



## **Anti-Money Laundering & Counter-Terrorism Financing Kit for QHA and AHA Members.**

**Services:**

**1. Gaming**

**December 2007**

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# Section 1. Anti-Money Laundering & Counter- Terrorism Financing Program Overview and Instructions for QHA and AHA Members.

DRAFT - SUBJECT TO PROFESSIONAL STANDARDS REVIEW

Sydney  
29 February, 2016

**Deloitte.**

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# Glossary

Some AML/CTF terms are shown below

## Glossary of AML/CTF Terms

AML/CTF – Anti-Money Laundering and Counter-Terrorism Financing

AUSTRAC – Australian Transaction Reports and Analysis Centre

CDD – Customer Due Diligence

DFAT – Department of Foreign Affairs and Trade (Australia)

EDD – Employee Due Diligence

EGM – Eligible Gaming Machine – more commonly known as a Poker Machine

FATF – Financial Action Task Force

FTRA – Financial Transaction Reports Act 1988 (Cth)

HR – Human Resources

KYC – Know Your Customer, often used interchangeably with CDD

PEP – Politically Exposed Person

ML/TF – Money laundering and Terrorism Financing

SOFTA – Suppression of Financing of Terrorism Act 2002 (Cth)

SLAs – Service Level Agreements

SUSTRs – Suspicious Transaction Reports

The AML/CTF Act – Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)

The Rules – AUSTRAC consolidated AML/CTF Rules registered at project commencement.



## Introduction to the AHA AML/CTF Kits

### **The kit is designed to help QHA/AHA members meet the requirements of the Anti-Money Laundering and Counter Terrorism Financing Act 2006 (Act) on and from 12 December 2007**

This kit has been developed by the Queensland hotels Association (**QHA**) and the Australian Hotels Association (**AHA**) with the support and assistance of its consultants – Deloitte and Lander & Rogers Lawyers

The Act requires businesses providing certain financial or gambling services, or those involved in bullion dealing, to

- Identify their customers before providing certain services
- Report certain transactions above a monetary threshold
- Report suspicious transactions.

Customers will be affected in a range of circumstances including opening a bank account or obtaining a loan, buying travellers cheques and sending, receiving and transferring funds electronically. In the gambling sector, customers will be principally affected when they receive gambling winnings of \$10,000 or more or exchange foreign currency worth \$500 or more.

Not all of these obligations commence on 12 December 2007. This kit will guide you on what has to be done at that date and beyond up to 12 December 2008.

#### **Why have the new laws been introduced?**

The Australian Government has introduced the new anti-money laundering and counter-terrorism (AML/CTF) laws to:

- Reduce the risk of Australian businesses being misused for the purposes of money-laundering or terrorism financing
- Bring Australia's existing AML/CTF system into line with international standards
- Meet the needs of law enforcement agencies for targeted information about possible criminal activity and terrorism.

The new laws are an extension and enhancement of current significant and suspicious cash transaction reporting obligations that cash dealers have under the Financial Transactions Reports Act 1988 (FTRA). In many ways, the new obligations under the Act simply build on the existing obligations under the FTRA and members should endeavour to build these new requirements into existing compliance systems and structures. Other obligations build upon those in the Suppression of Financing of Terrorism Act 2002 (SOFTA).



## Introduction to the AML/CTF Kits (ctd)

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### **The kits are designed to help AHA members who provide gambling and/or foreign currency exchange services**

There are three kits designed for members of the AHA who provide:

1. Both gambling services and foreign currency exchange services
2. Gambling services
3. Foreign currency exchange services.

Generally, members provide gambling services by offering electronic gaming machines (or poker machines). If the hotel does not exchange foreign currency as an ancillary part of its gaming operations, then this kit will prompt the hotel to adopt the gaming-only version of the AML/CTF Program.

For those hotels which only provide foreign currency exchange services, this kit will prompt the hotel to adopt the foreign currency exchange-only version of the AML/CTF Program.

Instructions for using the kit are set out below.

There is a general set of instructions included below with specific instructions in each section of the kits.



## Support and questions

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### Both the QHA/AHA and AUSTRAC are available to support your program implementation

#### AHA State Offices

If you have any questions or queries regarding the kit or how to use it, please contact your [AHA State/Territory representative] on [telephone number] or by email at [email address]

#### AUSTRAC

- AUSTRAC is the regulator under the Act, just as it is under the FTRA
- In addition to its regulatory role, AUSTRAC provides financial transactions report information to State, Territory and Australian law enforcement, security, social justice and revenue agencies, as well as to certain international agencies
- In its regulatory role, AUSTRAC has committed to assist regulated entities with the most efficient and effective methods of compliance and to respond to enquiries and requests in a timely way and in clear language
- AUSTRAC has offices in Sydney, Melbourne, Brisbane, Canberra and Perth
- Further contact details can be found on AUSTRAC's website [www.austrac.gov.au](http://www.austrac.gov.au) and AUSTRAC's Help Desk enquiries can be directed to:
  - Phone: 1300 021 037 (a local call from within Australia) or (02) 9950 0827
  - Email: [help\\_desk@austrac.gov.au](mailto:help_desk@austrac.gov.au).



## Other gambling services

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### What if your Hotel operates a TAB/wagering outlet or provides Keno?

TAB/wagering outlets:

- The Hotel's TAB/wagering provider has its own obligations under the AML/CTF law
- It is deemed to be the reporting entity, not the Hotel
- Hotels do not have to implement their own AML/CTF program in relation to the TAB/wagering services
- You will receive advice and guidance from your TAB/wagering provider on what is expected of the Hotel in relation to your TAB/wagering operations.

Keno:

- Keno operations are excluded from the new AML/CTF law
- You do not need to do anything new for Keno.





## AHA - AML/CTF Kit - general instructions

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### The first decision is whether or not your hotel is covered by the Act

If your hotel does not provide gambling services or foreign currency exchange, *you do not have to do anything* under the Act

If your hotel provides either gambling services or foreign currency exchange services, or both, then you will need to select the right AML/CTF Program for your business

There are three programs in this kit

- Gambling services and foreign currency exchange services
- Gambling services alone; or
- Foreign currency exchange services alone

Once you have chosen which program suits your business, you must go to the relevant section of this kit to

- Apply the risk assessment tool
- Implement your AML/CTF program

There are instructions in each of those sections for what to do next.



## AHA - AML/CTF Kit - general instructions (ctd)

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### **This kit provides many essential components for your AML/CTF program to help you comply with new and existing laws**

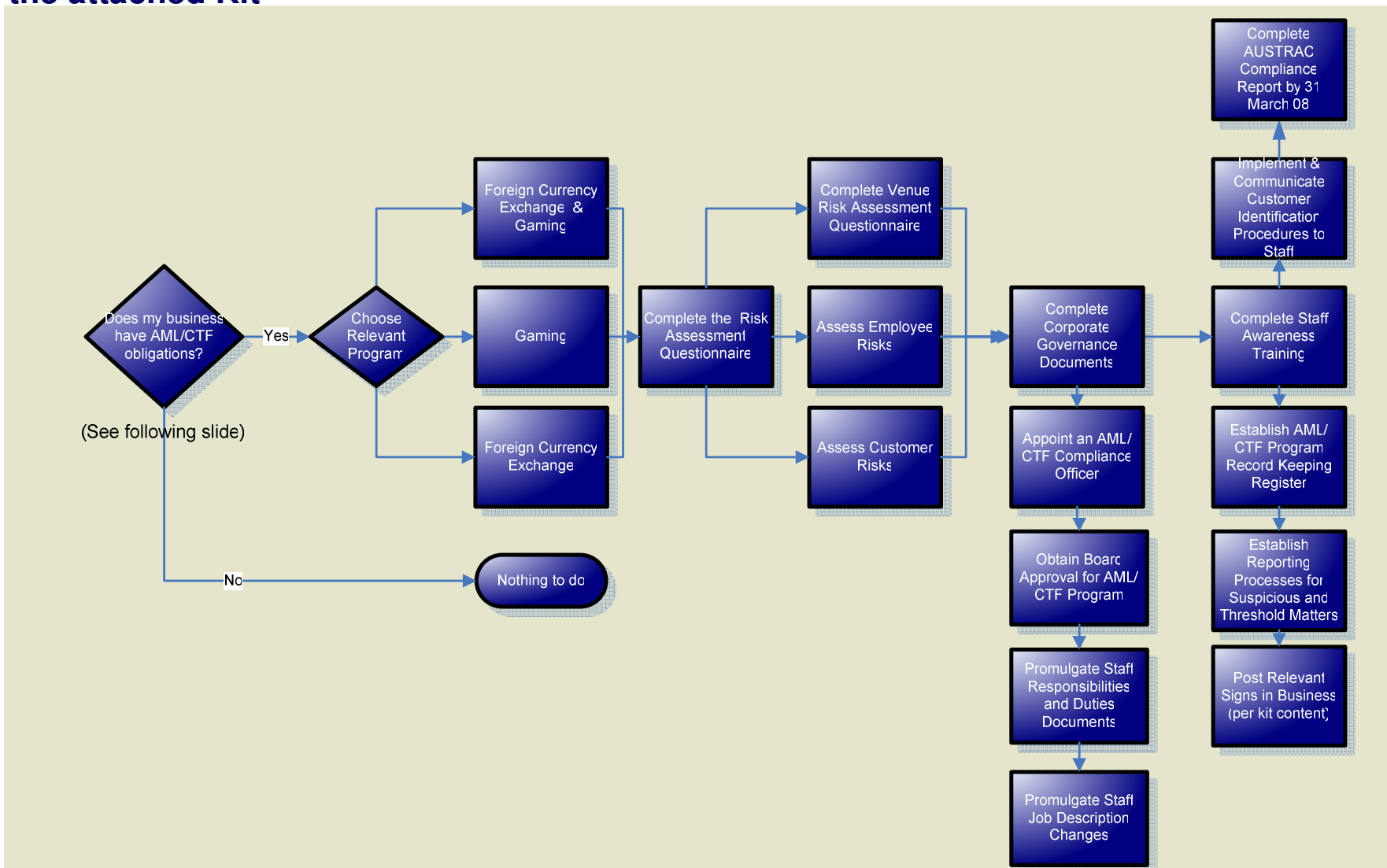
In summary, the basic steps are:

