

# Investing in America's Financial Security:

## Casinos' Commitment to Anti-Money Laundering Compliance

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AMERICAN  
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ASSOCIATION



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# Executive Summary

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The U.S. gaming industry is one of the most heavily regulated and controlled business sectors in the world. In addition to comprehensive and stringent state gaming regulations, U.S. gaming operations are subject to federal anti-money laundering (AML) laws.

This research study, commissioned by the American Gaming Association and facilitated by Ernst & Young LLP, was undertaken to examine the gaming industry's commitment to and significant investment in preventing money laundering and terrorist financing activity. In addition to assessing the industry's efforts to mitigate the risks posed by illicit finance, this research study was also executed with a view toward the upcoming Financial Action Task Force (FATF) Mutual Evaluation of the U.S. AML legal and regulatory regime.

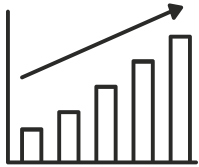
The research was conducted through surveys and in-person interviews with Compliance executives from 23 commercial and tribal gaming companies, representing 245 associated properties with more than \$30 billion in combined revenues. These organizations operate casino properties in more than half of the U.S. states that have legalized gambling.

In addition, regulators, government officials and law enforcement agents were also interviewed to elicit their views on AML compliance efforts across the industry. In total, 29 government officials from 11 different state and federal government, and law enforcement agencies were interviewed.

The study found that the industry has taken significant steps to address money laundering and terrorist financing risks. Research participants were unanimous in their responses that AML compliance obligations are embraced company-wide, across all levels of management. AML-related processes and controls, such as careful assessment of money-laundering risks and execution of patron due diligence, are viewed both as critical components of a compliant AML program as well as sound business practices.

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## Among the key findings:



### Industry Boosts AML Compliance Investment Across the Board

The research, which was conducted via both an online survey and in-person interviews, revealed that casino operators, across the board, have been increasing their AML compliance-related spending over the last several years. In particular, almost two-thirds of the respondents reported that AML compliance budgets are continuing to increase, with an average budget increase of 74%. This increased investment has led to an overall strengthening of AML compliance programs across the industry. This is consistent with the experience of other types of financial institutions; 66% of those institutions saw an increase in their AML compliance budget from 2011 through 2013.<sup>1</sup> Moreover, the average dollar amount of AML compliance spending (as a percentage of gaming revenue) continues to increase and companies' AML compliance programs continue to grow, with an increasing number of new full-time employee hires.

### Robust Customer Due Diligence Programs Strengthen AML Programs

The increased investment in financial crime risk management has strengthened AML compliance programs across the industry. Patrons who may pose elevated levels of risk are subject to enhanced due diligence measures. This research revealed that most casinos now routinely include the following components in the due diligence process, on a risk-determined basis:



- Analysis of patron play;
- Politically Exposed Person (PEP) checks;
- Sanctions screening;
- Searches for adverse reports in the media;
- Criminal and civil litigation checks;
- Verification of occupation; and
- Understanding of patrons' sources of wealth and sources of funds.

Finally, patrons with unsubstantiated sources of funds, or who follow suspicious gambling patterns, are reviewed and may be banned or barred from further play due to money-laundering or other risks.



### Filing Rates and Quality of BSA Reports Continue to Rise

The research study revealed that the industry is deploying more robust monitoring of patron gambling activity. Casinos are filing Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs) in record numbers. The Financial Crimes Enforcement Network (FinCEN) reports indicate an increase of 164%<sup>2</sup> in SARs filed by the gaming industry between 2011 and 2014. State and federal law enforcement officials also remarked that the quality of these reports has improved. This reflects the industry's advancements in identifying specific suspicious behaviors and effectively relaying that information to law enforcement and other interested parties.



### Law Enforcement Recognizes Meaningful Value of Industry BSA Reports

Law enforcement and regulatory respondents indicate that the industry has made concerted efforts and shown improvement in meeting their BSA reporting requirements through their AML compliance programs. This progress is reflected in increased referrals and filings, enhanced communication and integration with law enforcement and regulatory agencies, the hiring of diversified staff with sophisticated gaming, regulatory, and law enforcement backgrounds, and the enhancement of casino AML training programs.

## About Us

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The American Gaming Association is the premier national trade group representing the \$240 billion U.S. casino industry, which supports 1.7 million jobs in 40 states. AGA members include commercial and tribal casino operators, suppliers and other entities affiliated with the gaming industry. It is the mission of the AGA to be the single most effective champion of the industry, relentlessly protecting against harmful and often misinformed public policies, and paving a path for growth, innovation and reinvestment.

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# Gaming Industry Profile

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The American Gaming Association (AGA) counts more than 1,300 casinos and card rooms across the 40 states with some form of legal casino-style gambling. According to several published reports, the U.S. gaming industry continues to grow, with over \$66 billion in gaming revenue recorded in fiscal year 2014.

America's commercial casino industry reported total gaming revenue of \$37.57 billion in fiscal year 2014, its second-highest-ever annual total, according to data published by state regulatory agencies.<sup>3</sup> This represents a more than ten percent increase since 2006 across the 23 states with commercial gaming operations. Of these states, six expanded gaming in 2013.

The National Indian Gaming Commission reported that tribes operated gaming businesses in 459 establishments across 28 states in fiscal year 2014, an increase of 17.39% from 2006.<sup>4</sup> Tribal gaming businesses generated gross gaming revenues of approximately \$28.58 billion<sup>5</sup> compared to approximately \$26.14 billion in 2006, a rise of 8.86%.<sup>6</sup>

Publicly traded corporations with major stakes in Las Vegas and Atlantic City also continue to top the list of casino markets. At least 16 major gaming entities comprising 169 properties across the country are publicly traded and accounted for \$35.95 billion of revenue, as disclosed in recent 10-K filings.<sup>7</sup>

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## State Gaming Licensing and Regulation

In addition to federal laws and regulatory requirements, which are addressed in greater detail below, casinos are subject to an extensive state licensing process. To receive a state gaming license, applicants must submit to a comprehensive vetting process and thorough background investigations of all beneficial owners, plus senior management of the casino operating company, as well as key associated parties and casino employees.

**The extensive nature of pre-licensing investigations and background reviews significantly limits the possibility that casinos are operated for the purpose of enabling or facilitating money laundering.**

Additionally, as part of the licensing process, prospective casino operators must demonstrate that they have sufficient controls in place to counter fraud, and also provide evidence that they have developed adequate compliance and risk management programs. The ability of certain companies to earn either licenses or franchises could be directly tied to their regulatory history. Gaming licenses are ordinarily denied to applicants with a history of significant regulatory or legal violations, and may be revoked from licensees who commit comparable violations while licensed.

Licensing applications require a substantial amount of personal information including all names, addresses and employment information, financial records, brokerage accounts, real estate holdings and other assets. Applicants must also provide documentation, such as marriage certificates, employment verification letters, mortgage statements, banking and financial records, and brokerage statements, to support this information. Individual net worth is calculated by taking into consideration all assets and liabilities held globally. Every asset and liability must be verified through documentation (e.g., loan agreements, purchase agreements, artwork held, valuation statements) which may be requested by regulators at any point during the process.



State investigators also conduct thorough background checks, which cover all legal history, arrests and any potential criminal convictions.

Understanding the applicant's movement of funds is also part of the process. This includes the collection and analysis of credit card, bank, and brokerage statements on every account held over a significant period of time.

The extensive nature of the licensing process for the gaming industry is most effectively illustrated through the comprehensive nature of the "[Multi-Jurisdictional Personal History Disclosure Form](#)".<sup>8</sup>

Finally, state regulators review ownership structure of the license applicant, a process that includes identification of individual beneficial owners, affidavits from relatives, friends and family attesting to relationships and copies of all passports ever held to identify cross-border movement.

Many states impose high license application fees, plus substantial annual fees to maintain that license. These fees may either be fixed or based on certain data points (e.g., revenue, casino capacity, number of games or tables the casino offers). Initial fees for operation can be as high as \$85 million<sup>9</sup> in addition to required capital investments, which frequently exceed hundreds of millions of dollars. These high licensing fees also serve as a deterrent or barrier to entry for potential bad actors looking to operate a casino for the purpose of laundering illicit funds.

State licensing laws often limit the number of licenses that may be granted. For example, many commercial gaming jurisdictions limit the total number of gaming properties, ranging from four through 10 facilities. This lower number of licenses allows state and federal regulators to more closely monitor the activity of the licensees. There is no similar limit for any other non-bank financial institution (NBFI) with AML obligations.

It is important to also note that gaming companies and their employees are subject to ongoing licensing requirements. So, while a significant amount of information is initially required to obtain a license, licensees are required to renew their licenses and update regulatory bodies with new and updated information on an annual or periodic basis.

Given the rigor of state licensing, gaming companies not only commence operations with stringent and robust compliance programs, but also continue to actively manage their compliance risks on an ongoing basis.

**Casino executives understand that, in the event of a regulatory mishap, a track record of "good compliance" can serve as a powerful deterrent to potential license revocation. Therefore, compliance remains top of mind across all levels of management and employees within a casino operation.**

### **Financial Products and Services Offered by Casinos**

Among institutions subject to AML compliance obligations, the gaming sector is unique because it operates primarily as an entertainment industry.

However, as with other financial institutions, casinos may provide financial services to their customers, including:

- Acceptance of funds in the form of cash, checks or wire transfers for use by patrons within the casino;
- Issuance of markers (similar to a countercheck) signed by the patron in exchange for casino chips or other gaming instrumentality (e.g. slot voucher/ticket);
- Limited check cashing services;<sup>10</sup>
- Issuance of checks drawn against that casino resort's bank account;<sup>10</sup>
- Facilitation of the wire transfers of funds through the casino resort's banking institution;<sup>10</sup> and
- Limited currency exchanges.

Casinos vary in size and sophistication, from small gambling parlors, offering a limited number of games and services, to large corporate luxury resorts offering a full range of games, services and entertainment. In addition to a gambling casino, the larger resort-type casino may include hotel facilities, restaurants, bars and lounges, theaters and showrooms, sports and health facilities, convention space, and retail shops.

A full-service casino offers a variety of different gaming options to patrons including table games where patrons "buy-in" with cash to obtain chips in order to play. Many casinos have slot machines which accept cash or tickets that carry value.

Casinos and card houses may have poker tables at which players wager against each other; the gaming facility generally receives only a specified payment or "rake" from the pot per hand played. For poker, cash is also exchanged for chips, which are used to play in ongoing cash games or tournaments. Many gaming facilities offer bingo, where cash is exchanged for playing cards. Where allowable under state law, gaming facilities may also

house a sportsbook that accepts bets from patrons on sporting events and horse racing. Players place sports bets in cash or with winning tickets from earlier betting.

Although cash may be exchanged at gaming tables, in slot machines, or in other games, much cash transaction activity is focused on the casino “cage” window. The most common cage transaction occurs when patrons “cash-out” the chips or tickets they have acquired from table, slot and poker play, though players may exchange chips for other monetary instruments as discussed below.

Some state gaming statutes authorize casinos to advance chips to patrons for a very short period of time – not more than 30 days – through what is called a “credit” or marker account, though such accounts vary considerably from credit arrangements by other commercial entities.<sup>11</sup>

To secure the chip advance, the patron provides a countercheck on his or her bank for the amount advanced, which the casino may convert into cash at its discretion. No interest accrues on the advance. Prior to authorizing this type of arrangement, the casino also requires the patron to submit a detailed application to the cage and the casino will verify the patron’s liquid assets with his or her bank if possible and obtain the patron’s bank rating on their average balance and their credit reports, if available. Many casino operators are also using this application process as a trigger to conduct enhanced due diligence measures on the patron (typically based on the “credit” or “marker” exceeding a pre-defined dollar amount).

Casinos also offer front-money accounts at their cages. Front-money accounts function like traditional deposit accounts so patrons need not carry large amounts of currency around with them. Patrons may deposit front-money funds (through checks, travelers checks, cash, or wire transfer) and then draw down those funds, usually by signing a marker, for gambling.

Patrons can remove casino winnings or front money from the casino in forms other than cash. Some request the funds in the form of casino checks made payable to them. Others ask the casino to wire the funds through the casino’s bank to the patron’s bank account. Patrons also can acquire cash at the casino cage in return for travelers checks or money orders verified with issuing institutions. Some state regulators authorize casinos to exchange foreign currency for U.S. dollars.

Casinos may also have gambling stations dedicated to high-limit patrons. These areas of a casino generally have dedicated surveillance, private cage windows, extensive buy-in and cash-out tracking systems. These high-end players generally have established relationships with the casino.

It’s important to note that all financial transactions within a casino are monitored and subject to the reporting and analysis required by the BSA and casino AML compliance programs.

