



IMPLEMENTING PROCEDURES

*ISSUED BY THE FINANCIAL INTELLIGENCE ANALYSIS UNIT
IN TERMS OF THE PROVISIONS OF THE PREVENTION OF
MONEY LAUNDERING AND FUNDING OF TERRORISM
REGULATIONS*

PART II LAND-BASED CASINOS

Issued: 25th September 2015

TABLE OF CONTENTS

1.	Introduction	3
2.	Chapter 3 - Customer Due Diligence	4
2.1.	When should customer due diligence be carried out	4
2.2.	When is a business relationship established	5
2.3.	What customer due diligence measures are to be applied.....	5
2.4.	Applying CDD measures – On entry approach vs threshold approach	8
2.5.	Other CDD measures applicable to casinos.....	9
3.	Section 3.1.1.2(ii)(a)(2) - Verification of the residential address	10
4.	Section 3.5.3 - Politically Exposed Persons	11
5.	Chapter 5 - Record Keeping Procedures	12
6.	Section 6.3 – Red Flags / Indicators of suspicious activities	13
	FIGURE I - On-entry approach to CDD (excluding business relationships)	15
	FIGURE II - Threshold approach to CDD (excluding business relationships)	16

1. Introduction

The Implementing Procedures outlined below are specific to land-based casinos and must be read in conjunction with Part I of the Implementing Procedures.

The purpose of this part of the Implementing Procedures is to focus on certain sections in Part I of the Implementing Procedures which warrant some further elaboration at industry-specific level in order to highlight certain aspects of relevance in these sections, and to ensure that they are understood and interpreted consistently by land-based casinos.

2. Chapter 3 - Customer Due Diligence

2.1. When should customer due diligence be carried out

In addition to the customer due diligence (CDD) measures set out under Regulation 7 and 8 of the PMLFTR, casino licensees are also required to conduct additional measures in terms of Regulation 9 of the PMLFTR. Casino licensees are thus expected to conduct CDD in the following instances:

- (a) when a person enters the premises of the casino;
- (b) when a person, while at the casino, purchases from the casino or exchanges at the casino, chips or tokens for the value of €2,000 or more;
- (c) when a person, while at the casino, carries out an occasional transaction of €15,000 or more; and
- (d) when a person seeks to establish a business relationship.

The CDD measures which the casino licensee is required to apply in the above instances vary. The measures to be applied will be explained in section 2.3. below.

It is important to note that the PMLFTR are applicable to casino licensees irrespective of the number of casinos they run. Therefore, CDD measures carried out on a person visiting a casino need not be repeated every time that same person visits that casino or any other casino operated by the same licensee. In the case where a person visits a casino operated by a licensee who has already carried out CDD in his regard, the casino licensee would only be expected to identify the person upon each entry into a casino in order to confirm that the person had actually undergone the necessary CDD measures at an earlier visit, and update the CDD information where appropriate. This should however not be interpreted as constituting a waiver from on-going monitoring obligations required under Regulation 7(2)(b) of the PMLFTR and Section 3.1.5 of the Implementing Procedures Part I, in case of business relationships.

A casino licensee operating more than one casino is therefore expected to ensure that CDD documentation and transaction data is accessible at all times by all casinos falling under its operation.

2.2. When is a business relationship established

A business relationship is defined under the PMLFTR as a business, professional or commercial relationship between a subject person and a customer that is expected to have an element of duration¹. Within the context of a casino a relationship would be expected to have an element of duration where:

- (a) a customer uses the gaming facilities of the casino habitually; and
- (b) other circumstances indicate the customer's intention to use the gaming facilities of the casino on a regular basis.

2.3. What customer due diligence measures are to be applied

2.3.1. When a person enters the casino

Regulation 9(1)(a) of the PMLFTR requires casino licensees to satisfactorily identify any person upon entering the casino, in accordance with the provisions of article 25 of the Gaming Act². This entails viewing an identification document or passport and registering the particulars of such person as well as the details of the identification document or passport produced by the person.

2.3.2. When a person, while at the casino, purchases from the casino or exchanges at the casino, chips or tokens for a value which is equivalent to or exceeds €2,000, but is less than €15,000

In terms of Regulations 9(1)(b), 9(1)(c) and 9(1)(e), casino licensees are required to identify and verify the identity of any person who, while at the casino:

- (a) acquires against payment chips or tokens for the amount of or exceeding €2,000;
- (b) exchanges chips or tokens for an amount of or exceeding €2,000, after playing a game or games.

¹ Casino licensees should interpret this widely and when in doubt as to whether a business relationship is being established they should apply the obligations pertaining to business relationships.

² Cap. 400 of the Laws of Malta.

