



Money laundering through the gambling industry



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The gambling industry is perfect for laundering criminal funds. It includes a wide variety of businesses that juggle large transactions (often in cash) at a rapid scale, such as physical casinos, online casinos, bars and clubs housing poker machines, and both physical and online sports betting services. Moreover, it's a big industry that's growing exponentially. In 2021, the global gambling industry generated record-breaking revenues, hitting USD 261 billion in the US and EUR 87.2 billion in Europe.

The fact that criminals can exploit this industry to launder money isn't exactly a revelation. The extent to which this occurs, however, can still come as a shock – especially in countries with supposedly strict AML measures. For example, the Crown Casinos in Melbourne and Perth, Australia, are facing allegations that hundreds of millions of dollars were laundered through their casinos between 2014 and 2019 via “junket” programmes in which the casino and tour operators facilitated a period of gambling by high-roller players from foreign jurisdictions.

Similarly, the [Cullen Commission](#) report paints a stark picture of the enormous amounts laundered through the gaming industry in British Columbia, Canada.

So how are criminals exploiting this industry to launder the proceeds of their crimes, and how can they be stopped? This guide briefly explains a few common methods used by criminals to launder money through the gambling industry, and how governments can increase their ability to prevent and detect it.

How are they doing it?

The methods criminals use to launder money through the gambling industry are sometimes sophisticated, but usually very simple.

Cash-in, cash-out

The most common way to launder money through a physical or online casino is to simply convert dirty money into chips or an electronic balance, gamble for a short period of time, then cash the funds out. In 2006, a [Virginia lawyer](#) was sentenced for laundering USD 250,000 this way at the Taj Mahal Casino in Atlantic City. After transferring USD 250,000 of embezzled funds to a gambling account, he purchased a USD 10,000 casino marker, lost USD 1,000, and withdrew the remaining funds.

Variants of this **cash-in, cash-out** tactic may include dividing the money into several smaller betting accounts, or asking for the withdrawn credit to be made available in another jurisdiction.

The Vancouver Model

The Cullen Commission report outlined a more sophisticated variant, the so-called Vancouver Model, which was used to launder hundreds of millions of dollars through British Columbian casinos from 2008 to 2018. This model combines elements of a traditional [Hawala](#) money laundering method and mixes it in with the cash-in, cash-out tactic:

1. A person in Jurisdiction X (who may or may not be involved in criminality) seeks to move large amounts out of the jurisdiction and potentially circumvent cash export laws.
2. The person transfers the funds to a criminal gang within Jurisdiction X, then travels to Jurisdiction Y.
3. The criminal gang in Jurisdiction X arrange for their associates located in Jurisdiction Y to deliver the equivalent amount of the original transfer to the person now in Jurisdiction Y (mostly in the form of cash derived from crime, which the criminal gang needs to launder).
4. The person enters a casino and transfers the money for chips before making several low-value bets and cashing out.

5. The person then exchanges the chips for clean cash, having now both laundered funds for the criminal group through the original transfer, and circumvented the cash export laws of their own jurisdiction for their own benefit.

Collusion between players

Another common laundering method, as outlined in the FATF report on Vulnerabilities of casinos and gaming sector, involves **intentional gambling losses**. Under this strategy, proceeds of crime are brought into either physical or online casinos and deliberately lost – in a poker game for example – in a way that benefits an accomplice who acts as another player in the same game. An unfortunate ‘advantage’ of this method is that it allows launderers to dodge any AML detection policies that are only triggered by successful bets against the casino itself, not other players.

Buying another player’s winnings

Criminals may also launder funds through the industry by directly **exchanging** proceeds of crimes for the legitimate gambling winnings of another player, by offering the winners cash at a higher price than their earnings. For example, police in Australia have charged several individuals for allegedly approaching jackpot winners at a poker machine venue and offering them cash at a premium in return for their winnings cheques.

Alternatively, launderers can also pay back debts of high losses of other players with proceeds of crime and seek repayments from the player later in clean funds.

Mixing gambling and non-gambling laundering methods

Even when money is primarily laundered using gambling services and instruments, the launderers may add additional layers of complexity by using non-gambling-related instruments and assets, such as cryptocurrencies, shell companies and real estate.

For instance, many people using the Vancouver Model to launder funds in Canada allegedly converted their gains into properties.

Finally, it is also very common for launderers to simply abuse gambling accounts for **player-to-player illegal transactions**. In this case, the buyer and the seller of illicit goods for example, can use their respective gambling accounts as traditional bank accounts to pay and be paid. Once the gambling account of the seller is credited, the money can be cashed out and claimed to derive from a successful bet. It can also be held on the account for the purpose of concealment or used to bet in the casino.

How can they be stopped?

Both gambling businesses and public authorities can take a number of steps to prevent and detect money laundering.

