

16th International Conference on Gambling & Risk Taking

Casino Anti-Money Laundering:

A Comparison of Macao and US
Practices and Procedures



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U.S. Overview

- Background in the United States
- US Reporting Procedures and Structure
 - Currency Transaction Reporting for Casinos (CTRC)
 - Suspicious Activity Reporting for Casinos (SARC)
 - Additional Reporting – Patriot Act – Money Logs
- US Experience with Filings
 - Category of Filings
- Proposals for Change

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Table 1 -Number of CTRs filed by casinos in the US

Year	Number of CTRs
2010	452,333
2009	429,449
2008	474,393
2007	680,740
2006	772,356
2005	616,701

Source: FinCEN Annual Report – 2011

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Table 2 Number of SARs in the US

Year	Casino SARs	Depository Institution SARs	Percent of Casino SARs
2014	46,575	886,927	5.7
2013	27,505	713,930	3.8
2012	2,119	35,736	5.9
2011*	n.a.	n.a.	n.a.
2010	13,534	687,760	2.0
2009	11,827	720,309	1.6
2008	10,731	732,563	1.5
2007	9,753	649,176	1.5
2006	7,285	567,080	1.3
2005	6,039	522,655	1.2
2004	5,650	381,671	1.5
2003	5,415	288,382	1.9

Source: FinCEN Annual Report – 2012

Note: *not available due to the change in dataset in 2011.

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Table 3 Categories of SARs filed in the US

Categories	2014	2011
Structuring to avoid reporting	45.9%	40.8%
Large transaction/minimum gaming	13.7%	25.1%
False/conflicting/ID reporting	14.8%	17.0%
No apparent purpose	2.7%	3.4%
Unusual transaction/currency exchange	5.1%	7.1%
Suspicious/counterfeit transactions	11.8%	6.8%
Others	6.0%	11.6%

Source: FinCEN Annual Report – 2011 & 2014

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Macao Background

- Enabling Legislation
 - 1991 Decree Law on Drug Control
 - 1997 Law on Organized Crime
 - 1998 Decree Law – Financial Reporting
 - 2006 AML & Counter Terrorism Financing (3 laws)
- 2006 Financial Intelligence Office (GIF) rules
- 2006 DICJ – Gaming Inspection and Coordination Bureau issued Instruction no. 2/2006
 - 4 areas – know your customer, transaction reporting, internal procedures and compliance officer

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Table 4 Number of STRs in Macao

Year	Types of Institutions						Total
	Financial Institutions*		Gaming Sector		Other Institutions		
2014	441	24.3%	1,370	75.6%	1	0.1%	1,812
2013	457	28.7%	1,138	71.3%	0	0%	1,595
2012	510	27.7%	1,328	72.2%	2	0.1%	1,840
2011	477	31.1%	1,082	70.4%	4	0.3%	1,536
2010	338	27.7%	814	66.7%	68	5.6%	1,220
2009	382	33.0%	767	66.3%	7	0.6%	1,156
2008	386	46.1%	443	52.9%	9	1.1%	838
2007	343	47.3%	374	51.6%	8	1.1%	725

Source: Annual Reports (2007 – 2014), Financial Intelligence Office, Macao

Note:*including exchange desks

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Unique Macao Operations VIP Rooms

- Two Business Models
 - Traditional – Mass Market (Mass Premium)
 - VIP Rooms
- VIP Operations by third parties
- Lack of Specific Identification

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Macao Reporting Forms

- Large Amount Transaction Reporting for Casinos - ROVE
- Suspicious Transaction Reporting for Casinos - STRC
- Three Categories of Suspicious Activity - Money Laundering or Terrorist Financing
 - Unusual Gaming or Wagering Activity
 - Gaming Credit - nature, complexity and amount
 - Games Promotion – complexity and amount

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Casino Procedures

- ROVEs equal or exceed US\$25,000
- Aggregation from each area
- Currency exchanges at or over US\$31,250
- STR's – Develop Own Procedures
 - Third Party Hotline
 - Incident Reports
 - Submit to Public Prosecutions Office

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Additional VIP Reporting

- VIP promoters must be licensed
- Promoters agree to abide by casino AML rules
- Provide access to VIP AML records to casino
- Monitor table activity and provide analysis

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COMPARISON OF CASINO AML LAWS & TERMINOLOGY

	UNITED STATES	MACAO
BASIC LAW	1985	2006
CURRENCY TRANSACTIONS	FORM "CTR-C" > \$ 10,000	"ROVE" TO DICJ "STR" TO GIF
SUSPICIOUS ACTIVITY	ADMINISTRATIVE EXTENSION 2007	2006 LAW
OTHER	PATRIOT ACT 2001	DECREE LAW 2/2006 DECREE LAW 3/2006
AGENCY	RULES - FinCEN ENFORCE - IRS	RULES - 2006 LAWS FINANCIAL INTELLIGENCE OFFICE ENFORCE - DICJ

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Table 5 SAR Comparison: US and Macao

	US 2014	Macao 2014		US 2011	Macao 2011
Structuring to avoid reporting	45.9%	0.0%		37.6%	0.0%
Large transaction/minimum gaming	13.7%	28.2%		19.2%	7.7%
False/conflicting/ID reporting	14.8%	6.3%		5.4%	22.3%
No apparent purpose	2.7%	0.0%		5.8%	3.5%
Unusual transaction/currency exchange	5.1%	9.9%		10.8%	17.8%
Suspicious/counterfeit transactions	11.8%	31.7%		5.9%	27.9%
Others	6.0%	23.9%		15.3%	20.8%
	100.0%	100.0%		100.0%	100.0%

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Proposals for Changes

- United States
- Reporting Threshold
- Reduced Scrutiny
- Audit and Penalties
- Macao
- Unification of Laws
- Revised Privacy Laws
- “Know Your Customer”
- Increase On Site Review

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Harmonization & Multi-Jurisdictional Risk

- Developing jurisdictions, e.g., Philippines
- Race to bottom for regulation/competition
- Cooperation/Guidance from established jurisdictions
- Multi-National operations – Special problems
 - Harmonization
 - Slow Improvement Process
 - International Regulation - FATF

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Conclusion

- Market Maturity
 - Complexity/Distribution of Laws
- Cultural Differences
 - US is enforcement-minded
 - Macao is identity-minded
 - Macao is “face-minded”
- Emerging International Problems
 - Harmonization needed