds. Nor is this report the same thing as a report to the police. Information as to who reported what to the FIU is covered by confidentiality, also as regards the individual against whom the report was made.

Gambling companies are bound by professional secrecy in this context. This means that it is forbidden to disclose to the customer, or an outsider, that a closer examination has been carried out or that a report on suspected money laundering or terrorism financing activities have been sent to the FIU. Submitting information to the Swedish Gambling Authorities does not, however, constitute a breach of professional secrecy.

How to file a report

You file your report through goAML, the Swedish FIU IT system.

In order to access the system to report suspicious transactions and other activities through the web portal, you have to register an organisation and then a user. The web address of goAML is:

<https://fipogoaml.polisen.se>

In the portal, you will find a manual on how to register your organisation and user in the goAML. If you have filled in the data correctly, the FIU will approve the registration within two working days. Once the registration has been approved, you can log into the portal. There, you will find manuals on how to report and other material needed to get started.

The goAML web address: <https://fipogoaml.polisen.se>

Questions on goAML

Once you have registered, you will find most of the answers you are looking for in the manuals and the other material you now have access to. If you have questions that have not been answered in the material, please contact fipo@polisen.se.

Where to turn for more information

For questions on the Anti-Money Laundering Act or this folder, please contact the

Swedish Gambling Authority

Switchboard: 0152-650,100

Email: registrator@spelinspektionen.se

For more information, please visit:

spelinspektionen.se