## Commitment to Risk-Based AML Compliance

**Casinos view risk-based AML compliance efforts as essential to the integrity of the gaming industry.**

AML compliance has evolved from a blanket “one size fits all” approach to a risk-based regime. Comprehensive risk-based compliance programs go beyond just meeting the legal requirements of the BSA and associated AML statutes and regulations, but also enable financial institutions to augment their compliance efforts by:

- Identifying unmitigated risks that require immediate action by management and compliance staff;
- Focusing the effort where it is most needed and will have most impact (e.g., allocating compliance resources to the highest-risk areas of the casino operation); and
- Providing effective reporting to executive management regarding current and emerging money laundering-related risks.

To effectively promote and foster a culture of compliance, a BSA/AML compliance program also requires adequate resources, including the appointment of an AML compliance officer for the casino, the assignment of substantial employee time to AML compliance measures, and oversight of the AML compliance effort by a compliance committee.

As a “covered financial institution” under the BSA, casinos have developed risk-based AML compliance programs in order to safeguard the integrity of their respective operations and the U.S. financial sector as a whole. This commitment is illustrated in the results of our research.

All of the research participants indicated that their risk-based AML compliance programs had the full commitment and support of senior management. The consolidated results of our surveys and interviews revealed that spending on AML compliance functions has significantly increased over the last few years. AML compliance programs are better funded and staffed. In addition, casino companies increasingly use risk assessments and other metrics to drive AML-related policy enhancements and process improvements.



# United States Regulatory Landscape

## Bank Secrecy Act (as amended by the USA PATRIOT Act)

In 1970, Congress passed the Currency and Foreign Transactions Reporting Act (commonly known as the Bank Secrecy Act or “BSA”), which established recordkeeping and reporting requirements applicable to private individuals, banks, and other financial institutions in order to help identify the source, volume, and movement of currency and other monetary instruments transported or transmitted into or out of the United States or deposited in financial institutions.

In furtherance of that objective, the statute requires individuals, banks, and other financial institutions to file currency reports with the U.S. Department of the Treasury (U.S. Treasury), properly identify persons conducting transactions, and maintain a paper trail by keeping appropriate records of financial transactions. These records enable law enforcement and regulatory agencies to investigate criminal, tax, and regulatory violations, if warranted, and provide evidence useful in prosecuting money laundering and other financial crimes.<sup>12</sup>

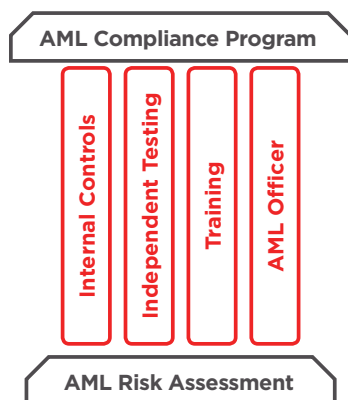
Since May 7, 1985, casinos have been required to comply with the reporting and recordkeeping requirements of the BSA.<sup>13</sup> Specifically, casinos must keep records of cash purchases of negotiable instruments, file reports of cash transactions exceeding \$10,000 as a daily aggregate amount, and report suspicious activity that might signify money laundering, tax evasion, or other criminal activities.<sup>14</sup>

In 2001, Congress passed the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) which, among other things, expanded the scope of the BSA.

Among other developments, the USA PATRIOT Act expanded the definition of a “covered financial institution” to also include:

- A casino, gambling casino, or gaming establishment with an annual gaming revenue of more than \$1,000,000 that –
  - Is licensed as a casino, gambling casino, or gaming establishment under the laws of any state or any political subdivision of any state; or
  - Is an Indian gaming operation conducted under or pursuant to the Indian Gaming Regulatory Act other than an operation that is limited to class I gaming (as defined in section 4(6) of such act).

As a result, in addition to complying with the reporting and recordkeeping requirements of the BSA, casinos and card clubs that meet the definitions above also then had to develop written risk-based AML compliance programs that provide for :



- A system of internal controls to assure ongoing compliance;
- Internal and/or external independent testing for compliance. The scope and frequency of the testing shall be commensurate with the money laundering and terrorist financing risks posed by the products and services provided by the casino;
- Training of casino personnel, including training in the identification of unusual or suspicious transactions, to the extent that the reporting of such transactions is required by this chapter, by other applicable law or regulation, or by the casino’s own administrative and compliance policies; and
- An individual or individuals responsible for assuring day-to-day compliance.<sup>15</sup>

## Financial Crimes Enforcement Network (FinCEN)

In 1990, the U.S. Treasury established the Financial Crimes Enforcement Network (FinCEN).

FinCEN's mission is to safeguard the financial system from illicit use and to combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.<sup>16</sup>

Among other things, in its role as administrator of the BSA, FinCEN issues guidance interpreting its regulations and enforces compliance with the BSA. With regard to the gaming industry, FinCEN:

- Promulgates regulations;
- Has authority to examine institutions for compliance with the BSA, but, for casinos and card clubs, has delegated this examination authority to the Internal Revenue Service Small Business/Self-Employed Division (IRS);
- Receives referrals and coordinates its enforcement investigations with criminal law enforcement agencies, including IRS-Criminal Investigations, the Federal Bureau of Investigation (FBI), the Department of Justice's Asset Forfeiture and Money Laundering Section, and U.S. attorneys' offices and state authorities, as well as other regulatory partners, including state gaming commissions;
- Pursues civil enforcement actions in certain circumstances; and
- Publishes reports and guidance and conducts outreach to inform and advise the industry on AML compliance matters.<sup>17</sup>

Examples of FinCEN-issued guidance include correspondence on sports betting, guidance regarding casinos' compliance program assessment and risk-based compliance indicators, guides detailing casino recordkeeping, reporting, and compliance program requirements, and reports presenting trend analysis from SARs filed by casinos.<sup>18</sup>

In August 2014, FinCEN also issued an advisory seeking "to highlight the importance of a strong culture of BSA/AML compliance for senior management, leadership and owners of all financial institutions subject to FinCEN's regulations regardless of size or industry sector."<sup>19</sup>

Gaming companies have incorporated the guidance outlined in this advisory in a manner that is commensurate with their risk profile and business model.

Through the Bank Secrecy Act Advisory Group, and other cooperative efforts, FinCEN works closely with various industry trade groups, including the AGA. In 2014, FinCEN coordinated with the AGA on the creation of the Best Practices for AML Compliance, a guidance document for the gaming industry. In December 2015, the AGA issued an updated version of the Best Practices, which included an enhanced emphasis on instilling a strong culture of compliance; more robust assessment of money laundering risks; incorporation of key conclusions from the U.S. Treasury's National Money Laundering Risk Assessment; and improved employee training on the latest AML updates.

## Regulatory Supervision and Examinations

FinCEN has designated the Internal Revenue Service (IRS) as the regulatory body that conducts BSA examinations for non-banking financial institutions such as the U.S. gaming industry. An IRS BSA/AML examination aims to determine whether the financial institution has established an effective AML program and is in compliance with recordkeeping and reporting requirements. Significant weaknesses or potential violations discovered during an exam may be referred to FinCEN.

Generally, examination techniques and scope vary based on the size, type of operation and technology capabilities of the casino. At a minimum, the IRS exams will consist of a review of the casino's historical transactions, filed CTRs, SARs, recordkeeping, and other special emerging issues.

When available, the IRS reviews computerized records as part of the exam process. If the casino maintains a combination of hard copy and electronic records, the IRS may use a hybrid examination approach consisting of a manual review and computerized examination techniques. Casinos may retain records of customer interactions via computer systems or other methods, which will impact the type of testing performed.

In reviewing transactions to determine whether or not a SAR should have been filed, examiners review any case logs or dispositions from the casino to determine reasonableness of the decision to file or not to file a SAR. The examiners regularly update their field offices with any recent money laundering trends that they have observed in their review to consistently update examinations.

**Criteria for casino compliance programs can be found on the "Casino" homepage on the website of the U.S. Department of Treasury's Financial Crimes Enforcement Network (FinCEN). Refer to the following link on FinCEN's website: [FinCEN Casino Homepage](#).**

For all potential reporting violations identified in the exam, the casino must prepare a report listing every transaction conducted by a customer during that gaming day. The examiner will then review these transactions to determine reasonableness of the casino's decision to file a SAR or not. The report should list, in chronological order and in detail form, all of the customer's individual account transactions, whether or not conducted in currency.

In addition to reviews on reporting suspicious activity and currency transactions, regulatory exam priorities have expanded to include greater emphasis on areas such as patron due diligence, employee training, risk assessments and overall program management.

### AGA Best Practices for AML Compliance

In December 2014, the AGA released Best Practices for Anti-Money Laundering Compliance, which were updated and re-issued in December 2015. This set of Best Practices was created to, "provide a resource for industry and law enforcement to help guide their efforts to protect the gaming industry and the broader financial system from money launderers and others involved in illegal activity."<sup>20</sup>

The document details best practices and guidance in the principal areas of compliance concern:

- Risk assessment
- Employee training
- Preventive steps
- Customer due diligence
- Transaction monitoring
- Potential suspicious activity
- Suspicious activity report review procedures
- Audit procedures
- Recordkeeping and retention<sup>21</sup>

These areas of compliance are discussed in detail and are the same areas that are addressed across all financial institutions subject to AML regulations. This document demonstrates that the industry is focused on maintaining detailed criteria and guidance for gaming corporations.

### Financial Action Task Force (FATF)

The U.S. is a member of the Financial Action Task Force (FATF), an intergovernmental body comprising 34 member countries and two regional organizations. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other related threats to the integrity of the international financial system.

The FATF has developed a series of recommendations that are recognized as the international standard for combating money laundering, the financing of terrorism and proliferation of weapons of mass destruction. Additionally, the FATF prepares guidance and best practices reports, as well as typology reports on specific products or industry sectors, such as the March 2009 report "Vulnerabilities of Casinos and Gaming Sector".<sup>22</sup>

As part of setting these standards and promoting effective implementation of AML policies, the FATF, in part, conducts peer reviews, known as Mutual Evaluations.<sup>23</sup> These Mutual Evaluations are completed for each member country's financial sectors on an ongoing basis and assess the jurisdiction's level of implementation of the FATF recommendations. The last evaluation of the U.S. was completed in 2006, and a new evaluation is taking place at the time of the publication of this report.

The U.S. gaming industry is included in the scope of the FATF's assessment process. The 2006 evaluation of the U.S. resulted in three specific recommendations for the gaming industry. These three recommendations are outlined in the accompanying table, along with a summary of the actions that both the public and private sectors have taken to address the FATF's 2006 observations.



## FATF's 2006 Observations

FATF Recommendation	Summary	Current State
<b>Customer Identification</b>	<p>Casinos should be required to perform enhanced due diligence for higher-risk categories of patrons and to undertake customer due diligence when there is a suspicion of money laundering or terrorist financing. This is consistent with providing a risk-based approach for due diligence measures as part of an AML compliance regime.</p>	<p>Based on the results of the industry survey and in-person interviews (described in more detail in the analysis section), most respondents indicated that they have implemented a risk-based patron due diligence process and conduct enhanced due diligence on higher-risk patrons.</p>
<b>Suspicious Transaction Reporting</b>	<p>Regulators should remove the minimum required dollar amount threshold for the Suspicious Activity Report (SAR) reporting obligation for casinos, as well as all other covered financial sectors with AML compliance requirements. Please note, FATF's recommendation was directed at all U.S. financial institutions, not exclusively casinos.</p>	<p>Most of the research participants indicated that their decisions on whether or not to file SARs are based primarily on the type of suspicious activity identified and not whether the activity in question exceeds the \$5,000 threshold. Several interviewees, for example, indicated that they file SARs for amounts below the \$5,000 threshold when patrons refuse to present identification when buying in at a casino table or cashing out at the cage.</p>
<b>Regulation, Supervision, and Monitoring</b>	<p>Regulators and casinos should work to further harmonize the Nevada Gaming Commission's (NGC) regulatory requirements with the Bank Secrecy Act (BSA) and that this should occur as rapidly as possible. This includes implementation of the elements of compliance regime, such as having a designated AML compliance officer, a comprehensive risk assessment, AML training for employees, and a periodic independent assessment of the program.</p>	<p>The BSA became applicable to casinos in May of 1985. At the time, this amendment allowed the U.S. Treasury Department to exempt "casinos in any state whose regulatory system substantially met the reporting and recordkeeping requirements" of the BSA regulations. As such, Nevada casinos were exempted from the BSA because of Nevada's rigorous gaming regulatory regime (Regulation 6A). At its September 21, 2006, meeting, the Nevada Gaming Commission (NGC) repealed NGC Regulation 6A effective June 30, 2007. The BSA became effective upon Nevada casinos immediately thereafter. Since then, Nevada casinos with annual gross gaming revenue in excess of \$1 million in a business year have been required to comply with all BSA requirements, including the AML program rule. This has now harmonized regulatory supervision at a national level.</p>

# Analysis of Research Results

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The foundational elements of the research consisted of the following activities:

- Cataloging and understanding applicable regulatory guidelines and trends;
- Compiling an extensive inventory of regulatory pronouncements and industry publications related to casino AML compliance;
- Developing and disseminating a comprehensive, online, industry-tailored survey, and conducting interviews with both gaming company executives and law enforcement professionals;
- Analyzing information and data collected to identify relevant patterns of activity / effort (e.g., program management, compliance spend);
- Presenting the research results in a final report supplemented with streamlined, easy-to-understand charts and graphics.