- Decide whether or not your hotel has to have an AML/CTF Program
  - If not, you don't have to do anything more.
- But if your hotel does need to have a program then you must
  - Choose your AML/CTF program from the three versions of this kit – the program and instructions are in Section 3 of this kit
  - Conduct your risk assessment – See Section 2 of this kit
  - Appoint an AML/CTF Compliance Officer – See Section 4d for Compliance Officer Duty Statement
  - Get the AML/CTF program approved by your board of directors or, if you don't have a board, the chief executive officer of the business or the equivalent (likely to be the nominee/licensee) – See Section 4 of this kit for relevant governance documents
  - Let relevant staff know about the AML/CTF Program and train your staff in AML/CTF awareness – See Section 8 of this kit
  - Implement the AML/CTF program
  - Prepare signs and/or brochures to inform your customers – a sample sign is in Section 7 of this kit
  - Complete your first *Compliance Report* to AUSTRAC by 31 March 2008 – A copy of the AUSTRAC Report and instructions are in Section 9 of this kit.



# What do you need to do next?

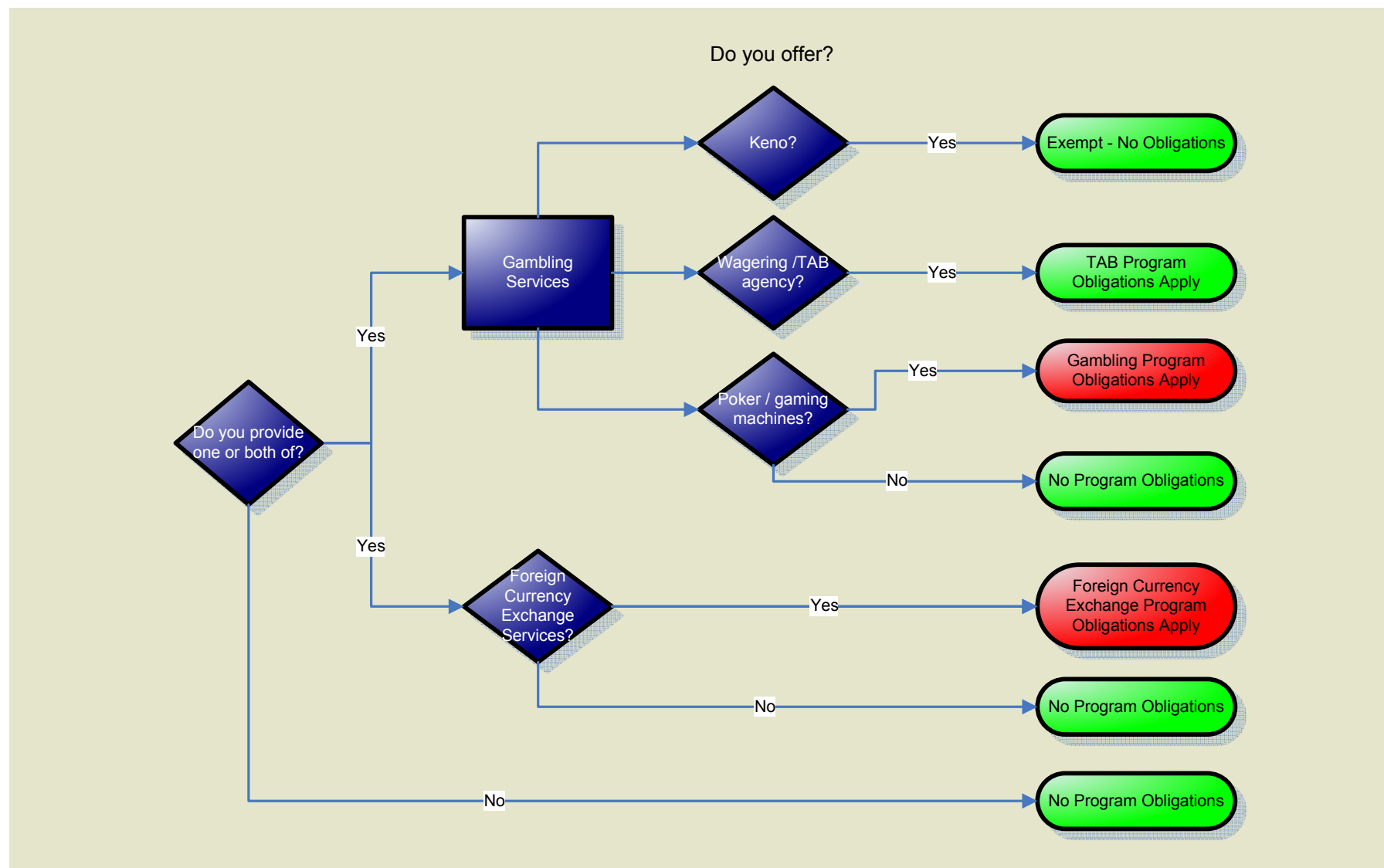
Completing the AHA Kit...and starting your program. The tasks boxes are detailed in the attached Kit





# Are you caught by the new AML/CTF law?

If your answer ends in red – you need an AML/CTF program





## Why should you care?

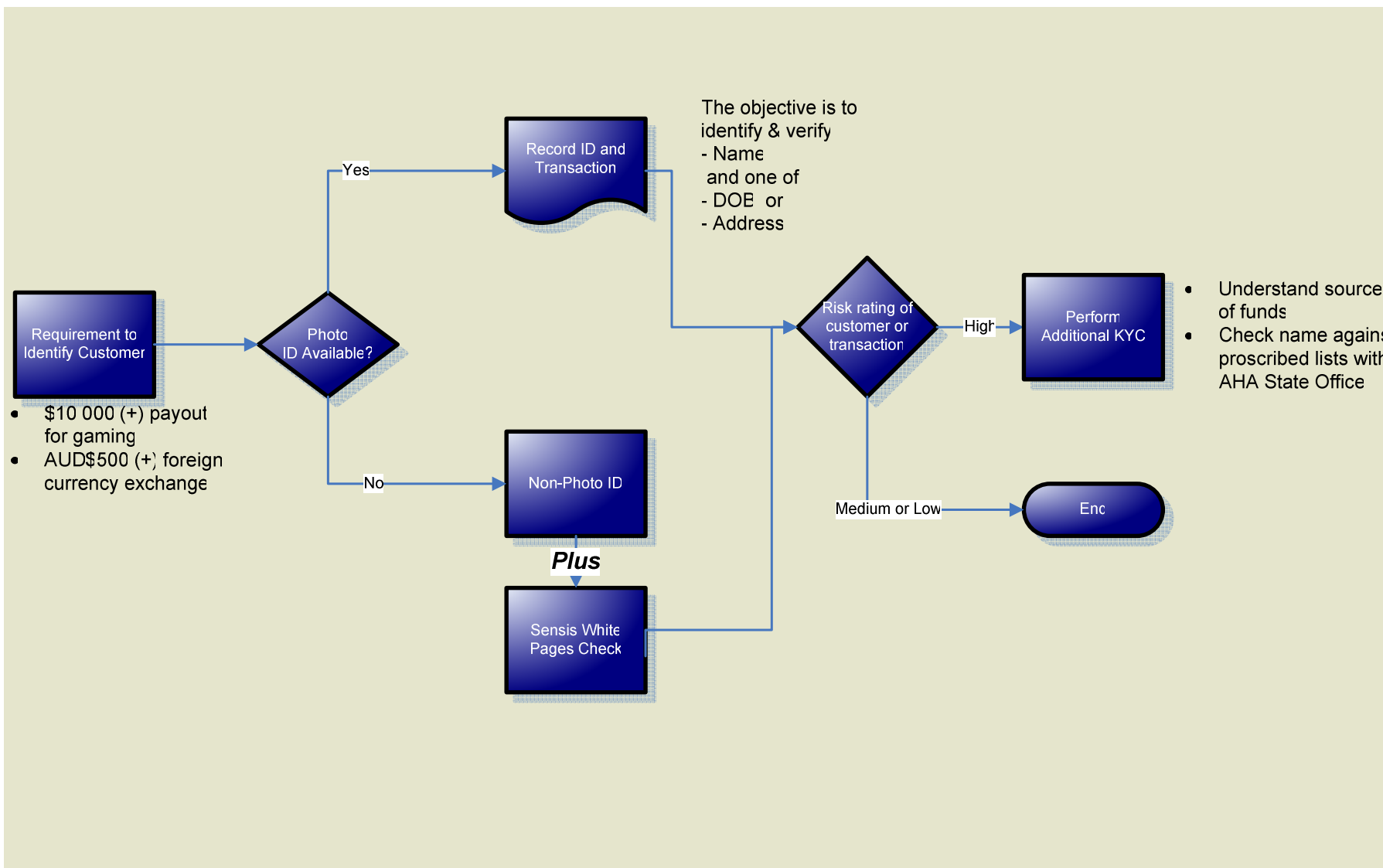
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### There are many reasons why this is important for staff and licensees

- Community obligations
  - AHA members are committed to being good citizens
- The new legislation carries a series of penalties which can be levied against individuals (staff and officers) including
  - Custodial sentences for serious offences
  - Fines of up to \$11 million per offence for corporate and \$2.2 million for individuals
  - Loss of license – violations are material considerations for state authorities
- Customers who violate the law are also subject to penalties including custodial sentences
- AUSTRAC has other enforcement powers including the power to appoint an auditor to review your program.

