

Best Practices for Anti-Money Laundering Compliance

2019 – 2020



AMERICAN
GAMING
ASSOCIATION



Table of Contents

INTRODUCTION	1
BACKGROUND	2
CASINOS' CULTURE OF COMPLIANCE	5
RISK ASSESSMENT	6
<i>STATE REGULATORY REQUIREMENTS</i>	6
<i>RESULTS OF INDEPENDENT AUDIT AND IRS EXAMINATION</i>	7
<i>GAMING VOLUME AND CHARACTER</i>	7
<i>RANGE OF FINANCIAL SERVICES</i>	7
<i>CHARACTERISTICS OF CERTAIN GAMES</i>	7
<i>COUNTRY RISK</i>	8
<i>POLITICALLY EXPOSED PERSONS (PEPs)</i>	8
<i>PATRON BEHAVIORS</i>	8
<i>PATRON CHARACTERISTICS</i>	9
BSA/AML COMPLIANCE OFFICER	10
EMPLOYEE TRAINING	11
PREVENTIVE STEPS	13
KNOW YOUR CUSTOMER (KYC)	15
<i>PATRON IDENTIFICATION AND VERIFICATION</i>	15
<i>ONGOING AND ENHANCED DUE DILIGENCE</i>	17
TRANSACTION MONITORING	19
RESTRICTING / TERMINATING PATRON RELATIONSHIPS	20
POTENTIAL SUSPICIOUS ACTIVITY	21
<i>GAMING FLOOR ACTIVITY</i>	21

<i>INTERACTIVE GAMING ACTIVITY</i>	22
<i>RACE AND SPORTS BOOK ACTIVITY</i>	22
<i>CAGE-FOCUSED ACTIVITY</i>	23
<i>INFORMATION FROM BACK OF THE HOUSE</i>	24
SUSPICIOUS ACTIVITY REPORT REVIEW PROCEDURES	25
AUDIT PROCEDURES	27
<i>INDEPENDENT TESTING PROCEDURES FOR CTRS</i>	27
<i>INDEPENDENT TESTING PROCEDURES FOR SARS</i>	29
RECORD-KEEPING AND RETENTION	30
CONCLUSION	31
GLOSSARY	33
<i>BANK SECRECY ACT (“BSA”)</i>	33
<i>CAGE</i>	33
<i>CASINO</i>	33
<i>CHIP WALK:</i>	33
<i>CREDIT</i>	33
<i>FRONT MONEY</i>	33
<i>INTERACTIVE GAMING</i>	33
<i>MARKER</i>	33
<i>MONETARY/NEGOTIABLE INSTRUMENT LOG</i>	34
<i>MULTIPLE TRANSACTION LOG</i>	34
<i>RISK ASSESSMENT</i>	34
<i>TICKET IN/TICKET OUT (“TITO”)</i>	34
ABOUT AMERICAN GAMING ASSOCIATION	36

INTRODUCTION

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

The modern casino is an entertainment venue that offers its patrons highly regulated gaming, often combined with hotels, multiple dining options and live entertainment. To facilitate gaming activity, casinos ordinarily provide some financial services to their patrons. Although the vast majority of patrons visit casinos for entertainment, leisure and diversion, those engaged in illegal activity may attempt to use the casino's financial services to conceal or transfer illicit wealth.

This document is not intended to be a checklist of actions required of every casino and should not be applied arbitrarily to any individual situation, or on a blanket basis.

AML programs are risk-based, and casinos have different risk profiles, so individual casinos will have good reasons for departing from or modifying a procedure in this document, or for developing supplemental or alternative procedures, including appropriate approvals and documentation of decision-making.

Moreover, in some instances, industry practices may go beyond a legal requirement established by statute or regulation, so this document should not be considered a guide to those legal requirements.

To safeguard the integrity of the casino industry and the U.S. financial system, casino companies have developed effective risk-based programs to ensure compliance with the legal requirements of the federal Bank Secrecy Act, and associated AML statutes and regulations.

This document is an attempt to distill the practices that a wide range of gaming operators—including land-based casinos, sports books, and interactive and mobile gaming sites—have adopted to meet these challenges. This document uses the term “casino” to cover in-person and lawful interactive and mobile gaming operations as well as sports betting, because the BSA/AML compliance effort applies to all forms of casino-style gambling.

The goal of this document is to provide a resource for the gaming industry as well as other financial sectors subject to the BSA, government 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.

