

## **Casinos and money laundering**

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Casinos are a dream vehicle for the money launderer with dirty notes to absorb into the system. Money goes in and out of casinos with such speed and in such quantities that regulators and cashier struggle to track it efficiently. That is why the law places great reporting burdens on companies that operate casinos. They are treated as financial institutions in much the same way as banks and are subject to money laundering regulations contained in the Proceeds of Crime Act 2002. The owners of casinos are likewise subject to scrutiny and their anti-money laundering procedures required to comply with defined reporting procedures.

Money laundering through casinos started with the drug, hooch and mafia barons in the United States in the 1920s and 1930s. They set up gambling dens in offshore centres like Cuba and The Bahamas to hide their dirty money from the authorities' gaze. Al Capone and Meyer Lansky took cash to the islands in suitcases and simply mingled it with that running through the gambling system. These off-shore locations might today be the chosen bases for on-line casinos, as local regulation is minimal and graft and corruption are rampant. Their host of name-plate banks makes them convenient repositories for money that casinos create.

Casinos today are very reluctant to accept cash and any one who seeks to buy their chips with large quantities of cash are likely to be the subject of a report to the National Criminal Intelligence Service. Like banks, casinos must make a report on anyone seeking spend £10,000 worth of cash or more. But many casinos will go one further, and require a punter to use a credit card to pay for his chips. That allows the casino to identify the user, as well as the source of his cash. 'Casinos have bought into the 'know your customer' regime applied to banks,' said one investigator. 'They are tightly controlled. The days when they were laundromats for dirty cash have gone.' Casinos are also required to register large cash pay outs, to protect them against a money launderer falsely claiming that he won dirty money at a casino.

The grand buildings in central London or the provincial leisure and shopping facilities planned by the Government offer little money laundering risk. The real worry today is the abuse of the on-line casino that resides in cyber space. Control here is minimal, and scope for abuse rampant.

One investigator told of a drugs baron who lived the life of Reilly in the West Indies. His bank account was in his home town and he wanted to pull together in a single account the profits from his drugs business which were scattered around the Caribbean and further afield. His solution was dangerously simple. He set up an on-line casino based in his West Indies island. He then gave each of his far-flung operatives a credit card and told them to use the cards to merrily gamble away a fixed sum on his casino. Their losses were clearly the casino's gain, and he deposited them at the local bank. The mafioso paid the credit card bills with his dirty money, so ensuring both the transfer of the earnings to his account, and the removal of some compromising cash.

'On-line casinos are ready made for money laundering,' says Michael Adlem, the managing director of Protivity, the UK risk consultancy. 'This criminal activity relies on the use of credit cards, and the only way it can be stopped is if Visa and Mastercard are excluded from the gambling arena. That would kill on-line laundering stone dead, but the credit card firms would resist it fiercely. For them, it is a money machine.'

'Due diligence of on-line gambling is not as stringent as it is in other financing institutions,' says Frank Yu of Hong Kong's Ion Global. 'The on-line gambling site can be properly legitimate. But many fail in performing the due diligence of finding out who they are accepting money from and who they are giving money to.' Similar concern was expressed by Rick McDonnell, the head of the Asia Pacific Group money laundering division, a part of the Financial Action Task Force. 'Internet gambling is a vulnerable area. It is a risk.'

Casino owners who engage in money laundering have been found using sophisticated technology included in slot machines offering very high pay-outs. These owners can override the machine's random system, using a 'backdoor'. They can then arrange for someone who is part of the plot to make a big winning. The 'winner' has not had to supply the casino with personal details, as he would have to do if he were a conventional gambler, and the money can be taken without the casino making a report.

Cash reporting systems within casinos are the bulwark upon which the government's control apparatus is based. But this system is subject to vulnerable to abuse by an outsider, who may try to bribe an employee to overlook a cash payment or deposit. So in June 1998, four casino employees working at three casinos in Nevada were arrested and charged with laundering \$400,000 for undercover agents whom they believed to be drug .