# Do you have to identify a customer?

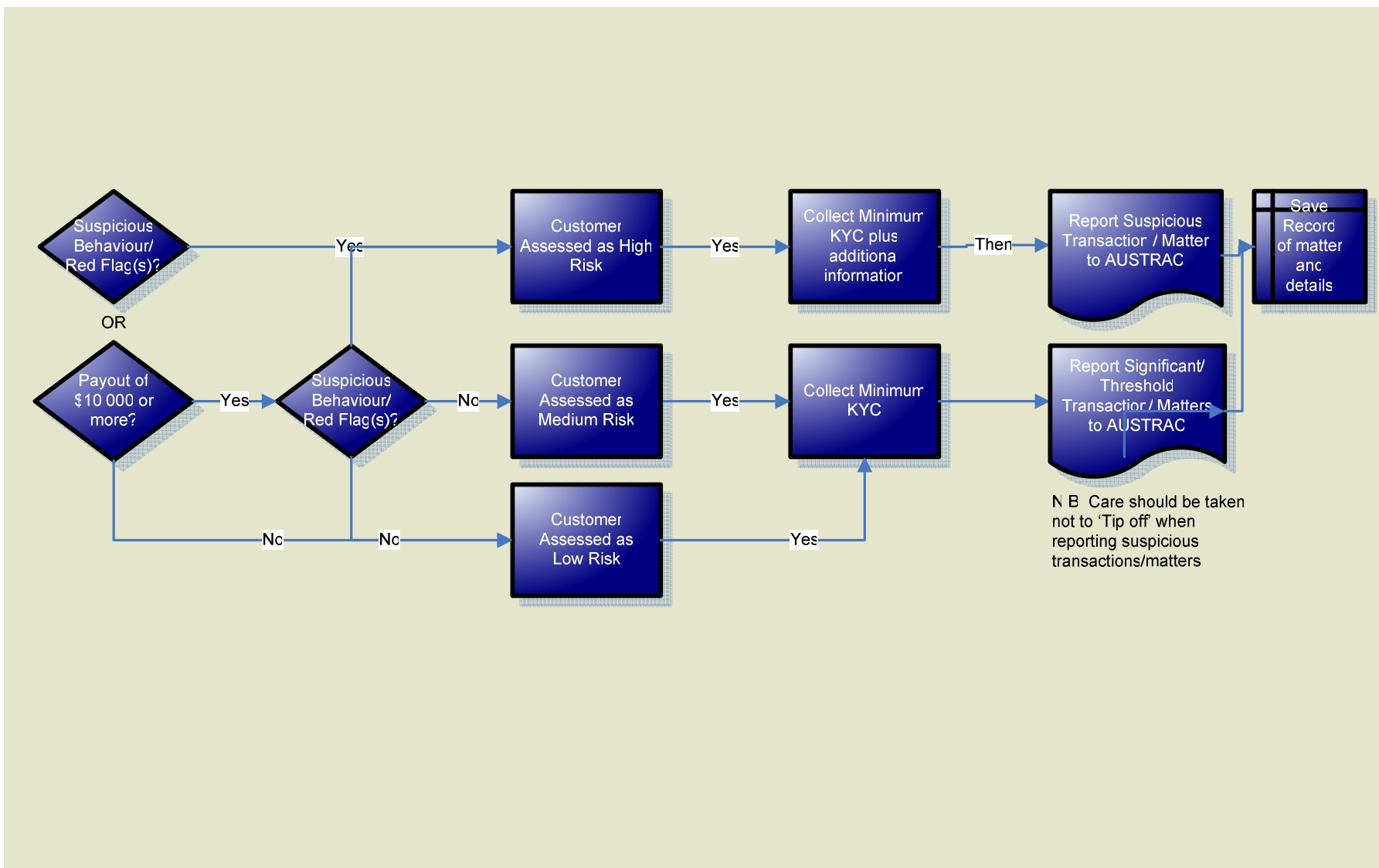
## How to perform customer ID





# EGM/Poker Machines customer risk rating and reporting

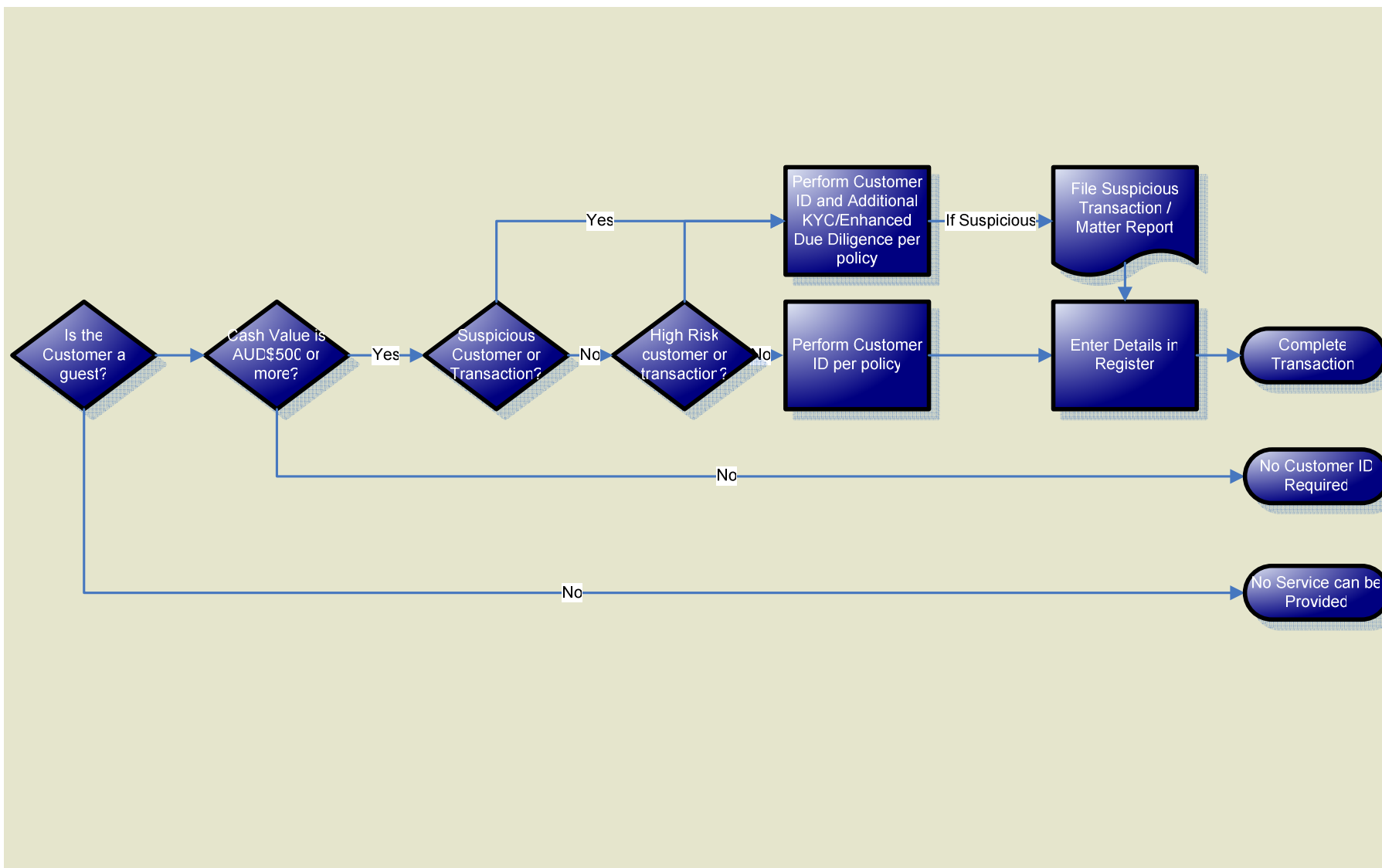
## When do you need to get ID and report?





