



Financial
Intelligence Centre

HOW THE GAMBLING INDUSTRY CAN ASSIST IN THE FIGHT AGAINST MONEY LAUNDERING AND TERRORIST FINANCING

For some criminals, gambling institutions could seem like a sure bet for washing their criminal proceeds through the financial system. This makes the gambling sector vulnerable to criminals looking to take advantage of the variety, frequency and volume of transactions that take place in gambling institutions.

Gambling institutions that fall within the ambit of item 9 of Schedule 1 to the Financial Intelligence Centre Act (FIC Act) are at risk of being abused by criminals seeking to launder their proceeds of crime. It is for this reason that gambling institutions play an important part in the fight against money laundering and terrorist financing.

The information from regulatory reports submitted by gambling institutions allows the Financial Intelligence Centre (FIC) to develop intelligence which law enforcement, prosecutorial authorities and other competent authorities can use for their investigations and applications for asset forfeiture where necessary.

Often criminals cannot freely, or at least find it difficult to use their ill-gotten gains without attracting attention, so they seek ways to hide the true source of the funds through layering which involves a series of transactions, conversions or movement of funds. For some criminals, gambling institutions could provide potential anonymity for illicit transactions.

For the sector to reduce their vulnerability, they need to use their industry knowledge and understanding of how their patrons behave, be aware of what habits and actions are

normal and usual, and be alert to behaviours and transactions that may hint at criminal activity.

This alertness and acting on this alertness will help those in the gambling industry to further avoid and mitigate criminal exploitation. Reporting obligations of gambling institutions in terms of the FIC Act are an important mitigating measure. Accountable institutions within the gambling sector are obliged to register and to fulfil various obligations including submitting reports to the FIC.

There are different types of regulatory reports that gambling institutions must file with the FIC in terms of the FIC Act, which include cash threshold reports, suspicious and unusual transaction/activity reports, and terrorist property reports.

Cash threshold reports

Where a gambling institution receives or makes a cash payment and/or series of cash payments exceeding R24 999.99 the institution must report the transaction(s) to the FIC. This is referred to as a cash threshold report, in terms of section 28 of the FIC Act. The FIC guidance note 5B provides direction on cash threshold reporting.

Suspicious and unusual transaction reports

Under section 29 of the FIC Act, there are various types of reports which must be submitted to the FIC:

- **Suspicious and unusual transaction report** – a gambling institution must file this report where it finds a transaction suspicious, unusual and/or where it is suspected that the transaction could be linked to a person who is subject to targeted financial sanctions.
- **Suspicious and unusual activity report** – this report must be filed where there is an activity that the gambling institution finds suspicious and unusual, and/or suspects the activity could be linked to a person who is subject to targeted financial sanctions.
- **Terrorist financing transaction report** – must be filed where there is a suspicion that a transaction and/or series of transactions is linked to a listed terrorist and/or terrorist financing.
- **Terrorist financing activity report** - must be filed where the gambling institution has a suspicion that an activity is linked to a listed terrorist and/or terrorist financing.

FIC guidance note 4B covers suspicious and unusual transaction reports in greater detail.

Furthermore, gambling institutions must monitor client transactions and understand the client's source of funds. This will help determine whether transactions are consistent with the gambling institution's knowledge of the client and risk profile. It will allow the gambling institution to identify suspicious and unusual transactions for reporting.

Gambling institutions may use an automated transaction monitoring system to monitor client transactions. However, this must be done in line with Directive 5 and public compliance communication 45 issued by the FIC.

Terrorist property reports

Where a gambling institution identifies a prospective client or client as being a sanctioned person, the gambling institution must not conduct any transactions on behalf of that person(s). The gambling institution must report a section 28A terrorist property report. FIC guidance note 6A provides insight on this obligation.

The gambling institution must indicate how it will monitor client transactions and file reports in compliance with the FIC Act in its risk management and compliance programme.

Gambling institutions are obliged to register and submit the various regulatory reports to the FIC. Before they can begin to submit regulatory reports and to contribute in the fight against crime, they must first register with the FIC on www.fic.gov.za.

There are a host of user guides available on the FIC website under the registration and reporting tab which sets out exactly how to register and report.



National Gambling Board

South Africa

a member of **the dti** group