Gambling businesses: a risk-based AML programme and detection of red flags

A state's legal framework must require gambling businesses within their jurisdiction to establish comprehensive AML programmes and strengthen detection capacities.

To ensure such programmes are robust and flexible enough to accommodate the particularities of the industry, these businesses should be encouraged to use a **risk-based approach**: basically, the higher the money laundering risk posed by a particular situation, the stricter the level of control. As outlined by the UK Gambling Commission, it should take into account different risks that exist at a country, product, transactional and customer level.

Those responsible for detecting money laundering in a gambling business should strengthen their capacity to detect common red flags, such as rapid increases in the size and frequency of transactions, frequent deposits of cash under reporting limits, and the withdrawal of funds shortly after they were deposited.

Governments and regulators: clear obligations and a variety of enforcement tools

Wider legal frameworks must obligate casinos to conduct customer due diligence, as well as adequately detect, record and report suspicious behaviours. As a starting point, casinos should be required to submit suspicious transaction reports (STRs) to government authorities similar to banks and other designated non-financial businesses and professions (DNFBPs).

Further obligations can be set out to prevent illicit funds entering the gambling business in the first place. For example, Canada imposed a requirement on casino patrons looking to make cash transactions over 10,000 Canadian dollars to provide proof of the legitimate sources of the funds. The following year, the value of suspicious transactions reported to Canada's financial intelligence unit dropped by almost 90 percent.

When AML programmes are not robust or implemented properly, or when reporting requirements are not adhered to, law **enforcement** agencies and regulators should take additional and proportionate enforcement measures that are significant enough to deter future breaches. Criminal, civil or administrative sanctions should all be available to both target gambling businesses and individual launderers. Given the difficulty of establishing that a business was aware of any laundering taking place – especially to a criminal standard – the option to apply civil proceedings is very important.

For example in 2017, the Federal Court of Australia ordered a record AUD 45 million civil penalty against Australia's largest gambling company, Tabcorp, for its inappropriate AML programme, failure to file STRs, and failure to identify a customer that won 100,000 Australian dollars.

Authorities may also consider using alternative avenues for enforcement such as Non-Prosecution Agreements (NPAs), Deferred Prosecution Agreements (DPAs) or settlements. For instance:

- In late 2021, the partnership that operates the Bicycle Hotel & Casino Bell Garden in California concluded an NPA under which they accepted responsibility for failing to report a foreign national who conducted millions of dollars in cash transactions in 2016, agreed to pay a USD 500,000 fine and agreed to implement a stricter AML programme.
- Earlier this year, the California Department of Justice announced a settlement with Artichoke Joe's Casino in San Bruno, in which the casino agreed to pay a penalty of USD 5.3 million for misleading gambling regulators and violating the Bank Secrecy Act (BSA).

Is enough being done?

While a number of states have adopted comprehensive AML frameworks applicable to casinos (e.g. the US, UK, Australia and the EU), most are imperfect at best. For example, a report of the Australian Senate highlighted weaknesses in the Australian regime, while Macau's authorities are in the process of making profound reforms.

Criminal fines are often not adequate enough to have a **deterrent effect**, particularly on casinos with annual turnovers ranging from hundreds of millions to billions. In reaction to the Crown case, the Australian government increased the maximum fine for disciplinary action ten-fold to 10 million Australian dollars.

Low reporting thresholds for submitting STRs could also potentially be introduced, though this may have the unwelcome side effect of overwhelming financial intelligence units that receive and process the STRs.

A larger focus could be placed on increasing the **traceability** of sources for “cash-in” transactions. Casinos still often accept and facilitate large cash transactions with inadequate checks regarding their sources. A striking example is the discovery of CCTV footage showing Suncity staff members dealing with large amounts of cash “bundled up in suitcases, cooler bags and backpacks” at a private gambling Salon within a Star casino.

Finally, actions should be taken to curb the heightened risk caused by **junket programmes**, which facilitate the transfer of large amounts of money across jurisdictions through intermediaries, and are therefore inherently risky and difficult to monitor. Some jurisdictions have already sought to ban these types of programmes. For example, in reaction to the Australian Crown Casino case, a Royal Commission into the Casino Operator and Licence recommended the prohibition of these types of programmes, resulting in an amendment of the Casino and Gambling Act (section 81 AAD). Other gambling destinations, most of which still allow junket programmes, should follow.

Put simply, governments and gambling businesses can and should do a lot more to prevent money from being laundered through the gambling industry. It has long been too easy for criminals to game the system.

Learn more

View a [recommended reading](#) list on money laundering in the gambling industry, prepared during research for this quick guide.

For more on money laundering risk assessment more generally, see the [Basel AML Index](#) – the Basel Institute’s flagship index of money laundering and terrorist financing risks around the world.

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