# Foreign exchange - designated service

## When do you need to get ID and report?

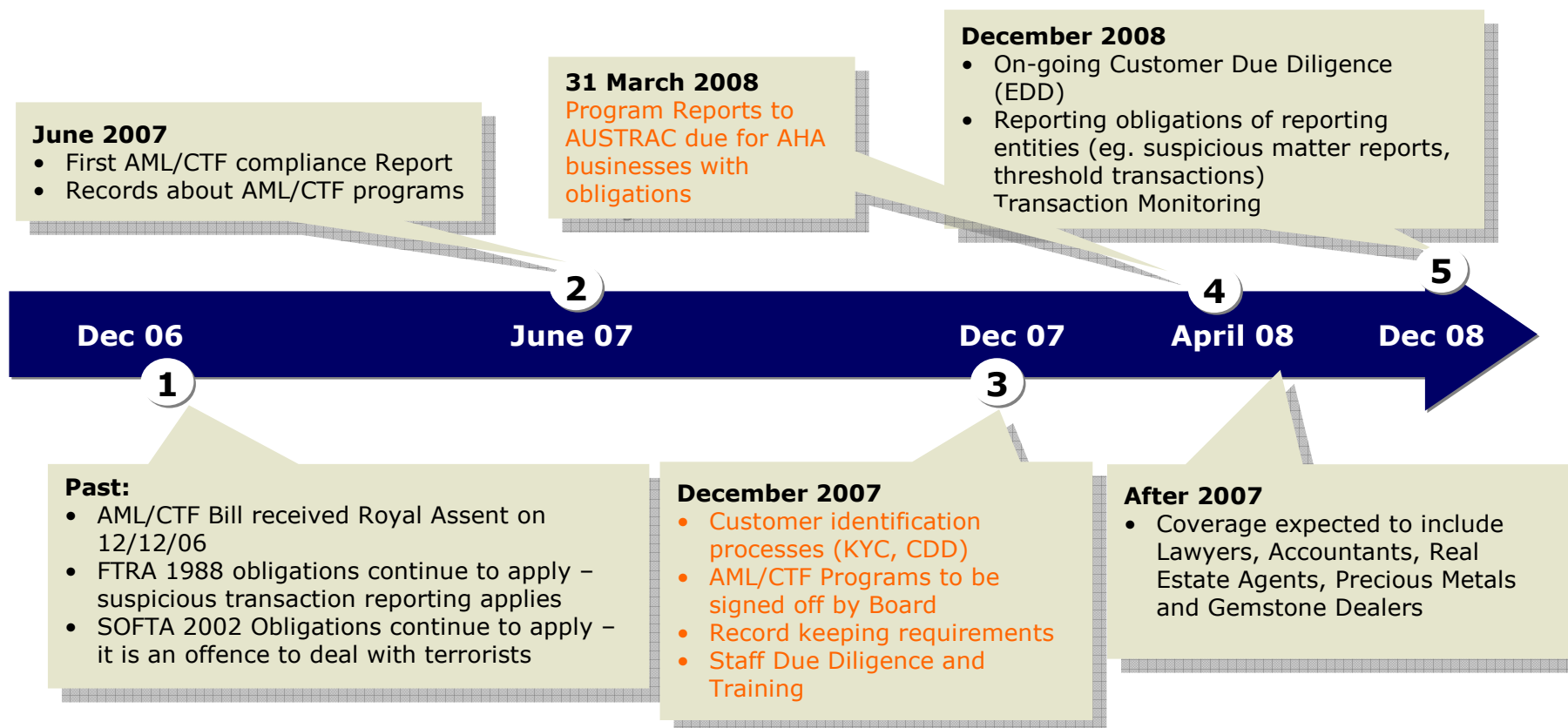






## What do you need to do – by when?

**QHA members are currently subject to FTR Act obligations. Some existing obligations will be replaced over 2007 and 2008 by the new AML/CTF Act**



# Section 2. Money Laundering & Terrorism Financing Risk Assessment Gambling Services.

DRAFT - SUBJECT TO PROFESSIONAL STANDARDS REVIEW

Sydney  
29 February, 2016

**Deloitte.**

Audit. Tax. Consulting. Financial Advisory.





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Mr Bill Healey  
Director, National Affairs  
Australian Hotels Association  
24 Brisbane Ave  
Barton ACT 2600

29 February, 2016

Dear Mr Healey

**Re: AHA Money Laundering and Terrorist Financing Risk Assessment**

Further to our recent communications, and in accordance with our engagement letter, we are pleased to provide you with our *Money Laundering and Terrorist Financing (ML/TF) Risk Assessment Report*. This report provides an assessment of ML/TF risks inherent in, or arising from, AHA members' products and services related to gambling services.

The risk assessment results provide an important foundation for the AHA's assistance to members' Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Programs, and are presented using our Risk Assessment Tool. The Tool provides an ongoing benefit because it facilitates continuous revision and reassessment of ML/TF risk, which is a requirement of the new risk-based regulatory regime, in response to changes in AHA members' businesses or in the prevailing business environment.

We look forward to continuing our valued relationship with the AHA. If you have any queries please do not hesitate to call either myself or Brett Webber on (02) 9322 7514.

Yours sincerely,

**Christopher Cass**  
Partner



# Limitations and disclaimers

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This report should be read in its entirety.

This report does not constitute legal advice. Our review and comments are provided to you in our capacity as professional advisers based on our professional experience and expertise.

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The matters detailed in our report are only those which came to our attention during the course of performing our procedures and do not necessarily constitute a comprehensive statement of all the weaknesses or issues that exist. Accordingly, management should not rely on our report to identify all weaknesses and issues that may exist in the systems and procedures discussed. The report should be read in the context of the scope of our work. Had we performed additional procedures or had we performed an assurance engagement in accordance with Australian Auditing Standards, other matters might have come to our attention that would have been reported to you.

This report should not be relied upon as a substitute for actions that the AHA should take to assure itself that the controls are operating efficiently.

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# Glossary

Some AML/CTF terms are shown below

Glossary of AML/CTF Terms		
AML/CTF – Anti-Money Laundering and Counter-Terrorism Financing	FTRA – Financial Transaction Reports Act 1988 (Cth)	SLAs – Service Level Agreements
AUSTRAC – Australian Transaction Reports and Analysis Centre	HR – Human Resources	SUSTRs – Suspicious Transaction Reports
CDD – Customer Due Diligence	KYC – Know Your Customer, often used interchangeably with CDD	The AML/CTF Act – Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)
DFAT – Department of Foreign Affairs and Trade (Australia)	PEP – Politically Exposed Person	The Rules – AUSTRAC’s consolidated <i>AML/CTF Rules</i> registered at project commencement.
EDD – Employee Due Diligence	ML/TF – Money laundering and Terrorism Financing	
EGM – Eligible Gaming Machine – more commonly known as a Poker Machine	SOFTA – Suppression of Financing of Terrorism Act 2002 (Cth)	
FATF – Financial Action Task Force		

## Executive summary - purpose and context

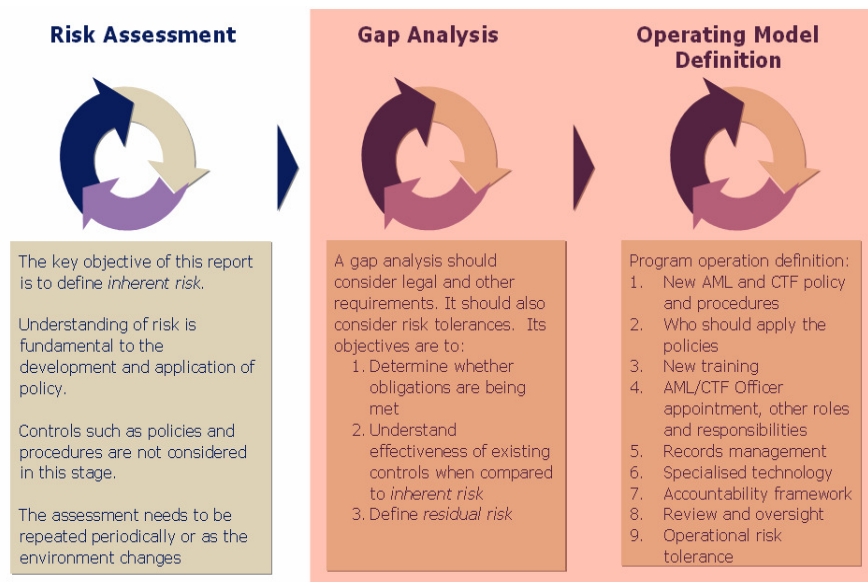
Many of the requirements of the new law are not ‘new’. The key difference is that the new law is risk-based. An assessment of inherent risk is required as a basis for policy

Designated services provided by QHA/AHA members in gaming and foreign currency exchange have high inherent money laundering and terrorism financing risk

However, it was observed that delivery of the designated services is highly regulated and controls serve to mitigate the risks

The purpose of this report is to assist the AHA to

- Perform a risk assessment in preparation for the new Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) laws
- Assist the AHA to understand where money laundering and terrorism financing could occur within members businesses so that they are able to focus policy proportionately in response to risk
  - In a risk-based regime, the risk assessment is the basis of policy. It is necessary to show that policy addresses the risks identified. The ML/TF risk profiles of AHA businesses can be used to direct future AML/CTF control strategies
  - Members will need to apply the assessment frameworks to their businesses
- Recommend future actions as inputs into AHA’s AML/CTF risk framework



- Provide QHA/AHA with a repeatable methodology for future review and assessments of new business activities and products and knowledge transfer.