BACKGROUND

Since 1985, commercial casinos have been defined as “financial institutions” under the BSA. Accordingly, they must file currency transaction reports (CTRs) when a patron either provides the casino with or takes away from the casino more than \$10,000 in currency during a casino’s defined 24-hour gaming day.

Casinos also must file suspicious activity reports (SARs) when a casino knows, suspects, or has reason to suspect that a transaction or attempted transaction aggregating at least \$5,000:

- Involves funds derived from illegal activity.
- Is intended to disguise funds or assets derived from illegal activity.
- Is designed to avoid BSA reporting or recordkeeping requirements.
- Uses the casino to facilitate criminal activity.
- Has no economic, business or apparent lawful purpose or
- Is not the sort of transaction in which the particular patron would be expected to engage, and the casino knows of no reasonable explanation for the transaction after examining the available facts.



More broadly, the BSA also requires casinos to design and implement risk-based AML programs that include, at a minimum:

- A system of internal controls, policies, and procedures to assure ongoing compliance.
- Procedures for using all reasonably available information to determine:
 - ♦ When required by BSA regulations, the name, permanent address, Social Security number, and other information, and verification of the same, of a person.
 - ♦ Whether SARs need to be filed and which information to include in the SAR filing when available.
 - ♦ Whether any other record required under the BSA must be made and retained.
- Internal and/or external independent testing for compliance.
- Appropriate, ongoing training of casino personnel.
- An individual or individuals charged with assuring day-to-day compliance (the “AML officer”); and
- Lastly, to assure compliance by using automated programs to aid in assuring compliance.

In the interest of maintaining the integrity of gaming, each casino company implements a comprehensive and robust compliance program that identifies and mitigates its risks and

BACKGROUND

ensures that it submits appropriate CTRs and SARs as required.

A discussion of criteria for casino compliance programs appears on the Financial Crimes Enforcement Network of the U.S. Department of the Treasury (FinCEN) website.¹

Further, the industry's AML compliance programs are also influenced by guidance from the U.S. Treasury, including the National Strategy for Combatting Terrorist and Other Illicit Financing (National Illicit Finance Strategy) and the National Money Laundering Risk Assessment (NMLRA).²

The 2018 NMLRA identified the following six principal threats related to money laundering in the United States:³

- Fraud
- Drug Trafficking
- Human smuggling
- Human trafficking
- Corruption
- Transnational Criminal Organizations

Moreover, as stressed in the U.S. Treasury's 2015 National Money Laundering Risk Assessment, "most often criminals who use casinos to launder illicit proceeds do it through gambling and spending on entertainment"—the exact same activities that the casino's other patrons are pursuing.⁴ Consequently, there is often little observable basis for distinguishing between those patrons "laundering funds" in the casino and all other casino patrons.

TAILORING AN EFFECTIVE RISK-BASED AML COMPLIANCE PROGRAM TO CASINO OPERATIONS

Casinos' risk-based compliance effort involves many complexities. For patrons, casinos are generally not viewed as financial institutions, but rather are entertainment venues they enter and leave as it suits them. Many patrons are not, and never will be, personally known to casino employees. Unlike a bank's customers, casino patrons are not required to identify themselves unless they trigger certain regulatory requirements (e.g., CTR). And there may be only a limited amount of publicly available information about many casino patrons.

Even those patrons who become identified to the casino, because they are frequent visitors or because they require assistance with financial transactions, ordinarily have no reason to disclose to casino employees their business or professional activities. Most are at the casino to pursue entertainment.

Some, for legitimate personal or privacy reasons, may not care to have their gambling activities known. In addition, the relatively small number of patrons who may attempt to launder funds through casinos take considerable pains to conceal that purpose from the casino.

To help address money laundering risks, casinos have developed comprehensive risk-based programs to identify patrons whose gaming activity approaches the CTR reporting threshold. That requires the aggregation of currency transactions from several different parts of the casino: the gaming tables, electronic gaming machines, and

¹ FinCEN's Casino or Card Club Compliance Program Assessment, <https://www.fincen.gov/resources/statutes-regulations/guidance/casino-or-card-club-compliance-program-assessment>, (June 30, 2010).

² National Money Laundering Risk Assessment, <https://home.treasury.gov/news/press-releases/sm581>, (December 2018).

³ Ibid

⁴ National Money Laundering Risk Assessment, <http://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/National%20Money%20Laundering%20Risk%20Assessment%20E2%80%93%2006-12-2015.pdf>, page 75, (June 2015).

