

# Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) Risk Assessment



## Revision History

Version	Revision Date	Revised by	Section Revised
1.0	December 2022	Amanda Kiernan – Head of Compliance & MLRO	New Document
2.0	December 2023	Amanda Kiernan – Head of Compliance & MLRO and Mark Wells – Deputy Nominated Officer	New layout and format Updated to GC 'The 2023 money laundering and terrorist financing risks within the British gambling industry' guidance (November 2023) <a href="https://www.gamblingcommission.gov.uk/guidance/the-2023-money-laundering-and-terrorist-financing-risks-within-the-british">https://www.gamblingcommission.gov.uk/guidance/the-2023-money-laundering-and-terrorist-financing-risks-within-the-british</a>

Version	Section	Reason	Sign-off
1.0	New Document	Full Revision Document	Amanda Kiernan – Head of Compliance (MLRO)
1.1	Full review	New layout and format Updated to GC 'The 2023 money laundering and terrorist financing risks within the British gambling industry' guidance (November 2023) <a href="https://www.gamblingcommission.gov.uk/guidance/the-2023-money-laundering-and-terrorist-financing-risks-within-the-british">https://www.gamblingcommission.gov.uk/guidance/the-2023-money-laundering-and-terrorist-financing-risks-within-the-british</a>	Amanda Kiernan – Head of Compliance (MLRO)

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<b>Trading Name:</b>	Merkur Bingo and Merkur Slots
<b>Operator Licence No:</b>	000-003266-N-103444 Merkur Slots UK Limited 000-002630-N-103393 Merkur Bingo & Casino Entertainment UK Limited
<b>Company Details:</b>	Merkur Casino UK Limited, Second Floor Matrix House, North Fourth Street, Milton Keynes, MK9 1NJ
<b>MLRO Name and Title:</b>	Amanda Kiernan – Head of Compliance and MLRO

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## 1. INTRODUCTION

Merkur Casino UK Ltd is fully committed to delivering the highest standards in the Prevention of Money Laundering (ML) and Terrorist Financing (TF). This risk assessment identifies the risks that are applicable to Merkur Bingo & Casino Entertainment and Merkur Slots through the operation of its land-based premises in the United Kingdom.

The Company has completed its AML risk assessment under its obligations of The Money Laundering, Terrorist Financing and Transfer of Funds (information on the Payer) Regulations 2017 (as amended) ('the Regulations) and the Licence Conditions and Codes of Practice (LCCP) (Licence Condition 12.1.1).

The risk ratings for each gambling activity on MERKUR Operating Licences 3266 and 2630 as per the money laundering and terrorist financing risks within the British gambling industry (gamblingcommission.gov.uk) – December 2023

Arcades (AGC) non-remote	Bingo non-remote	Family Entertainment Centres (FEC)
MEDIUM	MEDIUM	LOW

## 2. RESPONSIBILITY FOR THIS DOCUMENT

- The Nominated Officer (Head of Compliance/MLRO) will have overall responsibility for the Company Anti-Money Laundering and Prevention of Terrorist Financing Policy. This includes operational management of this risk assessment and responsibility for Company AML/CTF issues including reviewing, updating and the maintenance of Company AML/CTF policies, procedures and controls.
- Any changes to this document will be devised and written by the Nominated Officer with approval from the Compliance Risk Committee.
- The Nominated Officer will ensure that all changes to the Money Laundering and Terrorist Financing Risk Assessment are communicated to both the members of the Compliance & Risk Committee and to the Operational Managers. It is the responsibility of the Operational Managers to ensure that any changes to the Money Laundering and Terrorist Financing risk assessment are communicated and trained to all relevant staff at their site with training records updated accordingly (where required).
- The Group Compliance Committee will be advised of changes to Money Laundering and Terrorist Financing risk assessment through the minutes of the Compliance and Risk Committee meetings and policy changes will be forwarded for review by Group Compliance Committee Members with any comments documented in Quarter meeting minutes.

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## 3. REGULATORY FRAMEWORK – LEGAL RESPONSIBILITIES

The Company Money Laundering and Terrorist Financing risk assessment is based on the following.

