

# GAMBLING COMMISSION

## **Decision following a licence review**

**Silverbond Enterprises Limited**  
*t/a Park Lane Club London*

## Introduction

1. On 26 February 2016 the Commission commenced a licence review of the operating licence held by Silverbond Enterprises Limited *t/a Park Lane Club London* (Park Lane Club).
2. The review was commenced under section 116(2)(c)(i) of the Gambling Act 2005 (the Act) as the Commission suspected that Park Lane Club may be unsuitable to carry on the activities authorised by its operating licence.
3. Licensed casinos in the United Kingdom have a legal responsibility to comply with the requirements of the Money Laundering Regulations 2007 (the Regulations). The Commission's concerns about the suitability of Park Lane Club related to suspicions that the processes and procedures used by Park Lane Club did not comply with the requirements of the Regulations.
4. The Commission's investigations focussed, in particular, on the business relationships that Park Lane Club entered into with three customers, who were allowed to use cheque cashing facilities in late 2014 and early 2015.
5. Given the serious nature of these suspicions the Commission considered that a licence review was necessary so that it would be able to exercise its formal regulatory powers, including the possibility of suspending the operating licence during the review, if that was necessary.
6. In the event, it was not necessary to suspend Park Lane Club's operating licence as it accepted the Commission's findings at an early stage and, prior to the Commission's involvement, it had already identified the weaknesses in its anti money laundering controls and had taken steps to address this issue and manage the risks to the licensing objectives.
7. In line with our *Statement of principles for licensing and regulation* and our *Licensing, compliance and enforcement under the Gambling Act 2005: policy statement* the Commission has decided to publish our findings, in full, as we consider that there are wider lessons to be learnt by the industry in general about the failings we identified.

## Summary of the information and evidence considered by the Commission

8. In reaching its decision, the Commission considered:
  - a. Park Lane Club's policies and procedures which included its up to date Social Responsibility Policy, Cash Desk Policy and Anti Money Laundering Policy;
  - b. Evidence supplied by Park Lane Club in order to demonstrate the adequacy of its due diligence conducted on, and enhanced ongoing monitoring of, the three customers;
  - c. Evidence supplied by Park Lane Club in order to demonstrate the adequacy of its customer interaction conducted in relation to the three customers;
  - d. Details of the three customers' gaming transactions supplied by Park Lane Club;
  - e. Information provided by Park Lane Club at a scoping meeting in order to demonstrate the adequacy of both its approach to anti money laundering and its overall governance and management arrangements.

## Summary of the Commission's findings

### **Finding 1: Park Lane Club breached the Money Laundering Regulations 2007**

#### Customer due diligence

9. The Commission is not satisfied that Park Lane Club applied customer due diligence in a way that was compliant with the Regulations.
10. Regulations 7(1) and (3) require casinos to apply customer due diligence measures (as defined in regulation 5, including identifying a customer and verifying a customer's identity on the basis of documents, data or information obtained from a reliable and independent source) on a risk-sensitive basis when establishing a business relationship with the customer.
11. The Commission has concluded that Park Lane Club failed to undertake customer due diligence on a risk sensitive basis. For example:
  - a. On one occasion, customer due diligence was limited to a meeting at a hotel where a staff member inspected a letter from the customer's bank and relied on the customer's comments about their access to funds and their reputation as a significant player. The customer was then granted a cheque cashing facility for £50,000 which was later increased to £2 million solely on the basis of this information. Park Lane Club took the documents (of which no copies are available) at face value rather than seeking to verify the information through an independent and reliable source, as required by the Regulations.
  - b. On another occasion, a customer was granted a cheque cashing facility for £400,000 on the basis of basic identity checks and on staff members' personal knowledge of the customer. Park Lane Club did not take steps to verify the identity of the customer on the basis of the information obtained.
  - c. On a third occasion, a customer was granted a cheque cashing facility for £1 million, which was then increased to £2 million on the basis of an apparent trade reference from another casino (the details of which were not provided to the Commission), open source checks which indicated that the customer had personal wealth and a staff member's knowledge of the customer. Again, Park Lane Club did not take adequate steps to verify or review this information in light of the risks presented by the customer and the business relationship.
12. The three customers involved were granted cheque cashing facilities for significant amounts of money and as such they ought to have been assessed as presenting a heightened risk of money laundering. This should have led to more extensive customer due diligence checks being conducted on them. There are, however, no records of decisions made which would demonstrate that the extent of customer due diligence measures applied to these customers was appropriate in view of the risks of money laundering they presented.
13. The Commission found that Park Lane Club's assessment of the risks presented by the customers and its application of appropriate customer due diligence measures was not integral to its approach to anti money laundering.
14. The Commission would expect operators to demonstrate, with supporting evidence, that a risk assessment has been undertaken prior to entering into business relationships with customers and that this risk assessment has been taken into account when determining the level of due diligence and ongoing monitoring required for specific customers.