In such cases casino licensees are expected to identify the person and verify his identity by the production of an identification document, such as:

- (a) a valid unexpired passport;
- (b) a valid unexpired national or other government-issued identity card;
- (c) a valid unexpired residence documentation card; and
- (d) a valid unexpired driving license.

Casino licensees are also expected to keep a record of the original document viewed for verification purposes as required by Section 3.1.1.2 of the Implementing Procedures Part 1. Particular care should be taken to ensure that the documents obtained have not been forged or tampered with. Additionally casino licensees should ensure that documents viewed for verification purposes are in a language understood by the casino licensee.

When identifying persons at this stage casino licensees are required to obtain and keep a record of the personal information including: official full name, place and date of birth, permanent residential address, identify reference number and nationality. The information provided to the officials of the casino licensee will then be verified by viewing one of the aforementioned identification documents, insofar as that information appears on the document itself.

The CDD measures outlined in this section are applicable when the €2,000 threshold is met or exceeded either in a single transaction or else in several transactions carried out by the customer during the course of one gaming day.

Whenever the above mentioned amount thresholds equal or exceed €15,000, then the CDD measures outlined in Section 2.3.3 hereunder should be implemented instead.

2.3.3. When a person, while at the casino, carries out an occasional transaction of or in excess of €15,000

When a person while at the casino carries out an occasional transaction of €15,000 or more, casino licensees are required to implement the applicable CDD measures envisaged under Chapter 3 of the Implementing Procedures Part 1, subject to the provisions of Section 3 below concerning the verification of the residential address.

The CDD measures outlined in this section are applicable when the €15,000 transaction threshold is met or exceeded either in a single transaction or else in several transactions carried out by the customer during the course of one gaming day.

Casino licensees should keep note of the fact that even though the PMLFTR requires subject persons to identify the source of funds within the context of a business relationship (as explained in section 2.3.4, hereunder), they should consider carrying out such checks when an occasional transaction is carried out. Such information should be requested in cases of higher risk, for example when substantial amounts are wagered by customers and when suspicious behaviour or gaming trends are noticed. Reference may be made to section 6.3 hereunder, which provides a list of red flags or suspicious activities typical to casinos.

In such cases casino licensees could gather information on the source of funds, of a customer carrying out an occasional transaction of €15,000 or over, by requesting information from the customer himself, such as details on the customer's employment or business activity. Casino licensees should not be satisfied with generic descriptions when questioning the customer. For example a customer stating that the funds he is gaming with are derived from a business activity would not be sufficient and more detailed information and explanations on the actual business activity would need to be obtained. This information should enable the casino licensees / employee to make a fair assessment of whether a customer's actual and expected level of gaming are reasonable in the circumstances.

2.3.4. When a person seeks to establish a business relationship

Whenever a person seeks to establish a business relationship with a casino licensee, the casino licensee is expected to carry out the applicable CDD measures envisaged under Chapter 3 of the Implementing Procedures Part 1.

The purpose and intended nature of the business relationship to be established with the customer is inherent in the nature of the business of a casino itself, which is that of providing gaming services, and thus the casino licensee need not gather any additional information in this regard. This notwithstanding casino licensees are still expected to gather the information outlined in Section 3.1.4 of the Implementing Procedures Part 1, that includes information on:

- (a) the nature and details of the business/occupation/employment of the customer;
- (b) the source(s) of wealth;
- (c) the expected source and origin of the funds to be used in the business relationship; and
- (d) the anticipated level and nature of the activity that is to be undertaken through the relationship³.

³ Systems adopted by casino licensee to keep track and record information on the level of play of individual customers would suffice in fulfilling this requirement.

2.4. Applying CDD measures – On entry approach vs threshold approach

In applying the identification and verification measures stipulated in sections 2.3.1 to 2.3.3 above, casino licensees may opt to choose between two different approaches:

- I. **On-entry approach** – Casino licensees may opt not to distinguish between the identification and verification measures stipulated in sections 2.3.1 to 2.3.3 and apply the more onerous obligations under section 2.3.3 every time a person enters into the casino, irrespective of whether he intends to use the gaming facilities at the casino. Figure I provides an illustration of the on-entry approach to the application of CDD measures.
- II. **Threshold approach** – Casino licensees may choose to carry out the identification and verification measures laid down in sections 2.3.2 and 2.3.3 when the thresholds identified are met.

If the latter approach is adopted, the casino licensee would be required to identify all clients on entry (as per section 2.3.1). For the purposes of determining when further CDD is to be applied, the casino licensee should have measures in place to be able to monitor the transactions being undertaken by customers that would allow them to determine when:

- (a) a customer would have purchased the value of €2,000 or more in chips or tokens or would have exchanged chips or tokens for an amount equal to or exceeding €2,000, in one gaming day;
- (b) a customer would have purchased the value of €15,000 or more in chips or tokens or exchanged chips or tokens for an amount equal to or exceeding €15,000, in one gaming day.