BACKGROUND

casino cage activity, including credit (or marker limit) and front-money transactions.

To detect and report suspicious activity, casino employees and supervisors must make complex, nuanced judgments based on readily available information about a patron's activities. The process of investigating activity and deciding whether to file a SAR necessarily requires these judgement calls, and in many instances reasonable minds may disagree over whether a SAR should be filed.

In some situations, suspicions can be confirmed or disproved only with information that is ordinarily unavailable to the casino, or by making inquiries of the patron—for example, concerning the source of the patron's funds. In some situations, patron activity that requires further vetting may only be resolved through candid conversations or obtaining sensitive documents (e.g. tax returns, divorce decrees).

These conversations can be sensitive as they may involve personal matters or complex business dealings. There may also be cultural differences and language barriers. Given these nuances, consideration should be given as to who is best suited to obtain this information and maintain the customer relationship—front line associates, casino marketing, leadership from other departments (AML, Finance, Legal) or a coordination of efforts.

Casinos should make a risk-based determination about which employees—senior managers or front-line employees—are in the best position to determine whether and how to undertake such an inquiry. For instance, the matter may involve issues that the casino ordinarily would have no business reason to investigate, and some patrons may have little or no incentive to review those issues with the

casino. The involvement of senior managers may facilitate the interaction with the patron, as well as signal the importance of the inquiry.

Casinos also should consult with FIN-2014-A007, which discusses “Promoting a Culture of Compliance.”⁵

Forging effective working partnerships with law enforcement agencies is another important way to nurture a culture of compliance, ensuring that employees understand how BSA-required reports are used to achieve national policy goals that may override business concerns.⁶ Such partnerships can be formal (such as hosting roundtables or forums to share information) or informal (such as maintaining a close relationship with the local FBI field office and calling in tips).

⁵ See also, Advisory to U.S. Financial Institutions on Promoting a Culture of Compliance, FIN-2014-A007 (Aug. 11, 2014), <https://www.fincen.gov/resources/advisories/fincen-advisory-fin-2014-a007>.

⁶ A 2016 study by Ernst & Young for the American Gaming Association surveyed officials from twenty-three law enforcement and gaming regulatory agencies and found that the casino industry has made concerted efforts to enhance AML compliance and reporting. Investing in America's Financial Security: Casinos' Commitment to Anti-Money Laundering Compliance, p. 27. <https://www.americangaming.org/wp-content/uploads/2018/12/AGA-AML-Research-Report-Final-011916.pdf>

CASINOS' CULTURE OF COMPLIANCE

Risk-based AML compliance efforts and a strong culture of compliance are essential to the casino industry.⁷

To promote and foster a culture of compliance, casinos should allocate substantial employee time to AML compliance, which includes:

- Establishing a system of internal controls and policies and procedures to assure ongoing compliance with AML requirements.
- Ensuring independent testing of AML compliance, of a scope and frequency that matches the money laundering and terrorist financing risks present.
- Training casino personnel, as warranted for individual jobs, in the identification of unusual financial transactions or suspicious activities, in the recording and aggregation of currency transactions, and all legal requirements and the casino's compliance policies and procedures.
- Designating an individual or individuals responsible for assuring day-to-day AML compliance at all venues.
- Providing adequate resources to compliance functions.

Section 314(b) of the USA PATRIOT Act.⁸ This program, and other formal and informal information sharing mechanisms, is a FinCEN priority and is a vital way to ensure casinos and other financial institutions can obtain necessary information about their patrons and customers.⁹

There is no more effective way to foster a positive culture than to have the casino's senior leadership and Board of Directors (whether directly or through the Board's Audit or Compliance Committee) engaged in the AML compliance effort, receiving periodic updates on regulatory developments, changes to the program, resources, and audit findings by regulators and by other independent compliance reviews.

Many casinos have found it valuable to participate in the voluntary information-sharing program with other entities defined as financial institutions under

⁷ "A good compliance culture is one where doing the right thing is rewarded, and where 'looking the other way' has consequences." Please see Treasury Blog Note by Acting Director of FinCEN, Jamal El-Hindi, Culture of Compliance and Casinos, <https://www.treasury.gov/connect/blog/Pages/Culture-of-Compliance-and-Casinos.aspx> (finding that "casinos appear to be steadily improving their anti-money laundering efforts.").