### Ongoing monitoring

15. The Commission has concluded that Park Lane Club failed to conduct ongoing monitoring of its business relationship with its customers, contrary to the requirements of regulation 8 of the Regulations. For example:
  - a. It failed to scrutinise the three customers' transactions on a risk-sensitive basis (including, where necessary, their source of funds) to ensure that the transactions were consistent with what they knew about each customer and their risk profile, and to keep the documents, data and information it held on the customers, for customer due diligence purposes, up to date.
  - b. No further appropriate customer due diligence checks were conducted when the customers' cheque cashing facilities were increased. One customer removed over £800,000 in cash from the casino between December 2014 and February 2015. The fact that the anti-money laundering checks on this customer were inadequate, and that this inadequacy included a lack of scrutiny of the relevant transactions (including the customer's source of funds), caused the Commission serious concern.
16. The Regulations require casino operators to be able to demonstrate that the extent of the ongoing monitoring they undertake is appropriate to the risk of money laundering presented. We expect operators to be able to clearly demonstrate through their records that the level of ongoing monitoring conducted reflects the money laundering risk posed by customers.

### Enhanced due diligence

17. The Commission found that Park Lane Club failed to apply enhanced customer due diligence and enhanced ongoing monitoring on a risk-sensitive basis contrary to regulation 14 of the Regulations, which includes the requirement to apply additional measures to establish and verify the customer's identity and to scrutinise the transactions undertaken by the customer (including the source of funds) in situations which, by their nature, present a higher risk of money laundering.
18. The Commission has concluded that the nature of the business relationships Park Lane Club entered into with the three customers ought to have presented a higher risk of money laundering, however it did not take additional steps to satisfy itself of the source or legitimacy of the funds used in transactions with it. Rather, it appears to have focused on establishing the customers' credit-worthiness. In this regard, Park Lane Club was over-reliant on the opinions of its members of staff and there were no attempts to take additional steps to establish the customers' source of funds.
19. The Commission expects operators to demonstrate that the level of due diligence and ongoing monitoring applied to customers has been determined on the basis of an informed risk assessment.

### Record keeping

20. The Commission concluded that Park Lane Club failed to keep records of the evidence and supporting documents it considered as part of the customer due diligence and ongoing monitoring it conducted, contrary to the requirements of regulation 19 of the Regulations. For example:
  - a. There were no records kept of the staff member's meeting with one of the customers or the steps taken to verify his identity, nor were copies of the documents the customer presented for customer due diligence purposes retained.

- b. There were no records of any customer interaction in respect of one of the customers. This is also indicative of a lack of adequate customer due diligence and enhanced due diligence measures and ongoing monitoring.

21. The Commission expects operators to be able to demonstrate that the levels of due diligence conducted are appropriate to the risk of money laundering. A failure to effectively record decisions significantly decreases the credibility of money laundering controls and is indicative of a lack of appropriate governance given the inability of senior management to be able to review decisions that are made.

#### Policies and procedures

22. The Commission concluded that Park Lane Club did not establish and maintain appropriate risk sensitive policies and procedures, contrary to the requirements of regulation 20. This is evident from the failures that were identified.
23. The Commission expects operators to establish and maintain written risk-based policies and procedures which relate to: customer due diligence and enhanced due diligence and ongoing monitoring; reporting; record keeping; internal control; risk assessment and management; training; the monitoring and management of compliance with such policies and procedures; and the internal communication thereof.

#### **Finding 2: Park Lane Club failed to take account of ordinary code 2.1.1 Anti money laundering - casino**

24. In light of the findings detailed above, the Commission concluded that Park Lane Club failed to take account of ordinary code provision 2.1.1 of the Licence conditions and codes of practice in that it has failed to act in accordance with the Commission's guidance on anti money laundering, *The Prevention of Money Laundering and Combating the Financing of Terrorism – Guidance for remote and non-remote casinos*.

#### **Finding 3: The Commission was not satisfied with aspects of Park Lane Club's governance and overall management which contributed to its poor compliance**

25. The Commission was not satisfied with some aspects of Park Lane Club's governance and overall management. The Commission identified failures by key individuals who held Personal Management Licences, senior management and the Board at Park Lane Club to identify and mitigate against the anti money laundering risks that were identified.
26. The Commission does not consider that Park Lane Club operated independently of its key individuals who held Personal Management Licences, senior management and the Board. We consider that, were the governance and overall management at Park Lane Club to have been adequate, effective policies and procedures would have been in place and the failures identified could have been prevented.

