



## PREVENTING MONEY LAUNDERING

Money laundering - defined broadly as the processing of criminal proceeds to disguise their illegal origin – is a potential risk to any commercial sector. However, due to industry efforts, existing regulations, and the detailed, electronic record keeping of the operators and financial intermediaries, the risks of money laundering in the remote gambling sector are minimal.

There is no empirical evidence of any significant money laundering problems involving reputable remote gambling operators from properly regulated jurisdictions.

A Study by MHA Consulting in 2009 found that “there appears to be little evidence to support the view that remote gambling has, to date being particularly susceptible to money laundering.”<sup>1</sup> Supporting this view, another academic paper concluded that “concerns by Europol and by the Financial Action Task Force about money laundering risks posed by the Internet have not been accompanied by evidence of significant laundering via e-gaming.”<sup>2</sup>

The empirical findings are matched by theoretical support for the absence of a link between remote gambling and money laundering. The MHA Study also found that online gambling is not attractive to money launderers because “the identities of the gamblers are known; the financial transactions between the bettors and operators are all in electronic format; and all of the wagering is recorded.”<sup>3</sup> This corresponds with the findings of official government studies from the United States that concluded that online gambling is not a likely accessible avenue for money laundering.<sup>4</sup> The regulated online gambling sector is highly transparent and poses little theoretical risk for money laundering because of the high traceability of e-gaming transactions and strong customer identification controls.<sup>5</sup>

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<sup>1</sup> MHA Financial Crime Support, *The threat of money laundering and terrorist financing through the online gambling industry*, June 2009, p. 31.

<sup>2</sup> Levi, Michael, Money laundering risks and e-gaming: A European overview and assessment, September 2009, p. 4.

<sup>3</sup> MHA 31.

<sup>4</sup> *Id.*

<sup>5</sup> Levi 4.

Success in preventing money laundering can be attributed to both existing regulatory efforts and the efforts of remote gambling operators. All remote gambling operators who are licensed in the EU comply with the Third Money Laundering Directive and have European licenses from jurisdictions which have implemented the Directive.<sup>6</sup> Furthermore, most jurisdictions have additional detailed money laundering statutes which are applicable to remote gambling. The Members of the RGA enforce stringent player registration and ongoing verification processes that are critical to identifying potential threats. Advanced computer technology and analytics provides a further deterrent.

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<sup>6</sup> Article 1 of the Third Money Laundering Directive of the European Union (2005/60/EC)