



INSTRUCTION (No.3) TO LICENSEES AND CERTIFICATE HOLDERS

RISK

Instruction made under Section 22(3)(b) of the Alderney eGambling Ordinance, 2009.

1. Background

The Alderney Gambling Control Commission (“AGCC”) is committed to meeting established international standards on Anti Money Laundering and Counter Terrorist Financing (“AML/CFT”).

2. Risk Review

The AGCC has recently completed a risk review following a consultation with the eGambling industry on Alderney (see Instruction No. 1) <http://www.gamblingcontrol.org/userfiles/file/Instruction%201%20Risk.pdf> and a detailed consideration of authoritative reports and other source material.

This has identified that the areas considered by the AGCC to pose *the greatest risk of Money Laundering and Terrorist Financing* (“ML/TF”) are:-

- 1 **Card Fraud – identity fraud**
This includes laundering the proceeds from stolen credit cards to fund eGambling followed by attempts (possibly after minimal gambling activity) to withdraw or transfer funds to an account in a different name.
- 2 **Laundering via legal and illegal betting**
This includes colluding with participants in event based wagering (“EBW”) to affect the outcome of events and to launder the proceeds of the fraud through placing bets with unsuspecting eGambling operators.
- 3 **Legal/Regulatory risk**
This includes the risks allied to accepting players or business associates from new target markets where the legal or regulatory environment may not allow for an adequate level of identity checks or may not provide an adequate audit trail for payments or source of funds.
- 4 **Ownership and control of eCasinos**
This is where launderers operate in collusion with operators or are infiltrated by criminals.
- 5 **Identity theft/False ID**
This includes where the eGambling operator suspects that the player is using a false or assumed identity. This is either a fake or false identity of one belonging to another person

In addition there is a further area of risk where eCasinos should demonstrate vigilance and that is in the area of Unknown customers/Player information mismatches/insufficient CDD tools where the eGambling operator has insufficient access to databases to validate the identity and source of funds of the player or where the information provided by the player contains a number of mismatches (eg email domain, telephone or postcode details do not correspond to the country or area) or the registered credit card or bank account details do not match the player's registration details.

The AGCC notes that significant numbers of Suspicious Transaction Reports ("STRs") submitted to the Guernsey FIS identify risks 1 to 3 above correlating directly with the AGCC's analysis of risk.

The AGCC further notes that a number of eGambling operators are aware of their obligations under Regulations 4(n), 6(o), 8(k) and 60(l) of the Alderney eGambling Regulations, 2009 ("the Regulations") and have filed reports of their concerns relating to EBW with the Commission.

3. Action to be taken

The Board of each Licensee and Certificate Holder must as soon as reasonably practicable:-

- a) Consider the risks posed to their business by the issues raised in this Instruction,
- b) Ensure that their Business Risk Assessments accurately reflect any such risks by making any necessary changes, and seeking approval for any such relevant changes to the Internal Control System from the AGCC,
- c) Ensure that where concerns relating to EBW are identified and made the subject of a report to the AGCC in accordance with Regulations 4(n), 6(o), 8(k) and 60(l) of the Regulations consideration is given as to whether an STR is required to be filed with the Guernsey FIS under the provisions of the Disclosure Law or the Terrorism Law and if so Sections 7(1) and 7(2) of Schedule 16 to the Regulations are complied with.

The action taken by each eGambling operator under this Instruction will be reviewed during on-site inspections and by other means as necessary.

6th August, 2014