### Context

The diagram above describes the importance of the Risk Assessment in preparing for a substantive and rational AML/CTF compliance program. It is the first stage in a risk-based approach

Understanding inherent risk is critical in defining the coverage and effectiveness of control mechanisms and in formulating an effective risk-based program.



## Background and scope

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### Deloitte assessed the Money Laundering/Terrorism Financing risks across QHA/AHA business types for both general and accommodation divisions

#### Scope

- The scope of this Risk Assessment is to consider ML/TF risk across both general and accommodation division business operations where EGMs are provided

#### Background

- QHA/AHA members provide services designated under the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Act (2006), these are primarily
  - Gaming via Eligible Gaming Machines (EGMs) more commonly Poker Machines
  - Cash to cash foreign currency exchange services are considered in other Risk Assessments provided by the AHA
- Businesses providing either or both of these are Reporting Entities (RE) and are obliged to develop, apply and maintain a risk-based AML/CTF program including
  - A program which needs to be based on a diagnosis of inherent ML/TF risk (the subject of this Report) i.e. be risk-based and acknowledge that some parts of AHA's business present higher ML/TF risk than other parts
  - Programs are required to include
    - AML/CTF policy which can be read and understood by staff
    - Training
    - Record keeping
    - Transaction monitoring
    - Staff due diligence and
    - Customer identification and due diligence.





## Approach

### Deloitte assessed the ML/TF risks inherent in QHA/ AHA members' operations using a proven approach and tools

#### Project approach and risk assessment methodology

- Sources of risk related attributes were assessed through a process of documentary reviews and interviews
- Key risk categories considered are venue, employee, product, jurisdiction and customers
- A combined Deloitte and QHA/AHA team populated the Risk Assessment Tool used to assess risks and risk attributes
- In our approach jurisdiction risk is considered as an element of the other forms of risk
- Weightings are subjective and need to be confirmed by each business applying the tool.

Presentation of risk is relative, not absolute. The intent is to describe dispersion of risk, relative position is important. The purpose of the risk scoring is to obtain a *relative* ranking of risk by items to allow further analysis and targeting of policy and resources.

This risk assessment is focused on illustrating inherent risk with a view to establishing controls on a business type level – not on an individual client level.

Each line item within each category was scored using predetermined ML/TF risk attributes to calculate a risk score

- Each item within a category was assessed against weighted risk attributes to determine a risk score. Subjective weightings were determined in consultation with AHA. Weightings can and should be reviewed in future assessments
- The attributes used by Deloitte are well considered questions fundamental in assessing ML/TF risk and are based on both research and experience

At the conclusion of the process, the tool presented risk scores including identification of low, medium and higher risks for AHA

- Charts depict the dispersion of risk for the different categories
- The numerical risk score is not significant in itself

Scoring of risks assessments should be confirmed in more detail by Hotel management in the future. *It is recommended that Hotel management undertake their own risk assessment to confirm these results*

Bandings of high, medium and low risk were applied to risk items in each of the categories. This approach is recommended by AUSTRAC and needs to be confirmed by management.



# Instructions - risk assessment

You need to demonstrate that you understand the risks of ML and TF to your business so that you can prove your program is reasonable





## Instructions for the Risk Assessment Tool

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The Risk Assessment Tool is provided as a spreadsheet, but can be done using the paper attached

- Each hotel should answer questions in the “Venue risk” worksheet
- It is important to note that in a risk-based program there is no right answer, but you need to be able to justify your actions if you are asked by the regulator AUSTRAC or another law enforcement agency if there is an incident
- The spreadsheet provided is set up with formulae to calculate risk for each risk type
- In the future the AHA may be able to provide data for venue risk which includes data (as deciles) for turnover etc to facilitate completion of this process.

Other generic guidance is provided for

- “Customer risk”
- “Employee risk”
- “Jurisdiction risk”

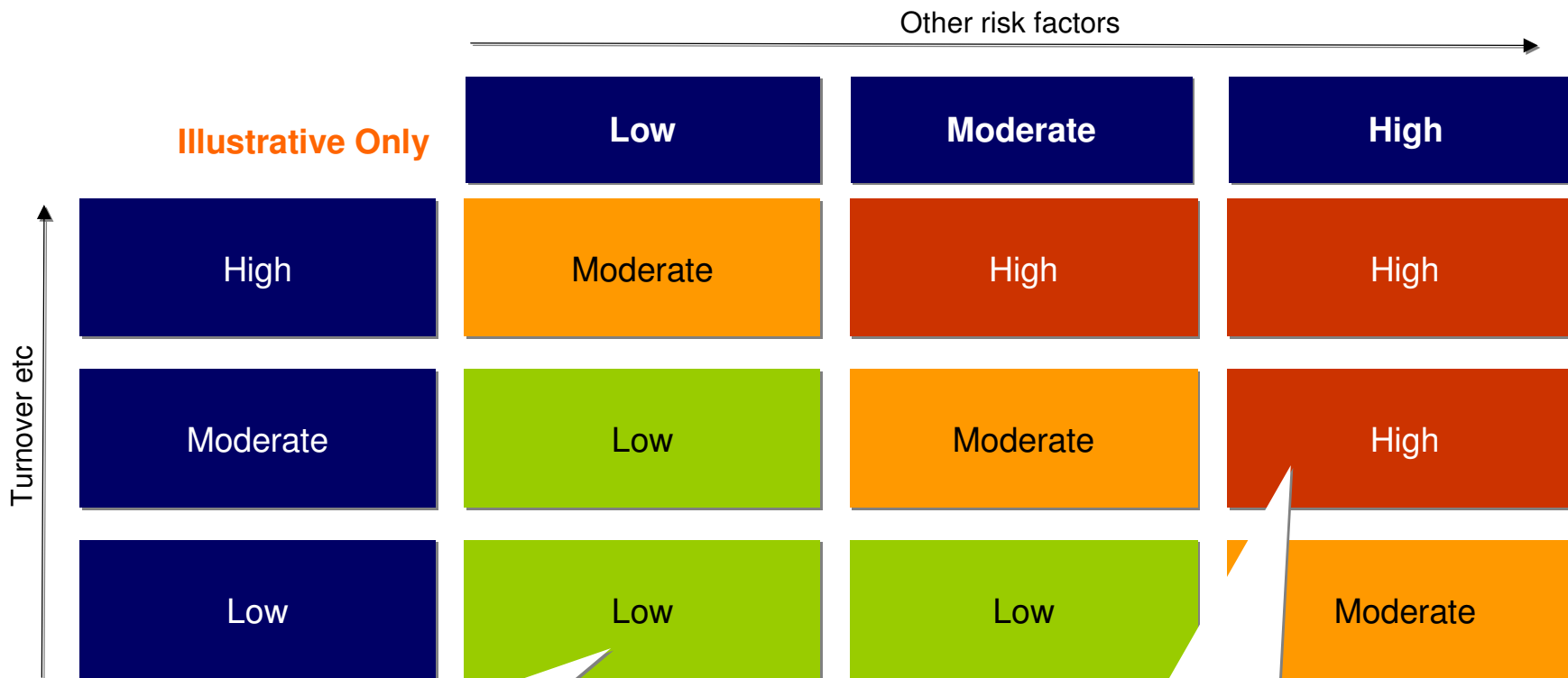
The Tool provides

- Comparison of the different types of customer and employees by scores
- Charts which are based on the answers in the spreadsheet provided.



# Venue risk - AML program requirements should be based on assessed risk

The nature of your venue and its business will determine how much effort is reasonable to apply to your AML/CTF program – the Venue Risk Assessment will allow you to assess your venue



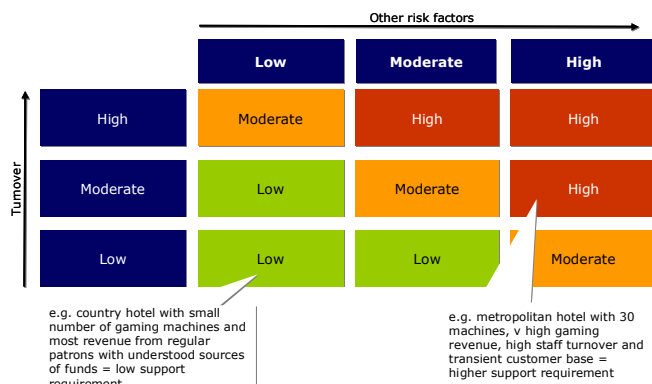
e.g. country hotel with small number of gaming machines and most revenue from regular patrons with understood sources of funds = low support requirement

e.g. metropolitan hotel with 30 machines, v high gaming revenue, high staff turnover and transient customer base = higher support requirement

# Venue risk - how much you do you need to do?

AML/CTF program administration should be based on an assessment of all risks, but venue risk will be a key driver