The Gambling Act 2005 (the Act) –

The principal legislation that is used to regulate the United Kingdom Gambling Sector <https://www.legislation.gov.uk/ukpga/2005/19/contents>

The Proceeds of Crime Act 2002 ('POCA') –

Legislation that obliges the Company to be alert to customers attempting to gamble with or launder criminally obtained funds. The legislation also contains obligations to report suspected money laundering to the United Kingdom Financial Intelligence Unit (UKFIU). PoCA is the United Kingdom's Primary AML Legislation <https://www.legislation.gov.uk/ukpga/2002/29/contents>

The Terrorism Act 2000 ('TACT') –

that obliges the Company to be alert to customers who may be concerned with engaging in or facilitating terrorism. The legislation also contains obligations to report suspected money laundering to the United Kingdom Financial Intelligence Unit (UKFIU), <https://www.legislation.gov.uk/ukpga/2000/11/contents>

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended) ('the Regulations') Legislation that requires the Company for example to complete its AML/TF Risk Assessment, establish policies, procedures, controls and conduct staff training, <https://www.legislation.gov.uk/uksi/2017/692/contents>

The Gambling Commission Licence Conditions and Codes of Practice ('LCCP') –

Licence Condition 12 requires the Company to assess its risk from money laundering and terrorist financing, review and implement policies and consider learning or guidelines published by the Gambling Commission. The Company also implements into its policies and processes learnings from its own interactions with the Commission, <https://www.gamblingcommission.gov.uk/licensees-and-businesses/lccp>

The Sanctions and Money Laundering Act 2018 ('SAMLA') – Legislation introduced on 1st January 2021 which enables the Government to impose sanctions on individuals, <https://www.legislation.gov.uk/ukpga/2018/13/contents>

The Company has further considered when identifying and assessing the key risks to its licensed activities:

The 2023 money laundering and terrorist financing risks within the British gambling industry – Gambling Commission November 2023

<https://www.gamblingcommission.gov.uk/guidance/the-2023-money-laundering-and-terrorist-financing-risks-within-the-british/2023-money-laundering-and-risks-casino-non-remote>

## 4. RISK BASED APPROACH

The Company uses a risk-based approach to manage and mitigate risks through money laundering and terrorist financing.

The Company uses the following steps in order to manage and mitigate risk in a proportionate manner:

- The identification of those ML/TF risks that are relevant to the Company.
- The design and implementation of policies, procedures and controls to manage and mitigate the identified ML/TF risks to the Company
- The monitoring of identified ML/TF risks to the Company.
- Keeping records of identified ML/TF risks to the company, making improvements, conducting remedial action where required and documenting rationale for decisions made.

## 5. RISK ASSESSMENT METHODOLOGY

The Company has defined risk to be an event or action that could potentially cause a breach of legislation or the LCCP.

The Company has adopted a similar framework to the Gambling Commission to base its methodology for this risk assessment.

The methodology used is likelihood X Impact = Risk Rating.

- Likelihood – The potential to exploit vulnerabilities or circumvent ML/TF controls that the Company has in place.
- Impact – The affect the identified risk will have on the Companies legal responsibilities, licensed activities, employees and or customers.
- Risk Rating – Score giving the level of residual risk to enable the Company to determine if the correct controls are in place to mitigate identified risks.

The Company has considered this risk assessment in the context of the ML/TF risks facing its own premises within the gambling sector and the wider United Kingdom economy. The Company will take into account information relating to ML/TF risks that are available, however it may not be aware of ML/TF risks relating to other operators or it may not have access to confidential source materials held by the gambling commission or other regulated sector bodies.