The online survey and interview templates were constructed to include questions across the following key themes:

- Industry Commitment to Risk-Based AML Compliance
- AML Compliance Program Management
- Compliance Budget & Resources Dedicated to AML
- Patron Due Diligence
- Regulatory Engagement

The data and information gathered from the survey and interview responses were consolidated into the above-mentioned categories and analyzed accordingly. The results of this analysis are illustrated below.

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## **Industry Commitment to Risk-Based AML Compliance**

Over the past five years, as in many regulated financial sectors, the gaming industry has taken a more prominent position in the fight against illicit finance and has deployed a more focused approach to AML compliance. This commitment to compliance has been demonstrated by the industry's willingness to invest in additional AML compliance personnel, improved processes and controls, more comprehensive employee AML training, and more sophisticated technology for patron due diligence and transaction monitoring.

To evaluate the industry's commitment to AML compliance, EY assessed the financial and employee resources at gaming companies dedicated to AML compliance. From the survey results, EY determined gaming companies' average spend on compliance costs generally, and on AML compliance specifically.

This can be used as a proxy to help evaluate whether the gaming industry is applying the appropriate number of resources to AML compliance and, importantly, how that has changed since the FATF mutual assessment in 2006.

As discussed in the results section below, on average, nearly half of the overall compliance budget for gaming companies is allocated to the AML compliance function, highlighting the level of importance the industry places on combating money laundering and terrorist financing. In fact, all respondents indicated their AML compliance spending increased or remained the same over the past five years.



**A number of interviewees, who are the designated BSA / AML Compliance Officers for their companies, stated that they are now consulted before significant business decisions are made to determine whether money laundering concerns are present. This trend underscores the growing internal information sharing that is taking place throughout gaming companies to foster a strong culture of compliance, while also highlighting the elevated role of compliance in commercial or business decisions.**

The additional spending on AML compliance is aimed at controls and other preventative measures that mitigate risks and vulnerabilities. The relationship of a casino to its patrons is unique and patrons have the ability to perform transactions at numerous entry points, such as cage windows, table games, slots, or ATM kiosks which facilitate slot ticket redemption and cash withdrawals.

Gaming companies have developed robust AML compliance functions that identify and investigate higher-risk patrons, monitor levels of play and other transaction activity, and file regulatory reports, as applicable. Further evidence of compliance in the industry is demonstrated through the specifics of monitoring chip activity.

The industry is highly aware of the unique risks and behaviors associated with chip-based activity and monitors situations that may warrant further examination. Chip activity on the casino floor is typically monitored by the pit-bosses and shift managers and then reported to surveillance, and vice versa. These casino employees can then approach the patron to gather additional information regarding the activity and the patron(s) involved. Gaming personnel across all aspects of casino gaming operations are trained to observe and report any unusual activity or behaviors of patrons.

### **AML Compliance Program Management**

Casinos, like other financial institutions, have implemented risk-based AML compliance programs in accordance with both the regulatory requirements stipulated by the BSA and the expectations of regulatory agencies. In fact, all of the research participants reported having AML compliance programs that incorporated the four pillars set forth in Section 352 of the USA PATRIOT Act and its implementing regulation. All of the research participants also stated that their programs include processes and controls for additional patron due diligence, identification of transactions involving physical currency, and monitoring / reporting of potentially suspicious customer transactions.

Casinos vary dramatically in geographic scope, nature of clientele, gaming products and services offered, regional traits, and size of operations. These factors influence the design of casino AML compliance programs and also dictate how these programs are governed and administered (e.g., certain controls may be in place at the corporate level for one company but at the property level for another).

Regarding governance over their respective programs, 68% of the survey respondents reported that AML compliance specialists are present at each individual property, in addition to the centralized AML oversight.

This decentralized approach allows for direct onsite access and involvement in the compliance process, and applies to implementing training, ensuring proper regulatory filings, and other key program components. The interaction between the compliance officer and other gaming employees also helps ensure information sharing among departments.

### **Risk Assessments**

All respondents reported conducting AML risk assessments for their gaming operations as a first step in implementing a sound, risk-based AML compliance regime. Importantly, all respondents noted concrete benefits from risk assessments.

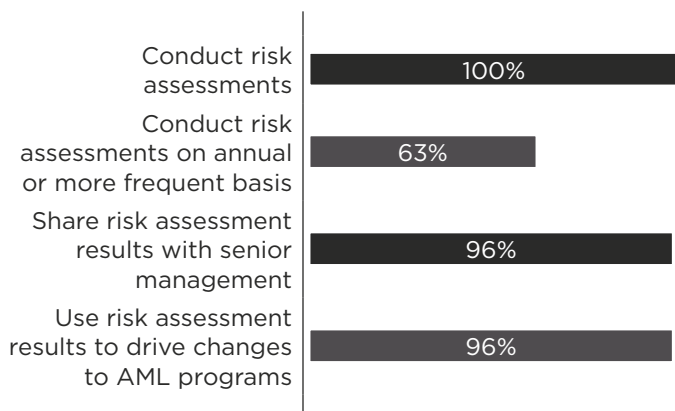
Sixty-three percent of the respondents reported conducting AML risk assessments on an annual or more frequent basis, to enable the casino to appropriately review and understand potential gaps in its current program.

The results of risk assessments are reported to senior and executive management by 96% of respondents and the same 96% indicated that they use the results of their risk assessments to drive modifications to their AML compliance programs.

Engaging leadership is one of the core principles outlined in FinCEN's Culture of Compliance<sup>24</sup> advisory. This study found that the risk assessment process engages executive management by making them aware of unmitigated risks.

**Research participants reported that senior management has shown an increased interest in results of AML risk assessments and support programs to correct gaps identified by risk assessments.**

### Risk Assessment Frequency and Program Alignment



Interviews also revealed that business units are seeking input from AML compliance teams prior to moving forward with certain business transactions. An AML compliance officer for a global casino reported flying to all of the company’s locations worldwide every six months to spend at least a week training property-level AML compliance officers, as well as branch employees.

Respondents also indicated that the level of effort in conducting risk assessments has increased over the past five years. One interviewee indicated their risk assessment covers more areas of the operation, contemplates additional risks, more supporting documentation is obtained, and more support is gathered than in prior years. Another interviewee reported that the company’s risk assessment grew from a three-page document to over 50 pages with additional supporting data.

Research participants were generally consistent in how they viewed their operations. While over 95% of the respondents considered their overall residual risk to be either low or moderate, almost all acknowledge the existence of inherently high-risk areas within their operations.

For example, almost every interviewee indicated that race and sports betting operations present higher inherent risks; accordingly, they have imposed compliance controls intended to address these risks and mitigate them to an appropriate level (e.g., additional AML training for ticket writers, tracking large patron buy-ins and cash-outs, additional monitoring for limit bets / parlays / off-sets).

Another interviewee stated that their risk assessment identified that their poker room presented a higher level of inherent risk than what was previously determined. As a result, this interviewee disclosed that enhanced control measures were implemented over their poker room.

Risk assessments have also influenced gaming companies’ international policies, including the establishment and oversight of branch offices.

For example, one interviewee indicated that AML compliance staff was consulted by senior management for input prior to opening a non-U.S. branch office.

Another casino operator has even taken the step of establishing a Money Laundering Reporting Officer position for a branch office.

In addition, at another institution that was accepting payments from individuals through branch offices, the AML compliance team reviews all incoming transfers from branch offices for approval before acceptance of the funds.

Additionally, some casinos have their AML compliance team complete control testing for international branches, or hire outside advisors to complete this testing. These compliance efforts involve monitoring and periodic testing of internal controls at branch offices that accept currency for either deposit to patrons’ front money accounts or for the repayment of markers.

### Compliance Budget and Resources Dedicated to AML

Without adequate resources to pay for skilled staff and other implementation and administration costs, no AML compliance program can succeed.

Survey results strongly showed that gaming businesses are making the investment needed for effective AML compliance, as results overwhelmingly indicated that gaming companies are investing significantly more of their annual budgets to AML Compliance departments and related functions.

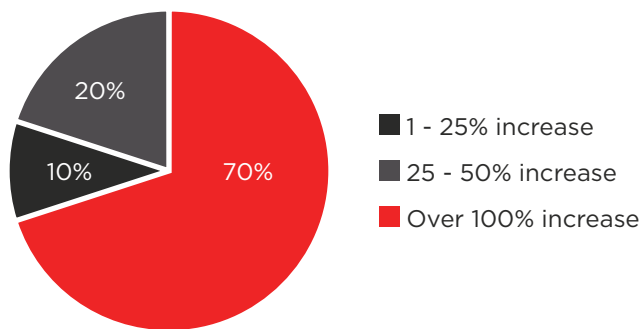
**No respondent reported a decrease in their AML compliance budget over the last five years and 68% of respondents reported an increase in their AML budget over the past five years, with an average budget increase of approximately 74%.**

**Inherent risk:** Inherent risk is the casino operator’s susceptibility to a material money laundering “issue/problem,” without consideration of the existence or effectiveness of related controls.

**Residual risk:** Residual risk is the risk that remains after consideration of the quality of controls and mitigating factors.

This compares favorably with financial institutions from other industries: a recent survey of 284 banks, broker-dealers, money service businesses (MSBs), and other types of financial institutions revealed that 66% of respondents reported an increase in their AML compliance budget.<sup>25</sup> Another recent survey of 317 AML and compliance professionals from global banking institutions reported AML budget increases averaging approximately 40-50%<sup>26</sup> over the last three years.

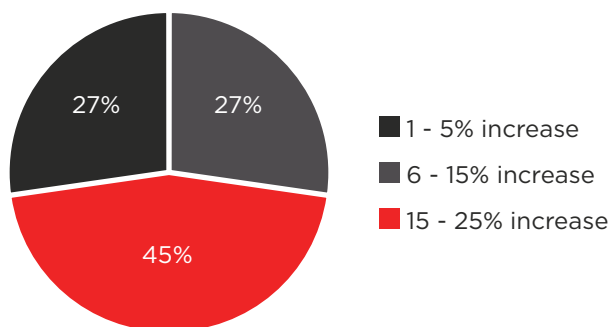
### Five-Year Average Percentage Increase in AML Compliance Spending



Further, our research shows that AML compliance spending will continue to grow.

Sixty-five percent of respondents reported a planned increase in their AML compliance budget for the next fiscal year. Respondents indicated that their AML compliance budget increases would be, on average, 13% for the upcoming fiscal years.

### Planned Increases in AML Compliance Spending



This increase in budget towards AML compliance functions reflects the trend that casinos are investing and dedicating increasing resources to improving their compliance programs.

Respondents applied these additional resources in a variety of manners that best suited their needs, including increased staff or for personnel with different skills, increased training, or improved data systems.

Each casino operator appears to have a slightly different strategy on how it can build the most effective AML compliance program. One global casino operator indicated their focus in the short term is on identifying a better technology solution that will allow them to more efficiently identify and research suspicious activity, with either a built-in or a stand-alone patron due diligence module.

Some casinos have allocated much of their planned budget increase to the hiring of new personnel with specific skill sets and experience (e.g., enhanced due diligence). Still other companies reported that increases in spend will largely be driven by the roll-out of additional AML training courses to employees.

### Full-Time Employees (FTEs)

The industry has expanded the number of dedicated AML compliance resources used at both the corporate and property levels. These employees are also getting additional training and professional development opportunities via interaction with the broader AML community through organizations such as the Association of Certified Anti-Money Laundering Specialists (ACAMS).

On average, companies with over \$3 billion in gaming revenue reported that they have 60 compliance FTEs, with an average of 40 FTEs being dedicated to AML compliance. However, it is worth noting that the number of properties was another important driver in the composition of AML compliance functions. This highlights the correlation between the number of properties and the number of AML compliance FTEs. Gaming companies appear to scale their compliance programs to maintain strong AML-related internal controls across properties.