Key questions the *Venue Risk Assessment* will assist you to answer

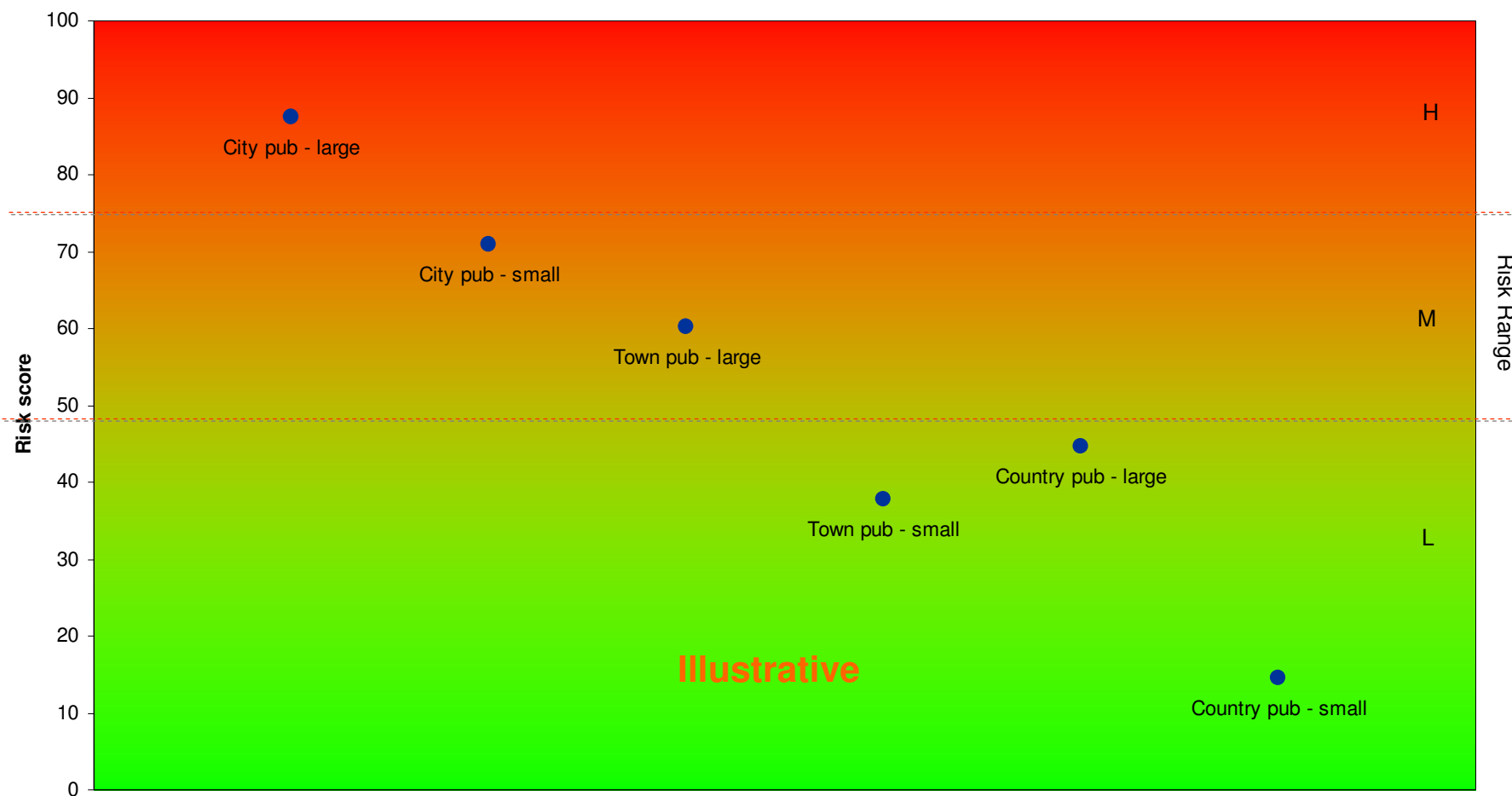




## Venue risk - gaming - example only

Different venues types have different levels of inherent risk. A 'reasonable' program should vary according to risks. You need to assess yours

Venue ML/TF Risk



Illustrative



## Venue risk - issues from risk-rating - gambling

### Venue risk is a composite of other risks and resolves many of the issues which are unique to QHA / AHA members offering gaming

- AHA members need to identify risk in their businesses. The range of designated services offered is limited, but members are required by the law to have a risk-based AML/CTF program. It is important to consider
  - Customer risk
    - The \$10,000 exemption creates a unique problem for gambling services businesses. This is because in most cases customers can be accessing products and services before a 'Designated' service is provided. Risk has to be inferred from objective data
  - Product risk
    - Most venues offer a single product with few variations
  - Employee risk
    - Exists in relation both services and is a constant source of risk closely correlated with fraud risk
  - Jurisdiction risk
    - As presented through customers, employees and via foreign currency where foreign currency exchange services are provided
- As a composite of the above factors, venue risk serves as a rational basis for programs.
  - Objective data can be used to compare venues
    - Turnover from gaming
    - Numbers of machines
    - Location
- Assumptions are made in respect of ML/TF risk being constant for customers and employees
- Observations and incidents also need to be considered in accepting the venue risk assessment as a foundation for a program.



## Venue risk - what does it mean?

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### Venue risk is a key indicator of what is reasonable for a program in terms of effort and focus

Suggestions for what *ongoing* program effort is reasonable

- Higher risk (Red) venues
  - Segmentation of staff duties with periodic training to a higher standard for gaming supervisors
  - New staff training via RSG training
  - Filing of incident/suspicious reports should be very diligent
  - Anticipate AUSTRAC inspections
  - Record keeping should be reviewed frequently
  - Risk re-rating twice yearly
- Moderate risk (Orange) venues
  - Annual program review
  - Training program with continuous availability for new staff from AHA RSG training
- Low risk (Green) venues
  - Annual program review
  - Limited training and support requirements
  - Most training and support would be provided as part of the AHA state RSG training





# Venue risk - answer these questions for your venue - gaming

## Where does your venue fit? What should you do?

#	Risk Attribute	Comment	Question	Weight	Your Venue's Answer	Score	Your Venue Score (weight x score)
1	Gross Gaming Turnover	A lower annual turnover for a venue represents a lower level of risk	What is the annual turnover for this venue?	10	Top decile of state	2	
					5th-9th decile	1	
					< 5th decile	0	
2	No of Gaming Machines	The greater number of machines, the higher the risk	How many gaming machines does the venue have?	10	Max allowed	2	
					50- 100% of max	1	
					<50% of max allowed	0	
3	Opening Hours	The longer the operating hours of a venue, the higher the risk that it will be used for ML/TF activities	What is the daily operating hours of the venue?	7	12-24 hours	1	
					Less than 12 hours	0	
4	Jackpot or Networked Gaming Machines	Money launderers seek mediums which allow them to make larger value payments	Does the venue offer play through networked machines which can pay over \$10,000?	10	Yes	1	
					No	0	
5	Other Gambling Products offered at Venue	TAB/Unitab wagering or lotteries (Keno) offered on same premises provides more opportunities for money laundering	How many other gambling products are offered at this venue?	6	2 Products	2	
					1 Product	1	
					None	0	
6	Location of Venue	Venues located in metropolitan areas typically have more anonymous, transient clients	Where is the venue located?	8	Metro	2	
					Town	1	
					Country	0	
7	Venue Control	Separate, constant gaming room oversight reduces risk. Includes full time gaming room attendant	Does the venue have separate gaming room supervision?	5	No Separate control (Multi-function)	2	
					Part time	1	
					Full time	0	
8	Staff Roles	Separation of responsibilities in gaming machine operations	Are gaming machine operations separated by staff roles?	5	Integrated	1	
					Separated	0	
9	Staff Turnover	A higher risk is posed by an ever changing and inexperienced work force that may not be as aware of AML/CTF requirements and ML/TF risks	Is gaming staff turnover >50% per annum?	5	Yes	1	
					No	0	
						<b>Your venue's total risk score</b>	0
						<b>Scaled risk score (100)</b>	0



## Customer risk

### Customers are a concern if they are high risk. They can be deemed to be high risk because of 'what they are' or 'what they do'

#### General

- For EGMs, customers are less easily identified than in other regulated businesses due to the \$10,000 threshold for a designated service to apply
  - All customers considered conform to AUSTRAC's category of 'individuals'
  - Most other designated service providers need to consider other forms of customers such as companies and trusts, but these are not relevant to AHA business
- All customer transactions are provided as 'cash in' to buy gaming credits or exchange currency.

#### Higher customer risk types

- Known criminals
- Customers gambling with sources of wealth that are not easily explained
- Customers with overseas financial interests and exposures
- Self employed customers
- Customers who play EGMs with purposes other than for recreation.

#### Lower risk customers

- Salary and wage earners
- Single jurisdiction exposure and clear structural transparency.

