



by Andrew Cardno

The Real Threat of Money Laundering

Broadly speaking, money laundering is the practice of concealing the origin of money that has been obtained illegally. More specifically, it often involves moving illegal money through banks or other legitimate businesses such that when the money comes out the other side, it is free to be used for any purpose. In recent years, money laundering laws have been used as a tool by law enforcement agencies looking to cripple organized crime with a much lower standard of evidence than is normally required.

Money laundering seems like an esoteric concept that criminals utilize separately from the rest of society, however, that is not the case. Casinos can be targets of criminal entities trying to launder money as they do high volumes of business in cash, and are generally reluctant to turn away people with thousands of dollars in hand. These problems have recently come to light after a money laundering ring was exposed in Vancouver, B.C., Chinese high stakes gamblers were recruited by criminal organizations to spend money in Vancouver casinos. Estimates are around \$2 billion in dirty money flowed through the B.C. casinos. The challenge for the money launderers was that money is not allowed to be exported in large quantities from China, so the gamblers would deposit their money into the account of criminal organizations in China and subsequently receive the same amount of money upon arrival in Canada through a system of loans and gaming accounts. This allowed the gamblers to play in previously restricted jurisdictions and the criminal organization to “wash” dirty money efficiently. This is just one example and a particularly large scale operation, but as money laundering controls become more effective, it is likely that more such instances will be discovered.

Hypothetical Example

Recently your casino has been doing millions of dollars in business that it had not been doing in previous years. You as the operator believe that it may be due to some of your new incentive programs bringing in foreign players to your casino. These foreign players are high rollers, not leaving without spending \$2 million on a trip.

No Restrictions Casino Response – You decide that with the amount of money they are bringing, in it is not worth looking further into their dealings or to bother them with questions about the source of their money. This continues for several years and it becomes clear that some of your patrons are not even gambling, just taking out chips and waiting before taking the chips back and receiving a payout. All of these signs go ignored and before long several federal regulatory and investigatory agencies are asking questions about your property. As it turns

out, the laundering being performed by your international patrons was entirely illegal as any attempt to disguise the origin of money in such a way can be seen as laundering under U.S. law. Regulators decide to throw the metaphorical book at you, effectively shutting down your casino.

Responsible Casino Response – You decide that with the large amount of money that is being handled, it is imperative that you investigate further into any potential illegal activities taking place. You start this process by requiring that anyone who deposits more than \$10,000 must verify the source of their money and report the anomaly to regulators. Soon after, you take questions from regulators and investigative agencies and show them the results of your due diligence. They will decide if the actions of those persons at your casino were attempts to hide the origin of illegal money. The investigations lead you to ban the perpetrators from your floor and the agencies believe that your due diligence was enough for you to keep your operator's license, as if you had not reported the anomaly, they may have shut down your facility.

Money Laundering and Future Legislation

Money laundering is something that you must constantly be on the lookout for as an operator in order to maintain your gaming operation. Money laundering operations are only getting more and more sophisticated, and it is likely there will be new legislation in the near future to attempt to curb this problem. As a casino, you will be at the epicenter of this legislation whether you like it or not. This means that you will come down on a side – either the lawmakers will see you as a part of the problem or as a part of the solution.

Stopping people from trying to launder money requires rigorous processes, very sophisticated tooling and a dedicated effort by your organization. The tooling allows you to report suspicious transactions, check sources for transactions over a certain threshold or attempting to source all of the money going through your casino.

Effort that you put towards catching money laundering and other financial crimes in your casino will go a long way in terms of how lawmakers and legislators will view the industry the next time they have to write legislation related to it. Now is the time to act for the casino industry as proactive actions are the most effective when it comes to issues like these, and they will be noted in future legislation. ♣

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