⁸ FinCEN 314(b) Fact Sheet (November 2016), <https://www.fincen.gov/sites/default/files/shared/314bfactsheet.pdf>.

⁹ Prepared Remarks of FinCEN Director Kenneth A. Blanco, delivered at the 11th Annual Las Vegas Anti-Money Laundering Conference and Expo (August 2018), <https://www.fincen.gov/news/speeches/prepared-remarks-fincen-director-kenneth-blanco-delivered-11th-annual-las-vegas-1>.

RISK ASSESSMENT

Because every financial institution is potentially at risk of being used for illegal purposes or accepting funds that were obtained illegally, casinos should identify and assess their specific money laundering risks and adopt effective measures designed to mitigate those risks. Casinos should analyze their risk and then structure their compliance function to mitigate that risk, not the other way around. Risk assessments should be reviewed and approved by senior leadership.

In answering these questions, a casino will assess the BSA-related risks present at different parts of its business. Regulators, independent auditors, and law enforcement officials may also provide important guidance concerning risks that are arising in the financial system generally, and in the gaming industry specifically.

Casinos should also scour relevant enforcement actions to identify typologies that may be used

The risk assessment, conducted no less than annually, should be tailored to each specific casino venue and the nature and characteristics of its location, enterprise, products, financial services, and customers.

Many factors may be relevant to the risk assessment for a specific casino, but the risk assessment process begins with asking basic questions:

- First, what are the entry and exit points at the casino for patron funds that may come from illicit sources?
- Second, what casino departments or employees are best positioned to detect the entry and exit of such funds?
- Third, what are characteristics of transactions that may involve illicit funds, or of patrons who are more likely to engage in suspicious activity?
- Fourth, what measures (including automation) do we have in place to mitigate these risks?
- And finally, how effective are those measures?

to exploit their properties and evaluate whether their present compliance structure is sufficient to mitigate risks associated with those typologies. Casino compliance professionals should also bring to bear their judgment based on experience with casino transactions.

STATE REGULATORY REQUIREMENTS

Every state that grants casino licenses also imposes exacting regulation on casino operations, though specific requirements vary from state to state. State regulations specify the games that can be offered and the rules of each game; they also establish what financial services can be offered and the procedures casinos must follow in providing them. State regulation also will extend to the nature of the surveillance and security measures employed at the casino.

RISK ASSESSMENT

RESULTS OF INDEPENDENT AUDIT AND IRS EXAMINATION

Information identified in independent assessments of a casino's AML program should be carefully analyzed and reviewed. Such assessments include evaluations of independent auditors and Internal Revenue Service examinations of the casino's AML compliance program. The casino should undertake corrective actions in response to issues that arise during an examination or audit and revise its AML program accordingly or make a determination that no such action is necessary.

GAMING VOLUME AND CHARACTER

Different gaming venues may have differing risks based on their unique product mix and customer pool, while risks may evolve over time as a venue's business model changes.

Because money launderers often deal with substantial amounts of money, they may be drawn to larger casinos with higher gaming activity, where large-value transactions are more frequent and less likely to draw attention, and where the casino's surveillance systems may have greater capacity.

For the same reasons, money laundering may be more likely to involve patrons bringing large amounts of money to a casino and playing games at higher-dollar values. Accordingly, larger gaming venues will likely need more AML/BSA compliance procedures than smaller volume casinos.

Nevertheless, smaller volume casinos must be alert to a patron's departure from ordinary patterns of play and the suspicious use of the financial services offered by the casino; similarly, the structuring of transactions to avoid reporting requirements can occur at any casino, regardless of business volume.

RANGE OF FINANCIAL SERVICES

The broader the array of financial services available at the casino (e.g., front-money deposit accounts, markers/credit extensions, wire transfer services, check cashing, credit/debit card cash advances, offering safe deposit boxes), the greater the opportunity for a money launderer to exploit several different services for illicit purposes.

CHARACTERISTICS OF CERTAIN GAMES

The rules of certain games may make money laundering more likely. For example, if a game allows patrons to play either side of a bet (e.g., baccarat, craps, or roulette), confederated patrons might bet both sides in order to launder funds through the game.

Similar risks may arise in the case of sports betting when a patron places a bet with a legally operating sports book on behalf of an unidentified third-party, concealing the origin and owner of the funds or betting on both sides of the line.¹⁰ In addition, race and sportsbooks may be potential targets for money launderers because confederates can bet on both sides of a game or an event, thereby offsetting their exposure.

