

Supplementary consultation Extending the requirement to assess money laundering risk to non-remote lottery licence holders

Response July 2016

1 Introduction

- 1.1** In a consultation published on 9 May 2016, the Gambling Commission (the Commission), set out proposals to extend the requirement to assess money laundering risk to non-remote lottery licence holders. The consultation period ended on 20 June 2016.
- 1.2** In September 2015, we consulted on [Proposed amendments to licence conditions and codes of practice \(LCCP\) for all operators in relation to the prevention of crime associated with gambling](#). The consultation included a proposal to introduce a requirement for the majority of operating licences to assess and manage the risk of money laundering in their businesses. After assessing views on this proposal, we concluded in our consultation response, [The prevention of crime associated with gambling: amendments to licence conditions and codes of practice \(LCCP\) for all operators](#), that we will implement this requirement. We also decided to issue the supplementary consultation in May to determine whether we should extend the requirement to assess and manage money laundering risk to non-remote lottery licence holders.
- 1.3** This month, we are publishing responses to a number of consultations. These include:
- Controlling where gaming machines may be played.
 - Placing digital adverts responsibly
 - High turnover bingo operators and multi-operator self-exclusion requirements
- 1.4** In the summer, we will publish on our website the revised consolidated LCCP, which will incorporate all the changes from the consultations conducted this year. All of the changes will come into force in the autumn.

2 Background

- 2.1** As explained in paragraph 1.2, we previously consulted on introducing a requirement for all operating licences except non-remote lottery, gaming machine technical and gambling software licences to assess and ensure they have plans in place to manage the risk of money laundering to their businesses.
- 2.2** We considered that an assessment of risk is the foundation of any system to manage and prevent money laundering. As such it is appropriate and good business sense for all licence holders to assess the risks to their business. Without such assessment operators cannot demonstrate they have given sufficient consideration to potential risks in order to be able to rate them as 'low'.

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- 2.3** We decided to take this condition forward focused on the outcome that we want to achieve: that is, that licensees must conduct an effective assessment of money laundering risks to their businesses and develop and implement effective policies, procedures and controls in order to manage these.
- 2.4** Initially we did not include non-remote lotteries within the scope of this licence condition. However, for the reasons outlined above, we consider that non-remote lotteries should also be required to assess the risks to their business and take appropriate action.
- 2.5** Examples of risks to non-remote lotteries include:
- Fraudulent use of identity to claim lottery prizes falsely
 - Anonymous customers laundering the proceeds of crime.

3 Consultation proposal

- 3.1** We consulted on whether to extend the new licence to include non-remote lottery licence holders as a proposed amendment to new licence condition 12.1.1.
- 3.2** The scope of the consultation covered only whether to extend the reach of the new licence condition. We had already established the need to introduce the condition for other operators in our previous consultation.
- 3.3** We made our expectation clear that further assessment of money laundering risks need not be too burdensome and should be proportionate to the risks that exist, as they should for all sectors. Where identified risks are low, mitigating actions may be correspondingly light.

4 Consultation responses

- 4.1** The Commission received five responses to the consultation. A list of non-confidential respondents can be found at Appendix A. We are grateful to all those who responded to the consultation.

Consultation question

- Q1. What are your views on extending the new licence condition on assessing and managing money laundering risk to non-remote lotteries?

Respondents' views

- 4.2** Two respondents considered that this licence condition should be extended to non-remote lotteries, as proposed by the consultation. One maintained that it made sense for all sectors/operators to be assessing this risk to their business. Another argued that criminals are always looking for loopholes and would seek out any operator that is not required to carry out due diligence requirements. This respondent also commented that if this particular sector was excluded from the scope of the licence condition, staff would not be educated about anti-money laundering and this would increase the sector's vulnerability.
- 4.3** The other three respondents did not agree that a formal requirement was necessary for non-remote lotteries. However they did identify that there was some element of risk to be mitigated. Examples cited include lotteries run under local authority registrations with concerns centring round control of licensing objectives, unusual/high value transactions and some ELMs and society lotteries which operate through the medium of machines to dispense lottery tickets.

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- 4.4** Two respondents alluded to the risks posed by effecting a laundering process by 'buying out' a lottery. However they were of the view that the time and labour required to execute this process was not practical and made such an event a highly implausible possibility.
- 4.5** These particular respondents stated that they advised licensees to have appropriate measures in place to mitigate against risks but that this should be subject to reasonable cost/risk proportionality and should be enshrined in appropriate policies.

The Commission's position

We have decided to extend the new requirement for operators to assess the risk of money laundering to their businesses and develop, and keep under review, policies to manage these risks. This requirement will be implemented alongside all other changes to LCCP in the autumn. We recognise that a light touch approach to risk assessment in this sector may be appropriate.

We are not implementing a 'one size fits all' approach to risk assessment and as such this requirement need not be burdensome for non-remote lottery operators. We expect that operators will look at the risks that exist for their individual businesses and develop appropriate and proportionate policies to manage those risks. Indeed we are aware that activity of this nature is already being carried out within the sector.

The Commission is of the view that all businesses (whether gambling related or not) should carry out an assessment of their risks as good business practice but in a manner that manages such risks in a proportionate manner.

In implementing this requirement, we are keen to instil in operators a basic awareness of possible risks, for example, those selling tickets should have an understanding of the potential for suspicious activity and know what to do in the event that such a practice is identified.

New licence condition

12. Anti-money laundering

12.1 Prevention of money laundering and terrorist financing

All operating licences except gaming machine technical and gambling software licences

1 Licensees must conduct an assessment of the risks of their business being used for money laundering and terrorist financing. Such risk assessment must be appropriate and must be reviewed as necessary in the light of any changes of circumstances, including the introduction of new products or technology, new methods of payment by customers, changes in the customer demographic or any other material changes, and in any event reviewed at least annually.

2 Following completion of and having regard to the risk assessment, and any review of the assessment, licensees must ensure they have appropriate policies, procedures and controls to prevent money laundering and terrorist financing.

3 Licensees must ensure that such policies, procedures and controls are implemented effectively, kept under review, revised appropriately to ensure that they remain effective, and take into account any applicable learning or guidelines published by the Gambling Commission from time to time.

Appendix A

Non-confidential respondents to the consultation

Respondent
51 CICs/The Health Lottery ELM Ltd
Novomatic UK
Talarius Ltd
The Lotteries Council
Thinking about Crime Limited

Gambling Commission July 2016

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