Companies with \$1 billion to \$3 billion in gaming revenue reported that they have an average of 26 compliance FTEs, with an average of 16 FTEs being dedicated to AML compliance.

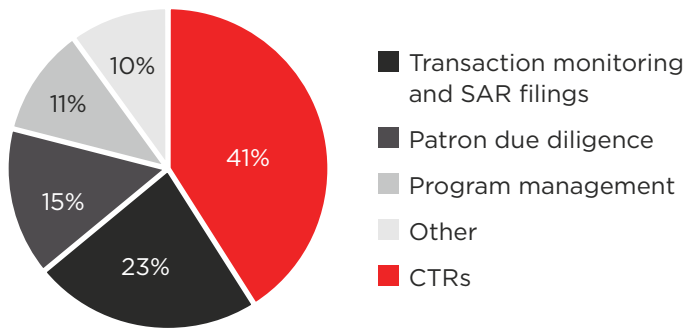
In discussions with the interview participants, multiple strategies were noted on the best way to utilize compliance staff. One respondent noted that it has had better success hiring individuals who have prior AML experience and teaching them the nuances of the gaming industry.

Conversely, another respondent noted that it prefers individuals with a gaming background since they are “used to the 24/7 nature of the business” and then the casino can teach them AML prevention and detection principles.

Regardless of their hiring strategies, casinos are continuing to foster and grow programs that are based on a strong commitment to compliance. The industry is even more focused on hiring experienced professionals who possess specific skill sets that are in demand (e.g., foreign language, due diligence, investigations).

As our research indicates, AML-related efforts are distributed across several key areas, which is indicative of the industry’s shift to more of a risk-based approach to AML compliance. CTRs still demand the highest focus; however, as the accompanying chart illustrates, new priorities have emerged and are requiring both additional attention from management and an increasing allocation of employee resources.

**AML Compliance Resource Allocation**



**Employee Training and Continuing Education**

Employee training is a critical aspect of a company’s AML compliance program. It helps to ensure that casino personnel have a proper understanding of money laundering risks and the company’s obligations under the BSA. In fact, over 82% of the respondents noted that they would be increasing expenditures on AML-related employee trainings over the next year.

Many casino operators indicated that their training programs also include supplemental courses designed to educate employees on the pertinent “red flags” associated with their specific roles or job functions (e.g., patron due diligence training targeted to hosts or Marketing personnel). Some respondents stated that course offerings will be expanded in future years to cover additional areas of financial crime, such as fraud and bribery / corruption.

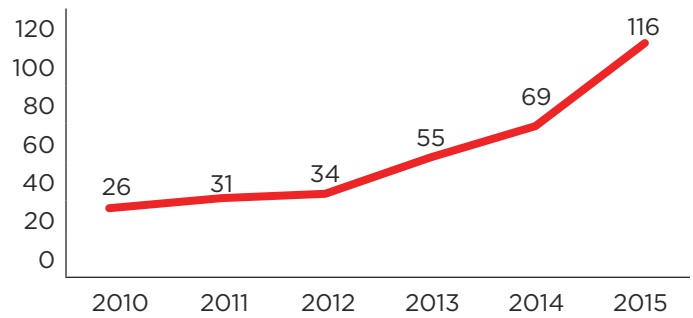
In addition to training more employees on AML-related matters, casino operators are also making significantly greater investments in the professional development of their AML Compliance personnel.

**88% of respondents reported that spending on continuing education for AML Compliance employees has increased over the past five years.**

This includes greater participation at AML-focused conferences and seminars, and more involvement with industry trade associations.

The Association of Certified Anti-Money Laundering Specialists (ACAMS), currently counts 116 members from the U.S. gaming industry. This is more than double the number from two years ago and, as the accompanying chart shows, represents nearly a 450% increase since 2010.

**ACAMS Gaming Industry Members 2010-2015**



Additionally, many of these members have attained their Certified Anti-Money Laundering Specialist (CAMS) designations and, based on our research, it appears that this number will continue to grow. A number of research participants reported focusing on having their staff obtain the CAMS certification. One global casino operator indicated that over half of its AML Compliance employees will be sitting for the CAMS examination in 2016.

**USA PATRIOT Act Section 314(b) Information Sharing Program**

The USA PATRIOT Act’s 314(b) program, which authorizes financial institutions to share confidential client information with other institutions to bolster efforts to identify financial criminals, is a valuable tool for regulated industries to obtain critical information in order to protect the integrity of the U.S. financial system.

Representatives of FinCEN are strong proponents of the system and this has resonated with the industry. At the 2015 Bank Secrecy Act Conference in Las Vegas, Nevada, FinCEN’s Associate Director of Enforcement, Stephanie Brooker highlighted:

“Over the last year, FinCEN has also seen an increase in information sharing between casinos and card clubs through the 314(b) program... Information sharing across financial institutions can play a critical role in helping these institutions achieve their BSA/AML goals. The 314(b) program is a powerful tool for providing financial institutions with a more comprehensive view of potential money laundering or terrorist financing activity that involves multiple institutions. We strongly encourage all financial institutions to consider participation in the 314(b) program.” <sup>27</sup>

As acknowledged by FinCEN, casino operator participation in this voluntary program has grown significantly over the course of the past five years.

**Approximately 40% of survey respondents operating roughly 115 unique properties reported being registered for FinCEN’s 314(b) program.**

Of those companies, two thirds have specific policies and procedures addressing the handling of 314(b) requests.

This is indicative of the industry’s willingness to conduct more thorough investigations and to take additional due diligence measures by gathering information from institutions within the financial system. This additional measure also reflects the industry’s increasing efforts to maintain the integrity of the financial system with other financial institution, including banks and other non-bank financial institutions (NBFIs). Respondents noted that when gaming institutions engage with each other regarding 314(b) information, the dialogue is useful and advances their investigation or patron knowledge.

**AML Program Complexities and Focus Areas**

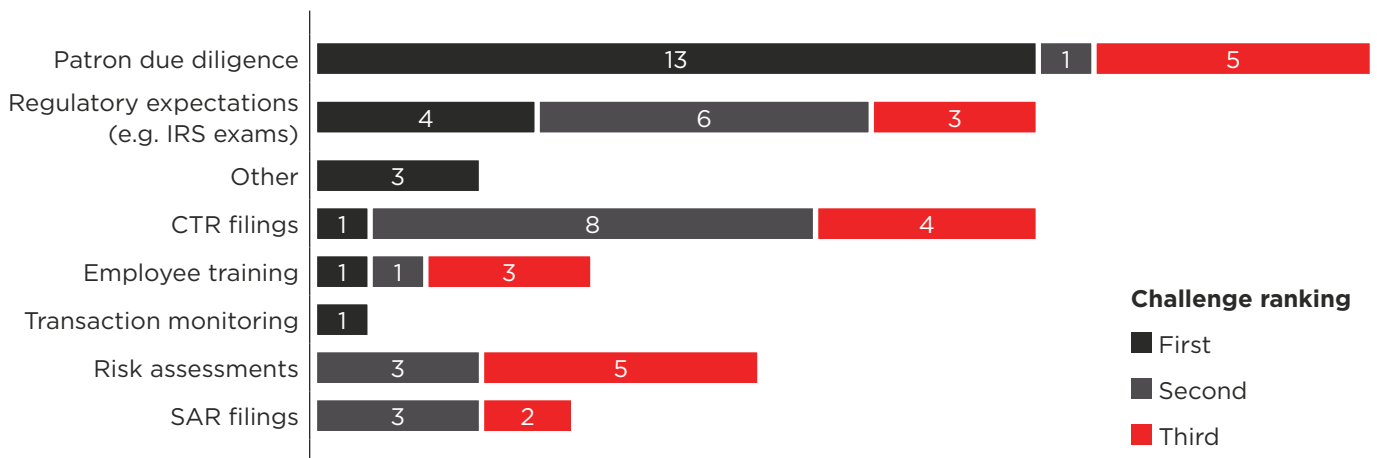
Research participants were asked to identify their top three challenges they face in implementing and administering their AML programs. Their consolidated responses are depicted in the accompanying chart:

The rankings are consistent with responses observed across other industries and with surveys previously conducted by the AML community. Due diligence and transaction monitoring / SAR filings are typically the biggest focus areas for AML Compliance Officers, and managing evolving regulatory expectations has also become a higher priority in recent years. <sup>28</sup>

Some of these challenges were also acknowledged in a recent Department of the Treasury report on money laundering risk, which identified the unique complexities facing this industry, as compared with other financial institutions, in meeting its AML efforts. The Treasury report concluded that, “most often criminals who use casinos to launder illicit proceeds do it through gambling and spending on entertainment.” These are the same activities that the casino’s other patrons are pursuing. Consequently, there is often little observable basis for distinguishing between those patrons laundering funds in the casino and all other casino patrons.

Nevertheless, casinos are strengthening their risk management and control functions to better combat the money laundering and terrorist financing risks they face.

**Industry Recognition of AML Compliance Challenges**



### Patron Due Diligence

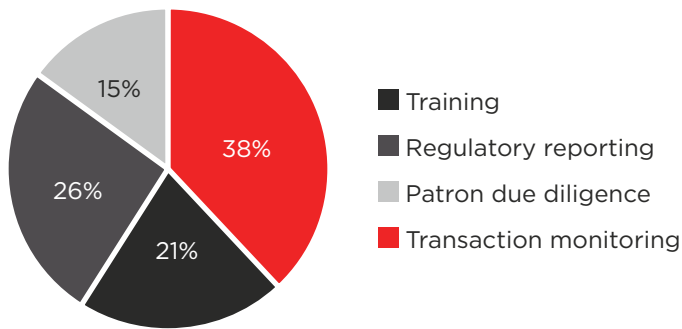
One cornerstone of an effective casino AML compliance program is the adoption of risk-based patron due diligence policies, procedures, and processes. Our research revealed that 83% of respondents indicated that this was, indeed, their greatest challenge.

Respondents indicated that they perform patron due diligence at their properties and the implementation of these processes continues to grow. All respondents indicated that their due diligence programs are event-driven, risk-based approaches versus universal due diligence measures applied across their patron base.

On average, respondents indicated that 15% of their total AML compliance spend is allocated to conducting patron due diligence reviews. This represents an almost 100% increase when compared to levels from five years ago.

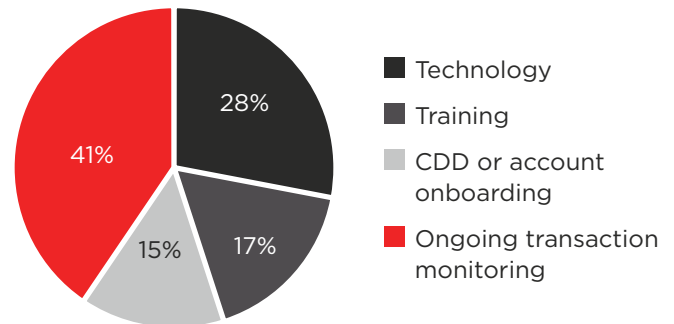
**All interviewees stated that they plan to build out their patron due diligence processes even further so we expect to see a continued rise in the percentage of AML compliance budget allocated to vetting patrons.**

### AML Compliance Priorities



Further research reveals that the gaming industry’s resource allocation to patron due diligence is comparable with the AML compliance cost breakdown for similarly sized financial institutions in other sectors on customer due diligence and account onboarding, as illustrated by the graph below.

### Breakdown of AML Compliance Cost for Companies under \$1 Billion in Assets



Source: Trends in Anti-Money Laundering 2011<sup>29</sup>

The breadth of measures considered when undertaking patron due diligence highlights the advancements the industry has made to sufficiently review high-risk patrons.

All of the research participants indicated that their patron due diligence procedures included the risk-based application of the following measures:

- Identification and verification of sources of wealth and funds;
- Consideration of the financial crime risks posed by a patron’s home jurisdiction;
- Screening against sanctions lists;
- Checks for Politically Exposed Persons (“PEPs”);
- Identification and evaluation of known associates;
- Analysis of adverse media posts (e.g., negative news);
- Review of criminal and civil litigation histories;
- Review of host or marketing notes; and
- Analysis of history of play (“ratings”).

Interviewees were nearly unanimous that increasing patron due diligence remains a primary focus of their ongoing enhancements to their AML programs.

Respondents reported that their limited access to patron financial information is the top challenge when conducting due diligence reviews. Given this challenge, casinos have developed alternative approaches to identify sources of wealth. One casino will request that the patron declare his source of wealth for a certain level of play. If the patron declines to provide this information, the company will conduct patron due diligence.