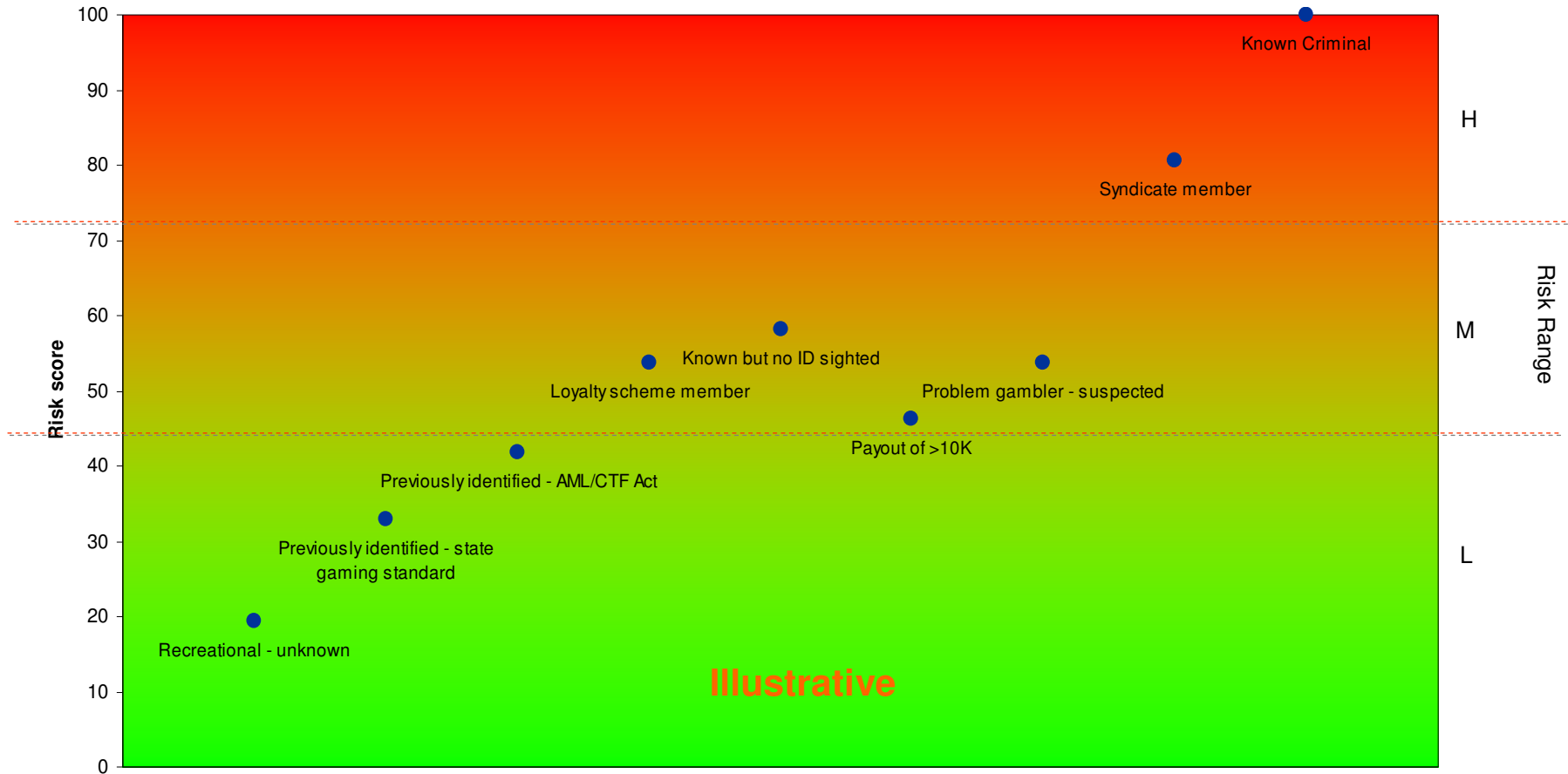
#### Recommendations

- The Act sets minimum KYC standards for different client types – see attached Customer ID Procedures document
- There are separate to considerations for higher risk customer types may warrant greater diligence
- Check PEP lists for foreign nationals
- Review the state of existing customer records (if any) infrastructure such as loyalty, problem gaming databases or registers required by state gaming legislation in the context of the new obligations and risks identified.

# Customer risk - graphical representation of customer types



Customer ML/TF Risk



Illustrative

# Customer risk - understand these generic gambling descriptions



	Customer Type	Description	Assumptive Inherent risk position
1	Recreational - unknown	Assumed Low Risk unless reason otherwise	Low
2	Previously identified - state gaming standard	Payout using name	Low
3	Previously identified - AML/CTF Act	ID per state policy produced	Medium
4	Loyalty scheme member	Other ID process	Medium
5	Known but no ID sighted	Assumed Low Risk unless reason other	Medium
6	Payout of >10K	Winners are assumed targets of crime	Medium
7	Problem gambler - suspected	Customer previously approached on the basis of exhibiting potential problem behaviours	Medium
8	Syndicate member	Gamblers acting together for common purpose e.g. win Jackpot from loyalty scheme	High
9	Known Criminal	Known to staff or police or customer name appears on AHA list when checked	High
10	PEP	Customer name appears on AHA list when checked	High
11	Terrorist	Customer name appears on list when checked	High



## When is a customer high risk?

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### Customer risk needs to be assessed continuously, understanding profiles and red flags is helpful in identification of risk

The customer behaviour is suspicious where they act or do something that is or is like a Red Flag (see following slides)

'Red flags' are provided in the next few slides. The purposes are to

- Raise staff awareness
- Trigger questions
- Determine if a customer needs to be identified for a matter of less than \$10,000
- Indicate to the venue's staff the common types of practical situations where a risk of ML/TF may exist
- Determine whether a *Suspicious Transaction/Matter Report* should be filed
- Help staff recognise possible money laundering and terrorist financing schemes, lists are not all-inclusive, but indicators based on real examples

Known customer attributes may also indicate higher risk

- They are from overseas and are hard to identify
- They are a politically exposed person (PEP) (they are from overseas and are an important person that may have obtained funds from corruption)
- They are from a high risk jurisdiction (see tool for list of jurisdictions).

# Customer AML/CTF red flags (high risk and suspicious matter indicators)



## What is suspicious behaviour and when is a customer high risk?

- Customers who provide insufficient or suspicious information
  - Reluctant to provide complete information on identity or occupation if asked
  - Uses unusual or suspicious identification documents that cannot be readily verified
  - Background differs from that which would be expected based on information provided and activities
  - Home/Business telephone is disconnected or wrong
  - Makes frequent or large transactions with no record of past patronage of the venue.
- Efforts to avoid reporting or record keeping requirement
  - A customer or group
    - Tries to persuade an employee to not file required reports or to not maintain required records
    - Is reluctant to provide information needed to file a mandatory report, to have the report filed, or to proceed with a transaction after being informed that the report must be filed
    - Is reluctant to furnish identification when obtaining a cheque payout (includes <\$10,000)
    - Asks to be exempted from reporting or record-keeping requirements
    - Asks for several cheques to be made below the \$10,000 / specified threshold
    - Uses multiple loyalty scheme cards with no apparent purpose other than to manipulate records of play.
- Changes in transactions
  - A rapid increase in the size and frequency of sessions with no corresponding explanation
  - Inability to track the true owner of funds being played
  - Significant turnover in large denomination bills that would appear uncharacteristic given players “story”/ (employment etc).

# Customer AML/CTF red flags (high risk and suspicious matter indicators)



## What is suspicious behaviour and when is a customer high risk?

Activity inconsistent with the customer's business / occupation and previous history

- The transaction patterns show a sudden change inconsistent with normal activities
- A large volume cash deposited into EGMs, when the nature of the customer's business or occupation would not appear to justify such activity
  - E.g. salary and wage earner depositing funds from bundles of cash
  - Sources of funds are important to understand
- Customers patronising the gaming room area and then play less than expected/normal
- Customers who approach or communicate with other patrons with the objective of participation or co-opting patrons assistance in obtaining credits or winnings cheques
- Requests for transfer of funds by cheque or machine credits to other patrons.

Other suspicious customer activity

- Frequent exchanges of small dollar denomination for large dollar denominations
- Frequent deposits of currency wrapped in currency straps or currency wrapped in rubber bands that are disorganized and do not balance when counted
- Purchases credits for amounts under a specified threshold
- Purchases credits from other patrons
- Customer who consistently purchases or tries to purchase large credits on machines or wins with the objective to 'double up'
- Customer who frequently asks for cheques for unplayed funds
- Putting money into slot machines and claiming the accumulated credits as a jackpot win.



## Employee risk

### Employees with access to transaction data, cash and cheques present higher risk. Separation from customers reduces overall risk

Employees are a key source of risk in any organisation. This includes ML/TF risk

Staff at AHA venues can be generally categorised as

- Providers of designated services
  - EGM related activity
  - foreign currency exchange
- Not involved in designated services, e.g. restaurant staff

Staff not providing designated services have lower inherent risk. This would mean those not servicing gaming areas, or foreign currency exchange activities.

Staff providing designated services are of concern to this ML/TF risk assessment

Back office staff with systems and records access present ML/TF risks

- Those with capability to change or extract records for improper purposes present risks - this may include some senior management
- AML/CTF programs are typically reliant on IT
- Some records can be altered
- Cheque paying is a key source of risk for ML & TF

- Staff awareness of money laundering typologies needs attention – no existing programs have come to the attention of the authors of this report.
- This would include training in the typologies of how EGMs can be used to facilitate ML or TF
- PEP and Terrorism lists apply equally to staff – an assessment of staff has not yet been undertaken. Detections would require action from management.