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## 6. RISK ASSESSMENT

AML Risk	Likelihood	Impact	Control measures	Risk rating
<p>The Company fails to comply with the prevention of money laundering and terrorist financing legislation and guidance under:</p> <ul style="list-style-type: none"> <li>- The Gambling Act 2005</li> <li>- The Proceeds of Crime Act 2002 (POCA).</li> <li>- The Terrorism Act 2000.</li> <li>- The Money Laundering, Terrorist Financing and Transfer of Funds (information on the payer) Regulations 2017 (as amended).</li> <li>- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 201.</li> <li>- The Gambling Commission Licence Conditions and Codes of Practice ('LCCP').</li> <li>- The Sanctions and Anti-Money Laundering Act 2018.</li> </ul>	Medium	Medium	The Company has a documented AML/TF risk assessment and policy which is version controlled and updated by the Nominated Officer following changes to UK Government legislation, guidance from the Gambling Commission, risks identified by the Company and learnings from the wider gambling industry.	Medium
<p>The Company has not appointed a key person who is responsible for regulatory compliance under the money laundering regulations.</p>	Low	Medium	The Company has appointed the Head of Compliance as the responsible nominated officer. Both nominated officer and deputy nominated person are undertaking the ICA Certificate in Anti-Money laundering. The deputy nominated person has been a specialist financial investigator accredited by SOCA to investigate POCA to both a civil and criminal standard, prosecuting organised crime group activity including drugs, terrorism and money laundering.	Low

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<p>The Nominated Officer lacks sufficient seniority within the company to act independently (ML/TF matters) and is without a clear procedure for reporting ML/TF risks/concerns to the board and or the Compliance Risk Committee.</p>	<p>Low</p>	<p>Medium</p>	<p>The Nominated Officer is a Key PML Holder within the Company who has the seniority to act independently in matters relating to ML/TF (relating to SAR submissions and is not subject to commercial pressures). The Nominated Officer is part of the Compliance and Risk Committee with the Minutes being submitted to the Board and Group Compliance.</p>	<p>Low</p>
<p>The Nominated Officer is failing to submit SAR's reports when knowledge or suspicion has been identified by themselves, Senior Management or Company Employees. The Nominated Officer lacks the required training/experience to assess whether knowledge and suspicion has been identified.</p>	<p>Low</p>	<p>Medium</p>	<p>The Nominated Officer is undertaking the necessary training and is fully aware of their obligations under the Proceeds of Crime Act 2002 and the Terrorism Act 2000. When the Nominated Officer receives/submits a SAR, rationale for either submission or non-submission to the NCA will be recorded and the Compliance Risk Committee will be notified that a SAR has been completed.</p>	<p>Low</p>
<p>Senior Management and Employees lack the training/knowledge on when to submit a SARs to the Nominated officer and how to act on knowledge/suspicion of money laundering, criminal spend (proceeds of crime) and terrorist financing.</p>	<p>Low</p>	<p>Low</p>	<p>Senior Management and Employees receive AML training on a six-monthly cycle with clear training on suspicion relating to and the submission of SARs to the Nominated Officer. All AML/TF training is devised (except third party remote learning) and/or approved (including third-party remote learning) by the Nominated Officer.</p>	<p>Low</p>
<p>The Company has poor recording of decisions relating to suspicious activity reports which are undocumented and uncontrolled (without rationale for decisions made).</p>	<p>Low</p>	<p>Low</p>	<p>The Nominated officer records all details relating to suspicious activity reports (including rationale for decisions) and keeps all information in a separate file with restricted access. Control measures are in place to ensure that Company policy is followed.</p>	<p>Low</p>
<p>The Company has Employees with known criminal records/or suspected in undertaking criminal activities.</p>	<p>Low</p>	<p>Medium</p>	<p>Employees are screened (referenced) upon commencement of employment (where this is practical). Licensed Employees (PML holders) are checked against the gambling Commission register of license holders.</p>	<p>Low</p>
<p>The Company has in place poor supervision and policies, procedures and controls of its licensed activities which allows Employees to collude with and/or be coerced by criminals to launder proceeds of crime.</p>	<p>Low</p>	<p>Medium</p>	<p>The Company has effective real time supervision of its licensed activities through trained/experienced Management/supervisors and CCTV. Further oversight is provided retrospectively by Area Managers and Senior Management.</p>	<p>Low</p>