Another institution stated that it is in constant communication with law enforcement to identify patrons who are potentially attempting to utilize illicit funds and welcome the opportunity to continue this dialogue with law enforcement. This theme was echoed throughout all industry interviews.

Casino operators are also staffing their due diligence teams with more experienced and better qualified professionals. For example, one interviewee reported a focus on hiring former law enforcement agents with expertise in conducting due diligence in Asia and Latin America and “on the ground” contacts in these two regions.

**Terminating Patron Relationships**

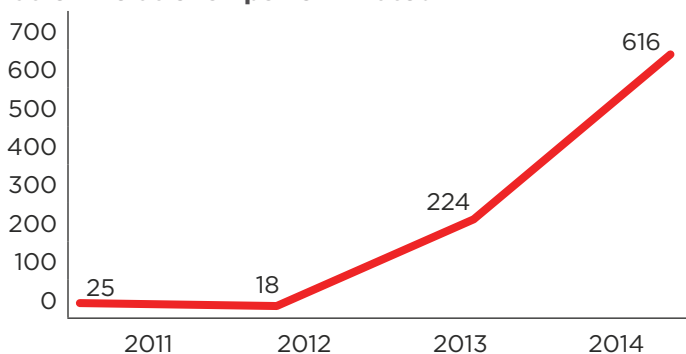
Casino operators are terminating relationships with patrons who pose unacceptable levels of risk. Most respondents indicated that they have implemented detailed escalation protocols and decision-making processes that incorporate feedback from senior management, casino operations, Legal and General Counsel, and, of course, Compliance personnel.

Based on the data received from a subset of interviewees, the number of patron terminations has substantially increased over the last four years and continues to grow. The number of patrons terminated in 2014 was 23 times larger than the number banned in 2011.

Furthermore, based on industry interviews, it’s expected that this growth in patron terminations will continue. One casino operator indicated that it has terminated over three times as many patron relationships in the first six months of 2015, alone, than in all of 2014.

The increase in terminating patron relationships reflects enhancements in the industry’s AML compliance programs and highlights that the industry’s commitment will outweigh potential business or commercial interests.

**Patron Relationships Terminated**



Information sourced from research participants that tracked this data.

**Regulatory and Law Enforcement Engagement**

According to our research, the level of regulatory supervision over the gaming industry continues to increase. All respondents reported that the frequency and comprehensiveness of regulatory exams and internal audits have significantly increased in recent years.

Interviewees indicated that some of their companies’ properties had never been subject to a regulatory exam covering AML prior to five years ago, but that these same properties have now had two exams in the past three years.

Most interviewees also cited greater interaction with Internal Audit and senior management on regulatory matters. Again, it was unanimously stated that both the frequency and the comprehensiveness of the regulatory exams and internal audits have dramatically increased in the past five years.

Research participants are also engaging with law enforcement agencies on a regular basis in order to proactively identify emerging threats in the industry.

Multiple respondents reported receiving positive feedback from regulatory authorities and law enforcement. The feedback included:

- High-quality policies and procedures related to due diligence;
- Improved relationship with law enforcement; and
- SAR filings leading to investigations that resulted in arrests due to criminal activity from Ponzi schemes and narcotics dealing.

In addition, the AGA has had frequent meetings with FinCEN and the U.S. Treasury Department to discuss industry practices and is currently cooperating on an initiative with the FBI to combat illegal gambling.

**BSA Filings**

Respondents reported that the primary triggers for a SAR filing included, but were not limited to, the following categories:

- Structuring activity: Performing transactions in a manner to evade BSA reporting thresholds and certain recordkeeping requirements
- Minimal gaming with large transactions: Instances when patrons buy-in at table games for large amounts of cash, but play only for a short period of time before converting their chips back to cash or other negotiable/monetary instruments
- Transactions involving legal entities: Transactions involving legal entities may lack transparency into the beneficial owner of the funds
- Exchanges of small bills for large bills or vice versa: Activity to consolidate bills into more easily transferable forms of currency

- Chip-related suspicious behavior: Transfers of chips between patrons or walking from casino premises with chip values in excess of BSA reporting thresholds or in a manner that raises suspicion
- Adverse patron information: Negative news or criminal records identified on a patron during the due diligence process
- Suspicious use of counter checks, markers or wires: Using the casino’s instruments or financial services for apparent purposes other than facilitating gaming

**Casinos are filing SARs not only for traditional money laundering behavior such as structuring, but also for more sophisticated activities.**

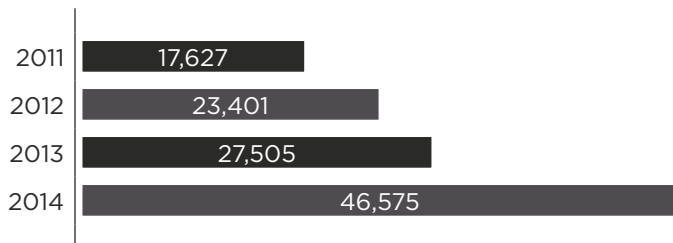
**By identifying specific types of suspicious activity, casino SARs allow law enforcement to adequately build their investigations.**

This evolution can assist law enforcement in understanding the type of activity that is suspicious in the casino setting. In addition to the anecdotal comments of increased engagement with regulators and law enforcement, over the past four years, BSA-required filings have increased for the gaming industry for both CTRs and SARs.

As illustrated in the chart below, FinCEN’s SAR stats for the industry indicate an increase of 164% from 2011 to 2014. With regard to CTR filings, the last year that FinCEN made this data publicly available was in 2008, in which the industry collectively filed a total of 1,335,101 CTRs from July 2006 to June 2008.<sup>31</sup> Based on information gleaned throughout the course of this research study, this number is likely to have significantly increased since 2008, as industry interviewees reported an overall increase of 75% in the number of CTRs filed from 2011 to 2014.

One law enforcement official interviewed acknowledged the value of increased CTR filings, indicating that during 2014, at least 2,419 CTRs filed by casinos were identified by law enforcement as directly involved with illicit financing or money laundering investigations.

**SARs Filed by Casinos**



Source: FinCEN SAR Statistics 2011 to 2014

**Examination Environment**

In addition to increased engagement with regulators and law enforcement, interviewees indicated that regulatory exams have evolved in recent years. Previously focused on compliance with CTR filing requirements, those exams now look closely at the reasonableness in SAR filings and decisions not to file SARs.

More recently, regulatory exams examine patron due diligence steps, banned patron episodes, and specific business lines, such as poker and sports betting.

Casinos are also evolving in the way they prepare for exams and their overall AML knowledge throughout the organization. One industry respondent noted that the internal audit department has been performing additional reviews in order to evaluate their AML controls based on external criteria rather than benchmark the program against itself. That respondent also stated that internal audits have evolved from focusing on whether or not policies and procedures were followed to assessing the reasonableness of those policies and procedures and adjusting them as necessary.

Most research participants stated the scope of exams has expanded over the past five years. One large casino noted that prior to 2012, exams were a “rather static process, less critical and more of a procedural review.”

Previously, regulatory exams were mainly focused on compliance with CTR filings; however, additional testing now addresses transaction monitoring and SAR filings. In particular, one respondent stated that current regulatory exams are approximately 80% focused on SARs and the appropriateness of SARs compared to the prior focus of CTR filings.

More recently, exam priorities have shifted and there is now an increased focus on patron due diligence, banned patrons, and offerings such as poker and sports betting. One interviewee recounted that, during a recent IRS exam, an in-depth review of the property’s patron due diligence policy was conducted, and a sample of high-risk patrons was tested to verify that the diligence was completed in accordance with the casino’s policy.

Another gaming institution noted that the results of a regulatory examination were used by the company as a guide for its AML program design. The respondent also noted that the Nevada Gaming Control Board has taken an increased interest in AML compliance with frequent touch points and interactions.

Respondents also noted that their Internal Audit departments are allocating a greater percentage of their time towards AML-related audits. This has manifested itself in significantly more testing.





# Law Enforcement and Regulatory Landscape

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Regulators and law enforcement agents were interviewed in order to elicit their views on AML compliance efforts across the industry.

**In total, 29 government officials, from the following state and federal government agencies, were interviewed during 16 different meetings.**

- Financial Crimes Enforcement Network (FinCEN)
- Local Tribal Gaming Commission
- New Jersey Division of Gaming Enforcement
- New York State Gaming Commission
- Nevada State Gaming Control Board
- Ohio Casino Control Commission
- U.S. Department of Justice - National Security Division Headquarters and United States Attorneys District Office
- U.S. Department of the Treasury
- Federal Bureau of Investigation - Headquarters, Local Field Offices and Resident Agencies
- Internal Revenue Service - Headquarters, Regional and Local Field Offices
- U.S. Department of Homeland Security - Regional Division

These agencies were located in 23 separate units across the U.S. To achieve a diverse and broad perspective, interviewees ranged from executive-level leadership and policymakers in agency headquarters to local working groups comprised of investigators and analysts who regularly interface with casinos in their area.

Respondents were in a position to provide firsthand insight as to their experience working with the gaming industry or their review of SAR and CTR reporting by the gaming industry. All expressed appreciation for the opportunity to speak frankly and many acknowledged the industry's proactive efforts to increase engagement with law enforcement.

All government interviewees noted that they could offer only their individual perspectives and experiences, not the official position of their respective agencies. The representatives also only provided responses with the agreement of anonymity. The information that follows reflects their understanding of the challenges faced by casino operators and their ongoing compliance efforts.

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## Summary of Interview Results

Many of the law enforcement and regulatory personnel interviewed embraced the opportunity to converse frankly and recognized this as an opportunity to open and enhance dialogue, and further communicate expectations with respect to BSA reporting and filings to the gaming industry.

**Most respondents affirmed that the industry has made concerted efforts and shown significant improvement over the last several years in meeting their BSA reporting requirements through enhancements in AML compliance programs and related reporting. This progress is reflected in increased referrals and filings; enhanced communication and coordination with law enforcement and regulatory agencies; the hiring of diversified staff with gaming, regulatory, and law enforcement backgrounds; and the expansion and improvement in the casino's AML training programs.**

## Interview Narratives

Law enforcement and regulatory officials were asked the same questions regarding the gaming industry and the industry's compliance with regulatory filings, reported activities and impact on active cases. Some of those interviewed were unable to respond or declined to do so; thus, the total number of responses does not always correlate to the total number of individuals interviewed.<sup>30</sup>

**Notably, 71% of government official interviewees responded positively when asked if they believe the gaming industry understands the SAR, CTR, and monetary instrument log reporting requirements and duties.**

Fifty percent of the government officials advised that they were aware of individual referrals made by the gaming industry to their law enforcement or regulatory agency about suspicious activity at the casino.

## State Regulatory and Enforcement Agencies

Most of the state regulatory and enforcement agents based their positive comments on extensive interaction with the casinos and the gaming industry within their jurisdiction.

Most state agencies maintain a regular presence in the casinos and have audit and enforcement divisions that are actively engaged with the casinos. In some jurisdictions, the casinos are participating in working groups with federal, state, and local law enforcement entities to ensure that casino AML compliance reflects the concerns of regulators

and investigators. The industry and the authorities are taking proactive steps to increase this participation.

The government officials interviewed indicated that there is strong communication between the parties and applauded the marked increase in SAR filings. One regulatory agency noted that the attitude at casinos has changed significantly over the years, with a stronger commitment to review transactions for potential money laundering.

Specifically, the agents cited strengthened AML training in casinos, hiring employees with stronger skills, dedicating certain employees to patron due diligence work, as well as the setting of thresholds for when to conduct due diligence. Similarly, the casinos now have dedicated employees focused on patron due diligence and set thresholds for when to complete due diligence.

**Importantly, due to this increased focus on AML compliance, money laundering-related filings by the industry have generated more cases and better prepared cases, which has resulted in millions of dollars in seizures.**

With respect to training and hiring, some government respondents observed a focused effort on the part of casinos to hire experienced and knowledgeable individuals, with diverse backgrounds, capable of implementing and overseeing effective AML compliance programs.

## Regional Federal Enforcement Agencies

Regional federal agents reported that casinos are making efforts to be compliant with reporting requirements. They also indicated that they see an overall positive interaction with casinos in the investigation of criminal cases. One office specifically described a cooperative environment.

This message was echoed by another office that has received case referrals and relevant reporting by the casino industry. In this region, the U.S. Attorney's Office for that district and the state regulatory agency are leading a working group on casino AML controls which includes the IRS, Homeland Security, the FBI, local prosecutors' offices, local police departments, and others. This allows for a more cooperative environment where agents are able to share information and work on cases jointly.



