



BY DEREK RAMM

Potential Changes Coming To AML Rules

Earlier this year, the Department of Finance Canada released a consultation paper on proposed enhancements to Canada's anti-money laundering and anti-terrorist financing ("AML") regime. A close read of the paper reveals a number of initiatives that could have far-reaching implications for gaming compliance.

Horse Racing And Pari-Mutuel Betting

The paper proposes to apply federal AML requirements to a number of new business sectors, including pari-mutuel betting and the horse racing industry. Like casinos, horse racing is generally a cash-intensive business and therefore has inherent risks for the placement stage of money laundering. The paper cites the use of currency refining and online betting through player accounts as potential concerns.

A number of factors would have to be considered with this proposal, including which organization would be responsible for compliance when it comes to on-track or teletheatre (off-track) betting. The involvement of the Canadian Pari-Mutuel Agency and provincial gaming regulators would also have to be taken into account, since both organizations already have licensing regimes and measures in place to ensure the integrity of the industry.

Automated Teller Machines And Armoured Cars

Several studies have flagged concerns over the use of privately-owned automated teller machines ("white-label ATMs") in money laundering schemes. The consultation paper proposes to include white-label ATMs as well as armoured car companies in Canada's AML regime. The paper links the two businesses by stating that "a key source of concern is that funds are collected and pooled into accounts controlled by the armoured car company, and are then transferred electronically into the accounts of their customers, ultimately obscuring the true origin of the cash. This anonymity can be leveraged by other

businesses, such as white-label ATMs, at a high-risk for money laundering"

The use of privately-owned ATMs and armoured cars in gaming establishments is widespread and background checks and licensing are performed by the casino operator or regulator, respectively. Clarity would be needed on the roles of each organization with regard to compliance and reporting.

Structuring

Criminals will often arrange their financial transactions to avoid triggering reporting thresholds. This is known as "structuring". The Department of Finance Canada is "considering the creation of a criminal offence for an entity or individual to structure transactions and to specifically prohibit reporting entities from conducting transactions in such a way as to avoid transaction reporting."

It is unclear from the consultation paper as to how this prohibition would affect a casino's internal risk mitigation measures, such as establishing limits on cash transactions. For example, if a casino's policy was to refuse cash transactions over a certain amount, and that threshold prevented the casino from filing a statutory AML report, would the casino operator be guilty of structuring?

Cash Restrictions

The consultation paper also recommends that consideration should be given to "whether there should be a limit on the amount of cash a business in Canada could accept and/or report on."

While bulk cash is certainly an issue when it comes to combatting crime, casinos would obviously take interest in any proposal that puts limits on the acceptance of cash. A similar proposal in the European Union last year was met with resistance from the European Casino Association, which argued that putting hard limits on cash transactions would exacerbate issues such as problem and illegal gambling.

Also noteworthy, the federal government announced in its 2018 budget that the \$1,000 banknote, along with several other more obscure denominations such as the \$500 and \$25 notes, will have their legal tender status revoked. There is still close to \$700-million in \$1,000 banknotes in circulation.

Conclusion

As money laundering continues to grab headlines, the gaming industry should continue to play its role in preventing criminal activity and engage with government and other stakeholders to ensure the appropriate frameworks are in place to combat financial crime.

These are just some of the highlights from the consultation paper. A copy of the full document can be found online at: <https://www.fin.gc.ca/activty/consult/amlatfr-rpcfat-eng.asp> [CGL](#)

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