Because poker is not a house-banked game, transactions at the poker tables may occur between customers, rather than with the casino. Accordingly, the casino may be less likely to detect potential suspicious activity because poker—unlike table games, race and sports book wagers, or electronic games—does not afford the casino the ability to determine verified win/loss. If a casino does not permit cash wagering in poker rooms, the risk of money laundering may be correspondingly reduced.

¹⁰ See FinCEN Correspondence with the American Gaming Association Regarding Sports Betting Conducted on Behalf of Third Parties, https://www.fincen.gov/statutes_regs/guidance/pdf/01162015.pdf, (Jan. 16, 2015).

RISK ASSESSMENT

COUNTRY RISK

Some patrons with casino accounts may be deemed to present a higher risk if the casino learns that they are non-resident aliens or foreign nationals or residents of countries that have been defined by the United States as jurisdictions of concern for narcotics trafficking, human trafficking, money laundering, terrorism, or other forms of illicit finance, or if the foreign nation has been identified as non-cooperative by the Financial Action Task Force, or if the foreign nation has been identified by Transparency International or a similar reputable organization as having a high level of public corruption.¹¹

POLITICALLY EXPOSED PERSONS

Politically Exposed Persons (PEPs), also known as Senior Political Figures, are individuals who have been entrusted with a prominent public function or individuals who are closely related to such persons. PEPs and their transactions may warrant further inquiry and consideration by the casino, such as investigating their source of wealth or funds. As appropriate, casinos should identify and assess the risks of both foreign and domestic PEPs. A casino may need to conduct open source research to identify PEPs.

PATRON BEHAVIORS

Unusual patterns of patron behavior on the gambling floor may suggest the risk of money laundering. For example, a patron may:

- Increase betting or financial transaction activity significantly without explanation.
- Appear to be coordinating gaming with another patron or patrons (e.g., passing chips or cash back and forth) in an attempt to evade notice.

- Abruptly change the methods used for bringing money into or out of the casino.
- Unexpectedly use multiple sources or multiple destinations for funds.
- Request multiple monetary instruments for a jackpot or wager win.

Casinos should also be attentive to the influence and impact of third-party marketing programs and relationships to the extent such entities may bring a meaningful number of patrons to a casino property, casinos should undertake review of the marketing entities' practices and procedures.

To maximize incentives (comps, promotional chips, airfare, discounts, and allowances), a player or group of players working in concert may often display a number of suspicious behaviors (e.g., passing chips, offsetting wagers, masking their activity, distorting their average wager, walking with chips). For commercial reasons, casinos may work aggressively to curtail these behaviors with the help of surveillance, operations, and casino marketing. Casinos should exercise caution in assuming these behaviors are simple advantage play strategies that may not be illegal and remain attentive to the risk that these same behaviors may be employed for money laundering purposes.

All of these behaviors or practices may be entirely legitimate, but casinos should be attentive to the risk that they are not. Many of these considerations are detailed further in later sections of this document.

In addition, the U.S. Department of the Treasury noted in its 2015 National Money Laundering Risk Assessment that money laundering activity at a casino most often involves exactly the same activities—gambling and spending money—that all casino patrons engage in.¹²

¹¹ For example, see the State Department's annual International Narcotics Control Strategy Report and regulations and guidance issued by FinCEN.

¹² National Money Laundering Risk Assessment, <http://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/National%20Money%20Laundering%20Risk%20Assessment%20%E2%80%932006-12-2015.pdf>, page 75, (June 2015).

RISK ASSESSMENT

Given that licit and illicit activity so often look the same to a casino's compliance team, the utility of applying data analytics and technological resources should be considered as these resources may help identify specific types of illicit activity, such as "bill stuffing" in slot machines; minimal gaming; chip walking; front money deposits in cash; large cash buy-ins and/or redemptions to avoid reporting; and revolving markers.

PATRON CHARACTERISTICS

In some instances, a casino may learn information about a specific patron which warrants further inquiry or examination of the patron's transactions. Examples of such information include formal actions against the patron by law enforcement agencies, public reports of negative information concerning the patron's integrity, or evidence that the patron is under investigation by law enforcement.

Casinos should also consider whether the patron has ties to a state licensed and regulated cannabis business. Further, organizations should update their compliance programs to include a policy regarding how to address individuals or entities with ties to state-legal marijuana related businesses.