Therefore casino licensees have to keep track of all the chips / tokens bought or exchanged by the customer at the casino. As soon as any of the thresholds mentioned above are reached, either in a singular transaction or in aggregate, the casino licensee would then be expected to carry out the respective identification and verification measures as per sections 2.3.2 and 2.3.3.

By way of clarification, the threshold approach is applicable to casino licences, irrespective of the number of casinos they operate. Figure II provides an illustration of the threshold approach to the application of CDD.

2.5. Other CDD measures applicable to casinos

2.5.1. Additional checks on persons cashing out

Apart from carrying out the CDD measures referred to in section 2.3, casino licensees are also expected to abide by the provisions of Regulation 9(1)(d) of the PMLFTR. In terms of this regulation, casino licensees are required to ensure that the identity particulars of any person exchanging chips / tokens to the value of €2,000 or more are matched with the particulars of the person who would have bought chips / tokens at the casino during the same gaming day. These measures are to be implemented irrespective of whether a casino licensee adopts an on-entry or threshold approach to CDD.

This measure is intended to ensure that the person cashing out is a person who would have purchased chips / tokens at that same casino, and is not a person who would have acquired chips / tokens from another person possibly using proceeds of criminal activities. Casino licensees are also required to ensure that the customers cashing out would be cashing out chips or tokens derived from winnings made while playing at the casino.

2.5.2. CDD in case of suspicions of ML/FT

In accordance with Regulation 9(2) of the PMLFTR, casinos licensees should also ensure that the identity details of any person, using the gaming facilities of the casino, who is suspected or known to be involved in ML/FT are recorded. However, if the obligations arising out of article 25 of the Gaming Act, requiring casino licensees to record the identity particulars of any person entering the casino, are fulfilled, the obligation envisaged under Regulation 9(2) would likewise be satisfied.

3. Section 3.1.1.2(ii)(a)(2) - Verification of the residential address

Other than an identification document, it is highly unlikely that any casino customer, both local or foreign, would also be carrying with him any one of the other verification documents listed in Section 3.1.1.2 (ii) (a) (2) of the Implementing Procedures Part 1. Although these customers are expected to carry with them identification documentation (see the list of identification documentation under Section 3.2 above), such identification documentation might not contain information on the permanent residential address of the holder.

When faced with such clients, seeking to carry out occasional transactions equivalent to or exceeding €15,000, casino licensees are required to identify the permanent residential address of the customer by requesting such information directly from the customer himself and then verify such information through alternative means, where this is possible. Such alternative means might include electronic verification or relying on open sources of information such as:

- (a) internet searches;
- (b) telephone or street directories; and
- (c) electoral registers.

In case of business relationships, casino licensees are expected to verify the permanent residential address of customers, in accordance with the procedure set out under Section 3.1.1.2 (ii) (a) (2) of the Implementing Procedures Part 1. Casino licensees may inform customers before-hand that in the eventuality of habitual visits to the casino, customers would be required to produce additional documentation to verify their residential address.

4. Section 3.5.3 - Politically Exposed Persons

The requirement to identify politically exposed persons and to apply the enhanced due diligence measures laid down in Regulation 11(6) of the PMLFTR and Section 3.5.3.2 of Part I of the Implementing Procedures shall apply whenever a business relationship is being established with a customer and whenever a customer reaches the €15,000 threshold in transactions carried out at the casino during one gaming day.

5. Chapter 5 - Record Keeping Procedures

The record keeping obligations envisaged under Regulation 13 and Chapter 5 of the Implementing Procedures Part 1 are applicable to casinos licensees whenever they establish a business relationship with a customer, or whenever a customer reaches the €2,000 threshold in transactions carried out at the casino.

In terms of the PMLFTR record keeping procedures are not applicable to information collected on customers who merely visit the casino without using its gaming facilities and carrying out any transactions. Nonetheless casinos licensees are expected to register the identify details of customers in accordance with article 25(2) of the Gaming Act⁴.

⁴ Cap. 400 of the Laws of Malta.

6. Section 6.3 – Red Flags / Indicators of suspicious activities

A list of red flags or suspicious activities typical to casinos is being provided in this section. This list should assist casino staff in determining whether an internal report should be submitted to the MLRO for his consideration.