#### **Decision and reasons**

27. In accordance with both our regulatory powers under section 117 of the Act and our published *Guidance on regulatory decision making after a licence review*, the Commission decided to:

**(1) Issue Park Lane Club with a formal warning under section 117(1)(a) of the Gambling Act 2005**

**(2) Attach additional conditions on the Operating Licence held by Park Lane Club under sections 77 and 117(1)(b) of the Gambling Act 2005**

28. In reaching its view on the appropriate regulatory action, the Commission took into account that Park Lane Club:

- cooperated with the Commission at all stages of its enquiries;
- accepted the Commission's findings at an early stage;
- has had no similar failings prior to or since these failings occurred;
- incurred substantial debts from the transactions that it entered into with the three individuals;
- had already identified the weaknesses in its anti-money laundering controls and had taken steps to address this issue and manage the risk to the licensing objectives prior to the Commission's involvement.

### **Warning under section 117(1)(a) of the Gambling Act 2005**

29. The warning will remain on Park Lane's Club's file and will be taken into account in future dealings it has with the Commission.

### **Additional conditions under section 117(1)(b) of the Gambling Act 2005**

30. The Commission attached the following individual licence conditions to Park Lane Club's operating licence:

1. *The Licensee must implement into its policies and procedures, in line with the requirements of regulations 7 and 8 of the MLR and put into effect:*
  - *A system to ensure that customers who present a high risk of money laundering are identified. The Licensee must ensure that the documents, data and information obtained in respect of such high risk customers is scrutinised, verified and kept up to date on a risk-sensitive basis.*
  - *A process for the ongoing monitoring of business relationships in order to ensure that all transactions with customers who present a high risk of money laundering are appropriately scrutinised on a risk-sensitive basis.*
2. *The Licensee must:*
  - *Have and put into effect a regular training needs analysis of all staff and tailor and provide training dependent on the role of individual staff members.*
  - *Ensure that all personal management licence holders, senior management, and key control staff undertake outsourced anti money laundering training. All such staff must undertake outsourced refresher training annually thereafter.*
3. *The Licensee must complete the following actions within three months, with the exception of action point c which must be completed within 6 months:*
  - a. *An ongoing monitoring process will be implemented and operational so that all persons considered to be in a higher risk category will be checked daily by a professional screening company.*
  - b. *A customer profile system which includes a scoring system to test against information held and a separate more heavily weighted scoring system for criteria determined by the Money Laundering Reporting Officer will be implemented and operational. The system is to continuously evolve and show additions and decision making processes and quality control checks throughout.*
  - c. *Complete full enhanced due diligence on its top 250 customers within its customer profiling system.*
  - d. *Put into effect an alert system on its membership database that provides a "No Play – Without EDD" pop-up as a customer attempts to enter the casino.*

- e. *Implement and have operational a dedicated email address and a Whatsapp group designed for senior management to pass enhanced due diligence information directly to the casino when not on the premises.*
- f. *Introduce an anonymous reporting system for staff enabling them to more easily share with senior management and the Money Laundering Reporting Officer any concerns about money laundering or terrorist financing.*
- g. *Introduce a departmental monthly self-audit for back of house, cash desk, gaming, reception and surveillance and a more formal quarterly audit conducted by the compliance and security department which will be provided to the Commission upon request.*
- h. *Appoint an independent chairperson to the Licensee's Compliance Committee to independently assess its controls and systems.*
- i. *Introduce a 'Red Flag System' at the cash and reception desks that sends alerts to Compliance and senior management on reaching the following triggers:*
  - *Increases to facilities greater than 50% of the value of the existing facility*
  - *Negative / No EDD checks*
  - *Buy-ins of £15,000 or greater*
  - *MLRO sign off on new facilities*
  - *External Interactions*
  - *Direct Credits to Bank Account*

31. The Commission made it clear to that we will conduct an inspection of Park Lane Club and that any further failings in its anti-money laundering controls and/or any other breach of the licence conditions will result in more severe sanctions and substantial financial penalties.

### **Personal Management Licence reviews**

32. Given the nature of the failings that gave rise to the warning and imposition of conditions on the operating licence, the Commission has also commenced licence reviews in respect of the Personal Management Licences held by the key individuals involved in the matters that have been the subject of this investigation.

33. The reviews of the Personal Management Licences held by the key individuals involved are currently being conducted and will be concluded separately.