**Another law enforcement agent noted a proactive effort on the part of the industry to reach out and establish regular meetings to discuss ways to better work with law enforcement in detecting and sharing potential money laundering-related activity. This type of feedback is consistent with what was emphasized in the interviews with casino operators. There appears to be a very concerted effort by casino operators to not only remain compliant with regulatory requirements, but to also take a more proactive approach in working with law enforcement agents.**

Some regional agents also indicated that investigations have been initiated from SAR or CTR reporting alone, although many entities acknowledged that typically SARs or CTRs are utilized as a tool to confirm previously reported or known information.

Regional Agents also noted room for further growth and expansion of the casinos' understanding, and for improving communication with law enforcement. One Regional Agency also recognized that some casinos have accomplished this by hiring personnel with appropriate backgrounds to implement and execute effective AML programs.

Law enforcement itself continues to improve and build upon its ability to utilize BSA reporting. Some agencies reported taking a very aggressive approach to the mining of SAR data for the proactive identification of new targets. This includes initiative in exploiting AML reporting and blending it with other databases and intelligence to actively identify targets as a predication to investigations. This is an iterative process undergoing continual growth and improvement that has been made possible with the power of enhanced data analytic capabilities.

Government official and law enforcement interviewees expressed the view that most if not all of the casinos and other legally authorized gambling facilities were adhering to AML guidelines and procedures for reporting. They do recognize that problems existed in the past in certain regions, with unlicensed or improperly licensed gambling facilities being a prime opportunity for money laundering, but were careful to draw a distinction in legally operated and illegal operations, and indicated that they do not see the same issue in the legally operated and licensed gaming industry.

Many government officials interviewed confirmed that access to SARs and CTRs, and AML reporting documents and resources were readily accessible and comprehensible. Government interviewees with longer time in service responded that old, antiquated systems that once made utilizing SARs and CTRs and other AML documents unwieldy, have since been phased out and the information is more accessible than in the past.

**Overall, government officials interviewed reported having a good working relationship with casinos and feeling comfortable in calling upon casinos for cooperation. Some government officials commented that they received excellent cooperation from casinos in investigations and were provided extensive resources to support their efforts.**

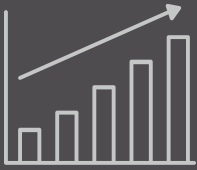
### **Fusion Centers**

Intelligence fusion centers serve as state and locally led centers to gather, assess, analyze, and disseminate information between the federal government and state, local, tribal, territorial, and private sector partners. There are many fusion centers located in states and major cities throughout the country. Their purpose is to raise awareness and better inform decision-makers on security threats.

There are two major impacts of fusion centers on the gaming industry. The first is that law enforcement is able to work together and share information that allows them to build stronger investigations. Agents can pool resources and review recent themes that they see in their investigations as well as jointly work on cases. In the context of gaming, law enforcement can work to identify suspects who may be visiting different casinos in multiple locations.

Secondly, fusion centers help raise awareness and share information on money laundering and terrorist financing risks so that casinos can update their AML programs accordingly. Taking a more collaborative approach to law enforcement investigations allows the overall industry to improve its AML approach.

# Conclusion



**Industry Boosts AML Compliance Investment Across the Board**

This research study found that the gaming industry has taken significant steps in complying with AML requirements and in preventing potential money laundering and terrorist financing. It has embraced the 2006 FATF recommendations and worked to improve the industry’s commitment to compliance. Industry-wide compliance continues to take an increasingly prominent role in all corporate structures.



**Robust Customer Due Diligence Programs Strengthen AML Programs**

This research initiative used a variety of sources to validate this conclusion, including an industry-specific survey that was provided to a range of casinos to capture various experiences ranging from Vegas strip casinos to riverboats to racinos. These survey results were validated through in-depth interviews with various industry participants to provide their unique experiences and expand on their responses. Finally, various law enforcement agents and regulators were interviewed to provide a unique view from outside of the industry.

Overall, companies are spending more money on AML compliance, developing new systems and processes, and becoming more ingrained into the company. Patron due diligence is a prime example of the industry’s willingness to improve their AML programs. Casinos are hiring specific personnel to implement due diligence, with a focus on language skills and investigation backgrounds.



**Filing Rates and Quality of BSA Reports Continue to Rise**

Further, casinos are approaching hiring with an analytical perspective to ensure they have the most qualified personnel on the front lines of their operations.

Similarly, casinos indicated that their exams and interaction with regulators has increased both in frequency and in scope. Law enforcement and regulators report that the industry has improved favorably over the past five years. Casinos have evolved their efforts from basic BSA reporting to comprehensive risk management. Law enforcement agents are seeing these results in the real world. The SARs that casinos are filing are more descriptive and more expansive than they were previously. Importantly, the sheer volume of SARs filed in the industry has increased dramatically. This provides law enforcement with more information for them to be able to react to potential money laundering and terrorist financing.



**Law Enforcement Recognizes Meaningful Value of Industry BSA Reports**

Over the past decade since the last FATF mutual evaluation, the gaming industry is substantively more advanced in its AML compliance. The casinos have addressed many key areas and continue to make improvements every day. This increase in AML compliance focus has resulted in an increase in the overall AML compliance budgets, especially in the past five years, with more increases planned. The gaming industry is more successful in establishing risk-based AML programs than they have been at any point in the past.

The US gaming industry is raising the bar. Casinos are strengthening their risk management and control functions to better combat the money laundering and terrorist financing risks they face.

# Appendix A

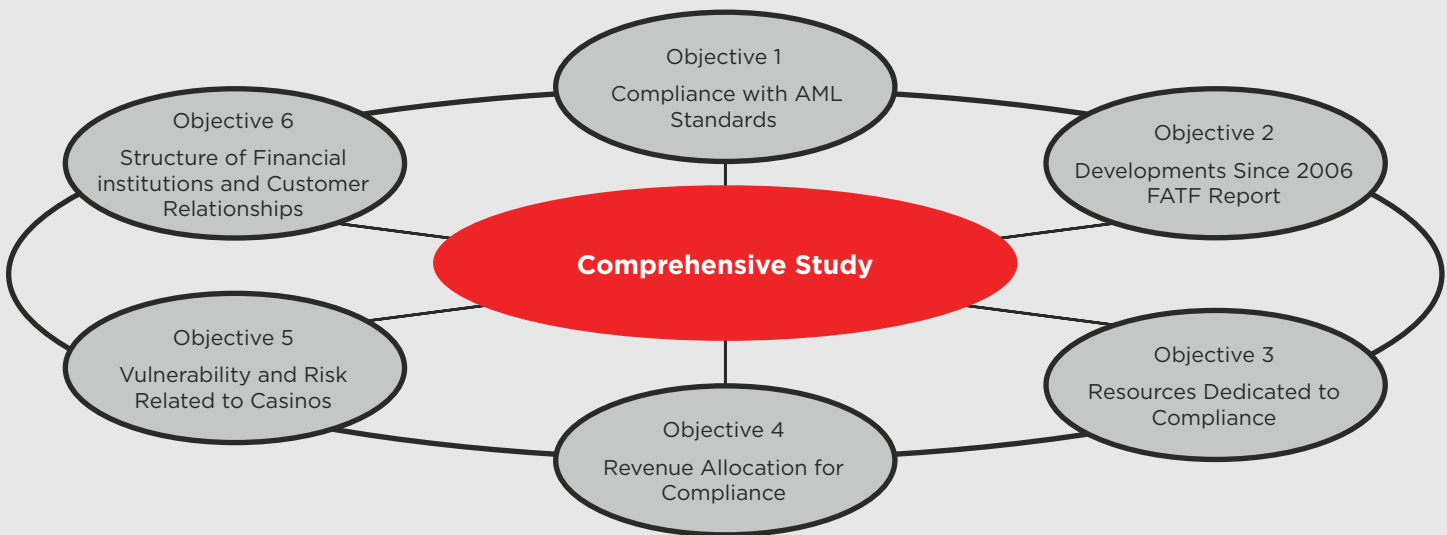
## Research Study Objectives and Methodology

The Ernst & Young LLP team leveraged its industry knowledge, survey development professionals, AML and prior law enforcement experience, and network of domestic gaming clients.

Interview questions were structured in a manner to ensure that requisite data was captured to meet the objectives of this exercise and to gain further insight into how the survey questions were answered. Additional statistics (e.g., Currency Transaction Report filings, Suspicious Activity Report filings, number of patrons banned) were obtained from a subset of survey participants to substantiate responses received from surveys and interviews. Finally,

Ernst & Young LLP interviewed representatives from several law enforcement and regulatory agencies in order to gain their perspectives on the state of AML compliance in the gaming industry.

In order to produce a research study relevant across the entire U.S. gaming industry and also be meaningful to external stakeholders, a number of specific objectives had to be met. These objectives were designed to ensure that the research study not only gives a broad view of the industry but also incorporates the perspectives of public sector respondents. Specifically, the research study objectives included:



### Objective 1 Compliance with AML Standards

Gauging the overall level of compliance of gaming institutions with AML compliance regulations is the survey's principal goal. To that end, a customized online survey that incorporated all of the study's objectives was designed and in-person interviews were structured to supplement survey responses.

### Objective 2 Developments since 2006 FATF Report

The survey also sought to evaluate AML compliance in the gaming industry since the FATF's 2006 Mutual Evaluation report, so the survey and interviews specifically addressed the three recommendations made in that report:

1. Required casinos to perform enhanced due diligence for high-risk patrons.
2. Remove the dollar threshold on SAR filing for casinos.
3. Required greater harmony between the Nevada Gaming Commission's regulatory requirements and the BSA.

### Objective 3 Resources Dedicated to Compliance

The gaming industry's financial and employee resources dedicated to AML compliance were assessed through survey responses and interviews, as well as through public reports, and organization structure and financial statements were analyzed to provide additional data points.

### Objective 4 Revenue Allocation for Compliance

A comparative analysis of casino budget allotted for gaming compliance staff and resources was calculated and compared to revenue numbers. Data from survey results and interviews were used to create these calculations in addition to public financial statements.

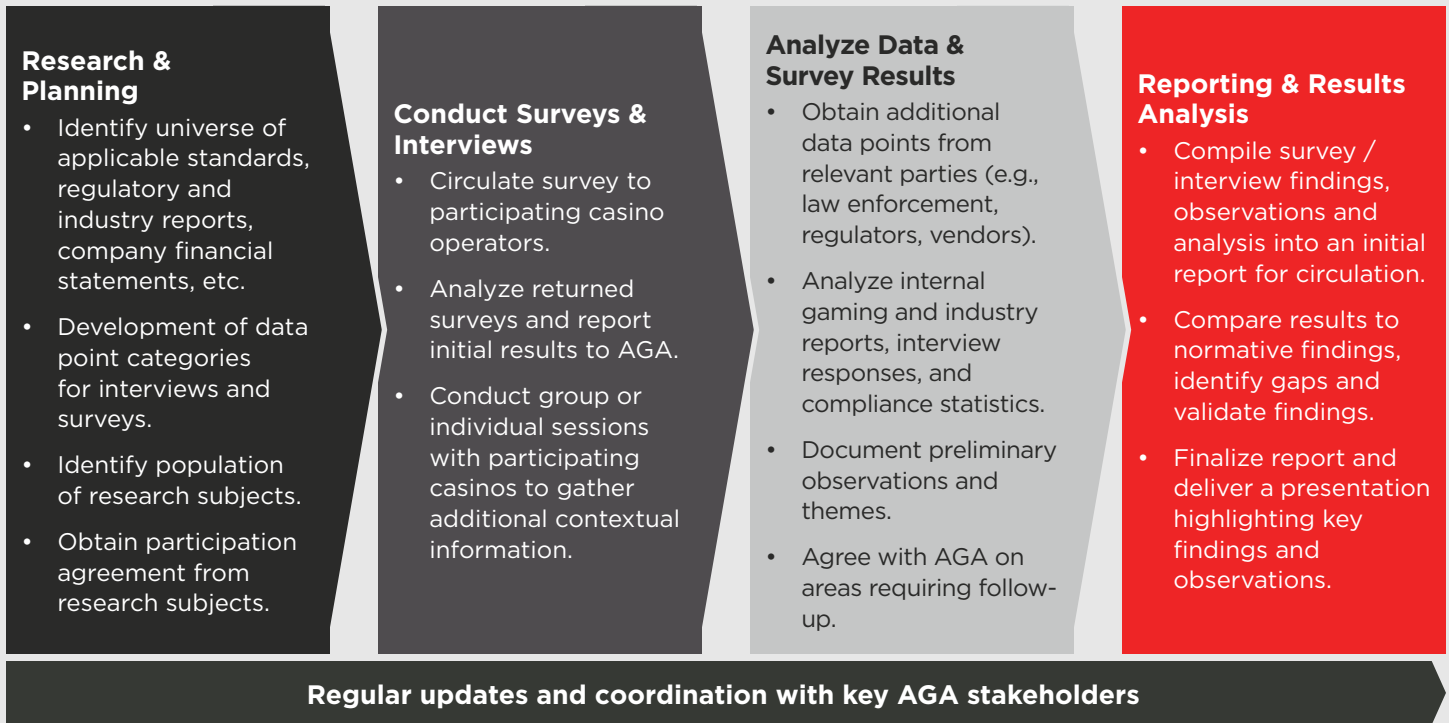
### Objective 5 Vulnerability and Risk Related to Casinos

Interviews with law enforcement agents and regulators assessed the money laundering risks facing casinos as well as their view on how the casinos are addressing those risks.