Employee red flags – similar to fraud indicators

- Lavish lifestyle that cannot be supported by an employee's salary
- Close associations with high risk customers
- Failure to conform with recognised systems and controls
- Reluctance to take a vacation.





## Employee risk - generic position descriptions - gaming

You need to profile your staff and understand the risk. These profiles are illustrative. Your business may be different

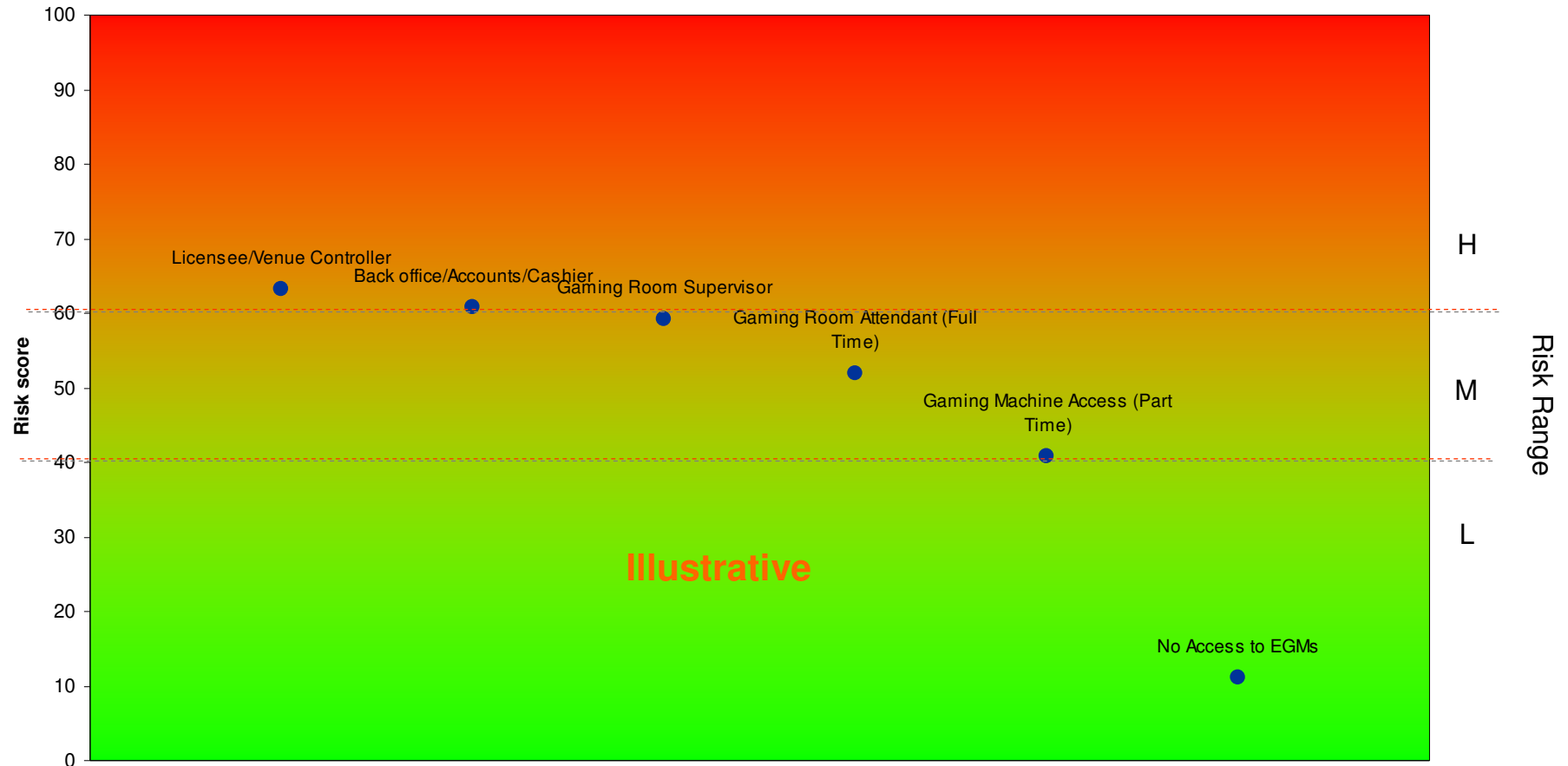
No	Employee Role	Description	Assumed Inherent Risk
1	Licensee/Venue Controller	Provider of Designated Service	H
2	Back office/Accounts/Cashier	Performs administration of EGMs, reading and State Report reconciliations	H
3	Gaming Room Supervisor	Exclusively engaged to service EGMs or gaming rooms and supervise other staff	M
4	Gaming Room Attendant (Full Time)	Exclusively engaged to service EGMs or gaming rooms	M
5	Gaming Machine Access (Part Time)	Mixed duties	M
6	No Access to EGMs	Can be observing EGM's, but not servicing	NA

Consequences of this assessment include the nature and extent of background checking, supervision and policy that would be reasonable given the identified risk.

# Employee risk - graphical representation of generic gaming roles



Employee ML/TF Risk





## Product risk

### Designated products and services offered by members are few, but need to be considered

#### Product risk

- AHA members provide Designated Services in:
  - EGM - Stand alone
  - EGM - Networked or Jackpot Connected
  - Foreign currency exchange - cash to cash
- Products which are *exempt or the responsibility of other designated service providers* include
  - Wagering /TAB agency
  - Keno
  - Merchant filled ATMs
  - No Access to EGMs
  - Cheque cashing
  - Loyalty schemes
- Relative product risk indicates the attractiveness of a product to be used by money launderers or financiers of terrorism
- Launderers favour products offering anonymity and flexibility.

AHA member provided products and services would be targeted by launderers where

- Standards of identification vary from other providers of a similar category of services e.g.
  - casinos or clubs with gaming machines
  - financial institutions such as banks offering foreign currency exchange services
- Cost structures vary from other providers of a similar category of services
  - e.g. EGMs in clubs or casinos with different return to player ratios
  - Foreign exchange services which give better or worse rates than hotels



## Jurisdiction risk

### **Jurisdiction risk is not a significant issue in most QHA/AHA members' businesses, but needs close monitoring because it is highly correlated with ML/TF activity**

#### Observations

- AHA members operate within Australia only
- EGM operations are exposed to jurisdiction risk via customers
- For accommodation division members providing foreign currency exchange services these considerations are relevant. These include
  - Non-resident customers
  - Structuring – frequent small transactions
  - Risks are presented via customers or currency

#### Method

- Jurisdiction risk was not independently assessed as a process within this report, but as a dimension of other factors where relevant.

#### Recommendations

- It may make practical sense to assume that foreign clients present heightened risk (i.e. medium or high rating) and require heightened diligence.
- Particularly, the AHA is aware that some countries present an extreme risk
  - This may be relevant for foreign currency exchange
  - As mentioned earlier the jurisdiction list would provide a reference source

The following listings should continue to be monitored by AHA for significant or high risk transactions or matters, ideally automatically

- Commercial PEP lists – such as is maintained by the AHA head office for name checking
- Australian Government Sanction (Reserve Bank of Australia/Department of Foreign Affairs and Trade sanction for the entire country). This is included in the list held at your AHA state office.
- USA Office of Foreign Asset Control Sanctioned Jurisdictions. This is included in the list held at your AHA state office.

This is a simplified, but warranted approach.



## Conclusions, recommendations and next steps

### Risk analysis provides a basis for guided action. Translating the findings from this report into policy and program actions is the key challenge

#### Conclusions

- Designated services provided by QHA/AHA members present high inherent risk
- These risks seem to be varied at the venue level, which is the most easily measured and ranked risk discriminator
- Venue risk is a composite of product, service, customer, employee and jurisdiction. Data allows venues to be objectively compared
- Other forms of risk from customers, products and employees are illustrative and need to be applied on a case by case basis.

#### Recommendations

- The QHA/AHA needs to consider how the findings of this risk assessment could be made operational for day-to-day use by staff (e.g. real time assessment of new client risk)
- The risk assessment results need to be built into /QHA AHA's operating model to implement an AML/CTF Program
- It is recommended that QHA/AHA consider the relative risk ratings in the development of risk-based systems and controls for policies
- AHA members should consider the risk assessment results and understand that changes to product features can affect ML/TF risk. This could include new games and payoff structures/odds

- The assessment results in this report apply to a point in time - ML/TF risk will change, each business must continuously re-evaluate ML/TF risk. Incidents such as detections may be a cause to revisit this type of assessment
- Staff AML/CTF awareness training needs to be expanded to include typologies in the use of its products, e.g. EGMs can be used to facilitate or accommodate money laundering.

#### Next steps from this report

- The next step should be a review of controls effectiveness to understand residual risk and to properly target AML/CTF policy development. Policy documents included in the 'Pack' should be tested in light of the risks identified
- Identified higher risk factors should be priority items in checking internal control effectiveness
- Each member needs to assess their own business - Risk weightings in the risk assessment tool need to be validated by AHA venue management
- Similarly, bands for high, medium and low risk attributes for each category of risk should be confirmed.

#### Areas which present higher risks and require immediate attention include

- Periodic review of standards and ID verification
- Staff training particularly regarding the use of EGMs for ML/TF
- List checking for PEP and terrorists of customers and employees.



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