- (a) Customers making unusual efforts to befriend casino staff members.
- (b) Difficulties in conducting the necessary customer due diligence, such as those situations where:
 - i. a customer refuses to provide personal identification documents;
 - ii. a customer provides documentation which appears to be false or tampered with; or
 - iii. a customer insists on identifying himself with a name or nickname that does not appear on his identification document.
- (c) Customer requests the issuance of a winner's cheque / certificate in the name of a third party.
- (d) Customer requests the issuance of a winner's cheque / certificate in exchange of money that has not derived from winnings at the casino.
- (e) Customer attempts to redeem a winner's cheque that does not correspond with the recorded winnings of the person.
- (f) Customer requests the transfer of winnings to the bank account of someone else.
- (g) Customer attempts to convince casino staff not to record transaction information.
- (h) Customers in collusion who consistently appear to bet against each other on even money games (for example in roulette games). Such a technique offers the possibility of laundering the proceeds of crime without the risk of losing the monies subject to gaming.
- (i) Customer buys a considerable number of chips, carries out limited or no gaming activity, cashes out and requests a winner's cheque.
- (j) Customer buys chips and leaves the casino without cashing out.

- (k) Noticeable changes in the gaming patterns of a customer. Examples of these changes might include:
 - i. Customers who carry out transactions that are significantly larger in volume when compared to the transactions they normally carry out; or
 - ii. Customers who usually place small bets enquire about the opening of an account with the casino and the possibility of moving funds between accounts belonging to the same group of casinos.

- (l) Customer carries out transactions which seem to be disproportionate to his wealth, known income or financial situation.

FIGURE I - On-entry approach to CDD (excluding business relationships)

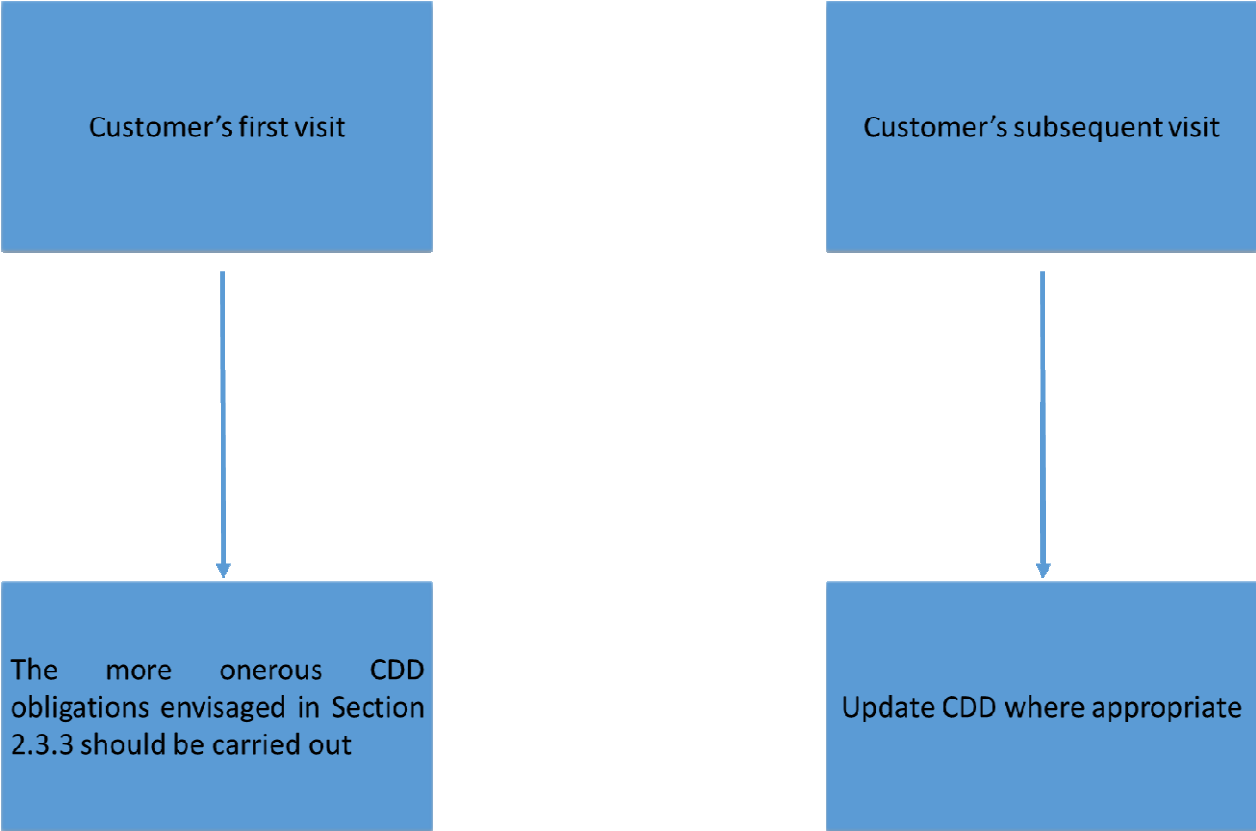


FIGURE II - Threshold approach to CDD (excluding business relationships)