**Objective 6  
Structure of Financial Institutions and  
Customer Relationships**

A structural description of the relationships between casinos and their patrons was created to identify how

those different relationships influence casinos' money laundering risk and their ability to mitigate those risks. The methodology applied to the research study to address these objectives consisted of a multi-tiered approach, including the following processes:



**1. Research and Planning**

AML requirements for the industry were established through extensive research of regulatory guidance analyzed from 2006 to 2015. Industry reports were also compiled to provide insight to trends in both gambling and illegal activity at casinos and gaming centers nationwide. Public filings for companies in the U.S. casino industry provided additional context for the survey results.

Finally, recent enforcement actions and regulator speeches were reviewed to determine what changes in the requirements may be planned.

To provide a wide range of participants, the population of potential survey participants was created by reviewing a third-party database of casinos. Finally, participation agreements were sent to the potential survey and interview participants.

Various tools and methodologies were used to plan for and complete the objectives of the AML research study. First and foremost was the team's detailed AML experience across various industries, including the gaming

industry. The team was composed of professionals with the Certified Anti-Money Laundering Specialist (CAMS) designation, as well as ex-law enforcement and regulatory agents with experience developing improved policies and procedures, conducting enhanced due diligence on high-risk patrons, and investigating suspicious levels of play. Through this AML knowledge, the team developed an approach to reach all of the research study's objectives and provide a comprehensive view of the gaming industry and the advancements implemented in the past ten years.

**Extensive Industry and Regulatory Research**

A critical component of this initiative was in-depth and thorough industry-specific research. This consisted of compiling various regulator and industry-published documents, including the following:

- FinCEN SAR Activity Reviews that are published periodically as a collaboration between FinCEN's regulatory, law enforcement, and industry partners to provide information about the preparation, use, and value of SARs filed by different industries

- FinCEN Casinos and Card Club Activity reports that provide further breakdowns of SARs filed for the industry as well as identifying and analyzing trends.
- FinCEN SAR Stats Reports that are published periodically and provide number of SARs filed by different industries
- Best practice guides and industry risk assessments
- Public casinos' financial filings
- Enforcement actions for the gaming industry
- Recent news articles related to gaming and AML

For a complete list of documents used in the research study, please see Appendix B.

### Survey Development

The survey questionnaire design was created through a survey instrument platform that included an introduction, instructions, and 38 main questions and additional sub-questions reflecting the research objectives. Prior to launch, a pilot test was conducted of the questionnaire utilizing three survey participants as test respondents. The final survey instrument consisted of questions across the following themes:

- **AML Compliance Program Management:** casino compliance policies and procedures, updates made reflecting current regulatory requirements and guidance, designation of an AML Compliance Officer, information sharing pursuant to the 314(b) program, AML program challenges, and implementation of a risk assessment.
- **Compliance Resources and Budget Spent on Compliance:** The level of casino spending on compliance, how much is devoted to AML compliance, planned increases or decreases in compliance budget, and dedicated full-time employees for AML compliance programs.
- **Patron Due Diligence:** Enhanced due diligence for high-risk patrons, including percentage of patrons risk-ranked, factors in determining patron risk, due diligence procedures employed, and policies for banning patrons.
- **Regulatory Engagement:** Regulatory filings such as SARs, triggers for inquiries into patron transaction activity, the SAR filing decision process, key trends and frequency of regulatory exams, significance of findings, and interaction with regulatory authorities and law enforcement.

For more details regarding the structure and implementation of the survey tool, refer to Appendix D.

## 2. Conduct Surveys and Interviews

The industry survey was provided to the sample of potential participants identified through an extensive population of casino properties located in the United States. The listing was segmented by size, number, and types of gaming services offered, whether the properties were commercially owned or part of a Native American tribe and other parameters. Participant questions were addressed as they came up during completion of the 38-question survey.

Results were analyzed as the surveys were completed to provide initial results. From these results, some respondents were selected for follow-up interviews. The participant's survey responses were used to guide these interviews.

### Establish Survey Demographics and Population

The initial population of 1,355 domestic properties was drawn from Casino City's U.S. gaming business directory, which includes the full range of gaming properties, from the largest Las Vegas casino to the smallest local bingo operation. The properties were broken into categories based on estimated gaming stations at each.

Corporate relationships among the properties noted above were identified to produce a list of 67 organizations that were invited to participate in the industry survey. This population included casinos operating in large markets and in smaller regional markets, riverboat casinos, racetracks with casino operations (racinos), and tribal casinos.

The companies selected also represent a large range in the scale of their operations, from major operators headquartered in Las Vegas to entities with a single gaming property. Finally, the companies selected also have properties hosting a large range of casino operations including slots, table games, poker, sports wagering, and bingo. All targeted organizations were invited to participate in the industry survey.

Emails containing the survey link were sent to the invited participants with an explanation of the study. Twenty-three organizations responded, representing 245 associated properties with more than \$30 billion in combined revenues. The organizations operate properties in 22 of the 40 states that have legalized gambling.

### Surveys and Interviews with Key Industry Participants

As described above, these companies also presented different compliance approaches through both centralized and de-centralized compliance teams. Several casinos in the survey also provided detailed statistics on the number of CTRs and SARs filed and the number of patrons banned due to suspected money laundering or terrorist financing.



### **Relationships with Key Law Enforcement and Regulator Contacts**

To acquire an external perspective on casino AML compliance efforts, EY conducted interviews with regulators and law enforcement agencies. These professionals could comment on areas in which the gaming industry has contributed to law enforcement efforts, how SARs and CTRs are used, and what industry actions and policies are most useful to law enforcement.

The survey team consisted of various ex-law enforcement and ex-regulators with, combined, over 80 years of experience with their agencies and Top Secret Clearance. While at their agencies, these professionals spearheaded terrorist financing investigations, led task forces, including the Organized Crime Task Force and the Foreign Terrorist Task Force (FTTTF), and conducted large-scale investigations into Racketeer Influenced Corrupt Organizations (RICO).

This access provided the research study with a unique perspective of law enforcement methodologies and regulatory oversight. Importantly, the research study utilized an expansive network of individuals who are still working at these agencies. In total, information from 26 different law enforcement agents and regulators from 23 different agencies or field offices was collected. This provided a unique perspective into the gaming industry's compliance with regulatory requirements and impact to law enforcement.

### **3. Analyze Data and Survey Results**

The results from the survey and participant interviews were combined with data from various regulators, law enforcement agents, and trade groups, and statistics on regulatory filings (CTRs and SARs) and banned patron data from eight major casino operators.

For further validation, the results from all parties were compared to the industry and regulator reports.

### **4. Reporting and Results Analysis**

Analysis was performed of the U.S. gaming casino industry and casino AML programs and compliance enhancements made over the last ten years. In addition, advancements related to the three key recommendations from the FATF's 2006 report were analyzed. The objective of the analysis was to highlight areas of strength and enhancements implemented across gaming company AML compliance programs and, in comparison with applicable U.S. standards, best practices and the prior recommendations from the FATF.

Ernst & Young LLP looked closely at the degree to which the gaming companies comply with all applicable and relevant AML regulations and standards, in addition to any potential areas of non-compliance. All results from the various sources and analysis were compiled into this report used for discussion. The results were compared to the objectives to identify any potential gaps in the research compiled. Gaps were addressed through follow-up discussions with industry participants as required. Finally, the draft report was finalized, along with key findings for publication.

The survey platform provided real-time reporting of results to help quickly identify areas where follow up was needed. At the conclusion of the study, descriptive statistics and graphical data representation to help visualize and understand trends and patterns in the data were created and detailed below.

In total, the research study was a combination of proprietary AML knowledge, industry research, an industry survey enhanced with detailed interviews, and law enforcement and regulator viewpoints to develop a complete AML view of the gaming industry.

# Appendix B

## Source Research Documentation

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### FinCEN SAR Activity Reviews

- 2006 May – SAR Activity Review Issue 10
- 2007 Oct – SAR Activity Review Issue 12
- 2008 May – SAR Activity Review Issue 13
- 2008 Oct – SAR Activity Review Issue 14
- 2009 Oct – SAR Activity Review Issue 16
- 2010 May – SAR Activity Review Issue 17
- 2010 Oct – SAR Activity Review Issue 18
- 2011 May – SAR Activity Review Issue 19
- 2011 Oct – SAR Activity Review Issue 20
- 2012 May – SAR Activity Review Issue 21
- 2012 Oct – SAR Activity Review Issue 22
- 2013 May – SAR Activity Review Issue 23

### FinCEN – Casinos and Card Club Activity

- SAR Activity Report (FinCEN Form 102) Casinos and Card Clubs 1 Aug 96 – 31 Dec 06
- SAR Activity Report (FinCEN Form 102) Casinos and Card Clubs 1 Jan 03 – 31 Dec 12
- SAR Filing Trend Analysis
- 2015 April - Section 1 – Casino and Card Club SARs
- 2014 July - Section 1 – Casino and Card Club SARs
- 2013 May - Section 3 – Casino and Card Club SARs

### FinCEN SAR Stats Reports

- 5 Feb 2006 - SAR Stats Issue
- 6 May 2006 - SAR Stats Issue
- 7 Nov 2006 - SAR Stats Issue
- 8 June 2007 - SAR Stats Issue
- 9 Feb 2008 - SAR Stats Issue
- 10 May 2008 - SAR Stats Issue
- 11 Nov 2008 - SAR Stats Issue
- 12 July 2009 - SAR Stats Issue
- 13 Jan 2010 - SAR Stats Issue
- 14 June 2010 - SAR Stats Issue
- 15 Jan 2011 - SAR Stats Issue
- 16 May 2011 - SAR Stats Issue
- 17 May 2012 - SAR Stats Issue
- 18 May 2013 - SAR Stats Issue
- SAR Stats Issue 1 – July 2014
- SAR Stats Issue 2 – October 2015

### Other FinCEN Guidance

- FinCEN SAR FAQ
- FinCEN SAR Bulletin Suspicious Activity Reported by Casinos Aug 2015
- FinCEN SAR Guidance for Casinos Dec 2003

### Other Government-Issued Documents

- National Money Laundering Risk Assessment June 2015
- Senate Select Committee on Intelligence Worldwide Threat Assessment
- U.S. Money Laundering Threat Assessment

### IRS Investigations and Data

- IRS Examples of Gaming Investigations FY13
- IRS Examples of Gaming Investigations FY14
- IRS Examples of Gaming Investigations FY15
- IRS Statistical Data – Gaming
- Industry Guidance
- AGA Best practice guides and industry risk assessments - December 2014
- FATF 2006 Report
- FATF Risk-Based Approach Guidance for Casinos 2008
- FATF Vulnerabilities of Casinos and Gaming Sector 2006

### Corporate Documents – 10K

- 2014 – Boyd Gaming Corporation
- 2014 – Caesars Entertainment Corporation
- 2014 – MGM Resorts International
- 2014 – Penn National Gaming Inc.
- 2014 – Pinnacle Entertainment Inc.
- 2014 – Station Casinos
- 2014 – Tropicana Entertainment Inc.
- 2014 – Wynn Las Vegas LLC
- 2014 – Wynn Resorts Limited

### **Regulatory Enforcement Actions & Civil Money Penalties**

- The Tonkawa Tribe of Oklahoma, Tonkawa, Oklahoma
- The Lower Sioux Indian Community D/B/A/ Jackpot Junction Casino Hotel, Morton, Minnesota
- Trump Taj Mahal Casino Resort for Significant and Long-Standing AML Violations
- Tinian Dynasty Hotel & Casino for Egregious AML Violations
- FinCEN Bars Casino Official from the Financial Industry
- Caesars Palace Settlement for Lax AML Controls on High Rollers

### **In the News**

- U.S. Fines Pacific Island Casino Operator \$75 Million for Anti-Money-Laundering Violations - Wall Street Journal
- Caesars Entertainment Money Laundering Allegations Could Cost Operator Millions in Fines - Casino News
- Caesars nears deal over anti-money laundering lapses - Fortune
- Amid U.S. probes, Caesars poaches top money laundering expert - Reuters
- U.S. Treasury warns casinos on illegal sports betting - Reuters
- Las Vegas Sands resolves laundering case with \$47 million deal - CNN Money
- Sands, U.S. Reach Money-Laundering Accord - Wall Street Journal
- AML Compliance Expectations Unabated - Fines, Enforcement Actions and a Deferred Prosecution Agreement Against Banks, Money Transmitters and Casinos Underscore Evolving Expectations - JD Supra

# Appendix C

## State Licensing Requirements

Below, please find a listing of the key information and data points collected as part of the state licensing vetting process. For a complete copy of the application, refer to <http://iagr.org/multi-jurisdictional-application>.