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Criminals using counterfeit currency to launder the proceeds of crime and to benefit from a criminal lifestyle.	Low	Low	The Company trains its Employees in techniques to recognise counterfeit currency as part of their AML training. Machine and GeWeTe note acceptors are programmed to reject counterfeit notes.	Low
Criminals inserting dyed banknotes from robberies into gaming machines and cashing out for clean funds using TITO tickets.	Low	Medium	The Company always has good supervision of its gaming machine areas from licensed staff (and CCTV with clear lines of sight). Regular counts of cash are undertaken and where dyed banknotes are discovered an investigation takes place, with the nominated officer being informed and a SAR considered for submission as appropriate.	Low
The Company allows customers to transact Scottish banknotes without a system of monitoring, leading to intentional/unintentional exploitation by money launderers.	Low	Medium	The Company uses a risk-based approach for the acceptance of Scottish banknotes. Scottish notes identified via MARS ML Alerts or cash collections are fully investigated and suspicious events reported.	Low
Criminals laundering funds through TITO enabled gaming machines by cashing out through an Automated Ticket Redemption (GeWeTe) machine.	Medium	Medium	The GeWeTe is positioned on the main gaming floor with clear lines of sight and under CCTV coverage with a maximum pay-out value of £1,000 per ticket.	Medium
Criminals laundering funds through ATM's by using stolen/cloned or fraudulently obtained debit cards.	Medium	Medium	ATMs are positioned on the main gaming floor with clear lines of sight and under CCTV coverage. Relevant staff conduct customer interactions using the risk-based approach (with safer gambling considerations), AML thresholds are monitored and are in line with Industry Standards. Where suspicious activity is suspected or known the Nominated Officer is informed via the IHL AML App.	Medium
Criminals laundering funds via the use of card payments via Wallet Apps on the GeWeTe.	Low	Medium	Customers are only able to purchase TITo tickets using debit cards with PIN authorisation. Daily limits are set at £500 per rolling 24hr period.	Low
The Company has poor supervision, policies, procedures and controls relating to its gaming machines leading to intentional/unintentional exploitation by criminals looking to launder the proceeds of crime.	Low	Medium	The Company always has good supervision of its gaming machine areas and CCTV with clear lines of sight.	Low
Staff knowledge of customers using gambling facilities at our premises to support their Criminal Spend/Lifestyle and may pose a threat to our business. Lack of KYC.	Low	Medium	Our venue staff generally know their regular local customers. Due diligence is exercised when customers are unknown to staff who may pose a risk to our business. Staff visually monitor customer spend patterns and machine play activity.	Low



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			CCTV systems are available in all our venues and CCTV footage can be used if staff suspect inappropriate activity is taking place. Such activity would be reported to the Line Manager and to the police (if required) and a security alert would be actioned notifying all other businesses/persons of suspect activity in the area.	
Lack of adequate 'know your customer' (KYC) checks conducted resulting in criminals exploiting the non-remote bingo sector by laundering the proceeds of crime.	Low	Medium	Bingo Clubs are membership only. Customer spend monitored on MAXIM. Top 50/100 customers reviewed monthly and customer interaction flags noted on MAXIM. Membership scheme increases knowledge of customers.	Low
Ineffective central monitor systems.	Low	Medium	Machine data monitoring systems (MARS) are installed in all venues and are reviewed centrally. Algorithms developed in MARS to detect and alert suspicious money laundering or fraud activity – the monitoring of these systematic alerts is managed centrally by our MARS Support & Development Manager and Venues are required to investigate all reported incidents. Security group email to alert all venues of suspicious activity and BACTA security alerts received and circulated to all venues.	Low
Privacy areas on gaming floors may cause a reduction in supervision by staff.	Low	Medium	CCTV monitors on service desk covering all potential privacy areas. Staff operate regular service rounds to all customers.	Low
Poor awareness of local crime issues in the local area.	Low	Medium	Policies and reporting procedures in place. Local Area Risk Assessments (LARA) regularly reviewed. LARA contains an assessment of levels of crime and risks within the local area. Any heightened risk identified (to be defined in the local area risk assessment) <a href="http://www.police.uk">http://www.police.uk</a> <a href="http://www.ukcrimestats.com">http://www.ukcrimestats.com</a> <a href="http://www.gov.uk/government/collections/crime-statistics">http://www.gov.uk/government/collections/crime-statistics</a>	Low