### Casino Licensing Due Diligence Checklist

#### Personal Data

- Name, home/ mailing address, business address, contact information, date of birth, alternate names, and distinguishing features.

#### Color Photograph (Taken within the last 6 months from date of application)

#### Citizenship and Passport Information

- Date and place of birth, country of birth, passport number, country of issue, place and date issued, and expiration date.

#### Residence Data

- For the past 15 years or since age 18, whichever is less, listing of all addresses, date of residence, status of own or rent, and name, address and telephone number of landlord or mortgage, bond holder.

#### Family/ Social Data

- Date and place of marriage; name, date of birth, phone number, address and occupation of current spouse.
- Name, date and place of marriage, date of birth, date and jurisdiction of annulment, separation, divorce, divorce case number, and present address of previous spouses.
- Name, date of birth, birth place, and address for all children, step-children, and adopted children, and the amount of support, if dependent.
- Names, dates of birth, address, phone number and occupations of parents, parents-in-law, all former parents-in-law.
- Names, dates of birth, address, phone number and occupations of siblings and of their respective spouses.

#### Military Service Data

- Dates of service, country, branch, rank, serial service number.
- Date and type of discharge or separation.
- Past trials or charges by military court martial.

#### Educational Data

- Beginning with secondary school (high school), listing of the name, address, description, degree or certification obtained, date of attendance and graduation information of each school, college, graduate or post-graduate school attended.

#### Offices and Positions

- Dates, title or position held, name and address of firm, and compensation received for all offices, trusteeships, directorships or fiduciary positions held with any firm, corporation, association, partnership, or other business entity during the last ten-year period.
- Dates, title or position held, name and address of all government positions and offices, whether salaried or unsalaried, held during the last ten-year period.

#### Employment and Licensing Data

- Name, employer information, to and from dates, title held, supervisor name, and reason for leaving for all employment held during the past 20 years or from age 18, whichever is less.
- Dates of discharge, employer information, supervisor name, and reason for discharge for all discharges, suspensions or instances where applicant was forced to resign.
- Dates, employer information, and title / position of all compensated employment held by spouse during the past 12 months.
- Dates, capacity, nature of trust or other fund, and income received if spouse served as a trustee or fiduciary officer in any capacity during the last twelve-month period. Include all information on reason for removal, if applicable.
- Name on license, license type, dates, names of licensing organization and disposition of application of all previous applications of gaming and non-gaming licenses applied for and held. Also include disclosure of any direct ownership interest in any group, firm, corporation, partnership or other business entity that has applied to any licensing agency. Information on denial, suspension, revocation, or conditions, if applicable.
- Date, name and addresses of business, current business status, percentage of ownership, names and addresses of other owners, and state, providence and country of organization or incorporation of any group, firm, partnership corporation, or any other business where applicant has had an ownership interest of 5% or more during the past 20 years, or since age 18, whichever is less.
- Name of licensing agency or commission, date of appearance, nature of hearing, and whether or not testimony was given for any instance where applicant or spouse was called to testify, or otherwise participate in a hearing or proceeding before licensing agency or commission.
- Name, relationship, name of business and address, and business telephone of any family members who are associated with or employed in any form

of casino or gaming / gambling-related operation or that have an ownership interest in any alcoholic beverage entity in any jurisdiction.

**Civil, Criminal, and Investigatory** Proceedings

- Date, location, nature of charge, name and address of law enforcement agency or court involved, disposition and sentencing information of any arrests or charges of crime in any jurisdiction.
- Name and address of governmental agency or organization involved, nature of proceeding, and date of any criminal indictments, of any complaints that have been filed but for which applicant was not arrested or indicted.
- Name and address of court or other agency, nature of proceeding or investigation, whether testimony was given, testimony date and time period of investigation, of any investigations conducted by any governmental agency or organization, court, commission, committee, grand jury, or investigatory body, or if applicant had ever been subpoenaed to appear or testify before said organizations.
- Name, relationship, nature and date of charge or offense, name and address of law enforcement agency or court involved, disposition, and sentencing information of arrests or charges of any crime or offense of spouse, children, step-children, or adopted children.
- Date filed, name and address of court, docket or case number, other parties to suit, nature of suit, disposition and date of disposition of any lawsuits or arbitration in the past 15 years.
- Name and type of entity, approximate date of lawsuit, arbitration, bankruptcy, and location where action was filed if applicant was associated as an owner, officer, director, or party of a general partnership, business venture, sole proprietorship, or closely held corporation that has been a party to a lawsuit, arbitration or bankruptcy in the past 15 years.
- Governmental agency, organization, nature of charge, date, and disposition of any citation, charge, or accusation of any violation of a statute, regulation or code of any local, county, municipal, provincial, federal or national government.
- Gaming / Gambling agency, and date and reason for exclusion if applicant has ever been barred or otherwise excluded from any form or type of casino or gaming/ gambling-related operation in any jurisdiction.

**Vehicle Operator Data**

- All current motor vehicle operator licenses (automobiles, motorcycles, airplanes, boats, recreational vehicles, etc.) issued in any jurisdiction.

**Financial Data**

- Net Worth Statement of Assets and Liabilities
- Cash in Bank
- Loans, Notes and Other Receivables
- Securities
- Real Estate Interests
- Cash Value - Life Insurance
- Cash Value - Pension/ Retirement Funds
- Vehicles
- Other Assets
- Notes Payable
- Loans and Other Payables
- Taxes Payable
- Mortgages of Liens Payable on Real Estate
- Loans Against Insurance or Pension Plans
- Any Other Indebtedness
- Contingent Liabilities

**Signature on Statement of Truth**

## Appendix D

# Survey Tool - Details on Structure & Implementation

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SNAP survey software was utilized for the data collection component of the survey effort. The SNAP Surveys company provides survey software and web-based survey services to a wide variety of organizations worldwide.

SNAP Surveys was independently audited and certified by Bureau Veritas as being compliant with ISO 27001, the internationally recognized gold standard for information security systems. Per the ISO website, “ISO 27001 assists organizations in the development of an information security management system that is integrated, comprehensive and incorporates globally-recognized best practices.” <sup>32</sup>

Ernst & Young LLP ran SNAP’s online survey management system on its own servers to maximize data security. Due to the proprietary nature of many of the AGA survey questions, any personal or company information gathered as a direct or indirect result of the AGA questionnaire remains confidential. The confidentiality of survey responses is protected by a secure website, using up to 256-bit encryption. All responses are housed on a limited-access server. Any reported information or findings from the survey or any resulting analyses were aggregated such that no individual, project, program, facility, or company was identifiable. Ernst & Young LLP also pledges not to share any respondent information with anyone other than the respondent unless that data is publicly available or the respondent’s prior permission has been secured in writing.

## Endnotes

- <sup>1</sup> <http://www.interfima.org/wp-content/uploads/2014/03/The%20Global%20Cost%20of%20Anti-Money%20Laundering%20Compliance.pdf>
- <sup>2</sup> FinCEN: SAR Stats: Issue 2 – October 2015 and Issue 1 – July 2014; FinCEN: By the Numbers Issues: Issue 18 – May 2013, Issue 17 May 2012 and Issue 16 May 2011
- <sup>3</sup> 2014 U.S. Gaming Industry Review: A Report on Market and Policy Developments, pg. 2
- <sup>4</sup> <http://www.nigc.gov/images/uploads/reports/gamingrevenuebyregion2006.pdf>
- <sup>5</sup> <http://www.nigc.gov/images/uploads/reports/2014GGRbyGamingOperationRevenueRange.pdf>
- <sup>6</sup> <http://www.nigc.gov/images/uploads/reports/Gaming%20Revenues%20Chart%202010-2006.pdf>
- <sup>7</sup> <http://biz.yahoo.com/p/711conameu.html>
- <sup>8</sup> See <http://iagr.org/multi-jurisdictional-application/> for a copy of the application.
- <sup>9</sup> <https://malegislature.gov/Laws/SessionLaws/Acts/2011/Chapter194>
- <sup>10</sup> These types of transactions, while conducted at casino locations, are ordinarily processed through a banking institution.
- <sup>11</sup> Such advances have been determined by at least one court not to be a loan, and therefore, not true credit. See *Nguyen v. State*, 116 Nev. Adv. Op. No. 123 (December 14, 2000).
- <sup>12</sup> Federal Financial Institutions Examination Council, BSA/AML Examination Manual (2014), p. 3, available at [http://www.ffiec.gov/bsa\\_aml\\_infobase/documents/BSA\\_AML\\_Man\\_2014.pdf](http://www.ffiec.gov/bsa_aml_infobase/documents/BSA_AML_Man_2014.pdf).
- <sup>13</sup> 50 Fed. Reg. 5065 (Feb. 6, 1985) (subjecting casinos to the recordkeeping and reporting requirements of the BSA).
- <sup>14</sup> See 31 C.F.R. Part 1021 (Rules for Casinos and Card Clubs).
- <sup>15</sup> [http://www.ecfr.gov/cgi-bin/text-idx?SID=85531583ff44114f399fbbb474b4fd09&mc=true&node=se31.3.1021\\_1210&rgn=div8](http://www.ecfr.gov/cgi-bin/text-idx?SID=85531583ff44114f399fbbb474b4fd09&mc=true&node=se31.3.1021_1210&rgn=div8)
- <sup>16</sup> [http://www.fincen.gov/about\\_fincen/wwd/mission.html](http://www.fincen.gov/about_fincen/wwd/mission.html).
- <sup>17</sup> Refer to Appendix B for a detailed inventory of FinCEN and other regulatory publications
- <sup>18</sup> [http://www.fincen.gov/financial\\_institutions/casinos/](http://www.fincen.gov/financial_institutions/casinos/).
- <sup>19</sup> FinCEN Advisory to U.S. Financial Institutions on Promoting a Culture of Compliance, FIN-2014-A007, Aug 2014
- <sup>20</sup> Best Practices for Anti-Money Laundering Compliance, Pg. 4, American Gaming Association
- <sup>21</sup> Best Practices for Anti-Money Laundering Compliance, Pgs.5-16, American Gaming Association
- <sup>22</sup> For more details, please refer to <http://www.fatf-gafi.org/media/fatf/documents/reports/Vulnerabilities%20of%20Casinos%20and%20Gaming%20Sector.pdf>.
- <sup>23</sup> [http://www.fatf-gafi.org/publications/mutualevaluations/?hf=10&b=0&s=desc\(fatf\\_releasedate\)](http://www.fatf-gafi.org/publications/mutualevaluations/?hf=10&b=0&s=desc(fatf_releasedate))
- <sup>24</sup> Footnote to FinCEN's Culture of Compliance
- <sup>25</sup> <http://www.interfima.org/wp-content/uploads/2014/03/The%20Global%20Cost%20of%20Anti-Money%20Laundering%20Compliance.pdf>, pg. 9
- <sup>26</sup> <https://www.kpmg.com/KY/en/IssuesAndInsights/ArticlesPublications/PublishingImages/global-anti-money-laundering-survey-v3.pdf>
- <sup>27</sup> [https://www.fincen.gov/news\\_room/speech/html/20150618.html](https://www.fincen.gov/news_room/speech/html/20150618.html)
- <sup>28</sup> <https://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/National%20Money%20Laundering%20Risk%20Assessment%20%E2%80%93%2006-12-2015.pdf>
- <sup>29</sup> <http://www.celent.com/reports/trends-anti-money-laundering-2011>
- <sup>30</sup> [https://www.fincen.gov/news\\_room/rp/files/CasinoIndustryCTRFilings.pdf](https://www.fincen.gov/news_room/rp/files/CasinoIndustryCTRFilings.pdf)
- <sup>31</sup> The data represented should not be construed as the result of a formal survey. Questions were presented to interviewees in an informal manner to gain insight and observation on some consistent themes. They were not conducted and controlled with the rigor of a formal survey consisting of quantifiable controls and a defined sampling set.
- <sup>32</sup> <http://www.iso.org/iso/home/standards/management-standards/iso27001.htm>