When such reports arise about a patron, casinos may wish to review any previous transactions with the patron that may appear suspicious in light of the newer information. Casinos may also determine to review such patron's future activity, if any, after a prescribed period of time (e.g., 90 days).

In addition, information about the patron's financial situation may be relevant, to the extent known by the casino, including (as examples) the presence of IRS tax liens or personal bankruptcies in recent years. Casinos should also work to ensure they are consistently evaluating relevant

subpoenas that are received, especially those associated with financial crimes.

Because all of these criteria are necessarily general, individual casinos have adopted a range of implementation measures and guidelines that aim to detect, block, and report efforts to present illicit funds at casinos.

The following discussion of available compliance techniques should not be viewed as mandatory for every casino. Variations in patron mix, games offered, volume of gaming, location of casino operation and many other factors may render some steps listed below less applicable to a specific casino, or may warrant measures in that casino that are not identified in this document. A discussion of risk assessment factors for casinos (FIN-2010-G002) appears at the FinCEN website, along with responses to [Frequently Asked Questions](#).¹³

¹³ FinCEN, Casino or Card Club Risk-Based Compliance Indicators (June 30, 2010), <https://www.fincen.gov/resources/statutes-regulations/guidance/casino-or-card-club-risk-based-compliance-indicators>.

BSA/AML COMPLIANCE OFFICER

As required by federal BSA regulations, at least one employee at a casino must be designated as responsible for compliance with BSA and AML requirements, policies, and training, and should be available to other employees to consult on related questions as they arise. The BSA/AML compliance officer should be fully knowledgeable of the BSA and all related regulations.

The BSA/AML compliance officer should also understand the casino's products, services, customers, entities, and geographic locations, and the potential money laundering and terrorist financing risks associated with those factors, as well as how BSA-required reports are used by law enforcement agencies.

In addition, the BSA/AML compliance officer should report to, for example, the General Manager, Chief Legal Officer, Chief Risk Officer, Chief Compliance Officer, or executive of comparable stature. Property-level leadership with oversight of BSA/AML programs should themselves have a direct reporting line to the centralized corporate compliance department, if applicable. All compliance-related reporting lines within the organization should be clearly delineated and identified to employees. The corporate board of directors, or relevant committee, should also receive routine briefings on the BSA/AML program.

The BSA/AML compliance officer, along with the AML compliance function more broadly, should be vested with appropriate authority and resources to implement the program and assist the casino in managing risk. This means that the BSA/AML compliance officer should have sufficient stature in the organization to be a member of, or otherwise be able to regularly brief, senior leadership. The BSA/AML compliance officer should be senior enough to effectively promote the culture of compliance.



EMPLOYEE TRAINING

Ongoing training on AML procedures and BSA compliance requirements should be provided to employees who assist with or review patron transactions that may be subject to the BSA.

The extent and intensity of the training should vary according to the responsibilities of the employee, but should address CTR and SAR reporting and the casino's AML Program. Trainees should gain an understanding of the products themselves, and how they can be used to launder money so they are better equipped to identify red flags.

training to ensure comprehension and a signed acknowledgement form agreeing to comply with company BSA/AML policies.

A casino should tailor its training program to employees who would be in a position to observe potentially suspicious activity, consistent with the risks identified in the risk assessment. At a minimum, training should extend to the following general categories of employees:

Training materials should be updated regularly to reflect regulatory and enforcement developments under the BSA. If such regulatory developments may warrant a revision in the casino's compliance practices, relevant personnel should receive information on a timely basis about both those developments and any revised casino practice.

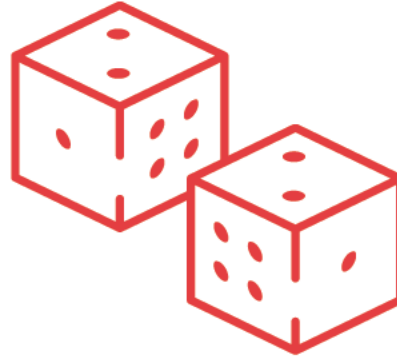
The following categories of employees should receive training at least once per year, and more frequently if changes in the law or circumstances require it. Training should be appropriate for the level of seniority and responsibilities of employees and management. Consequently, senior-level executives should receive different AML training than frontline supervisors and employees.

The responsibilities of more senior personnel may tend to involve more oversight and assessment of risk so AML training should be tailored to these roles. For frontline supervisors and employees, a testing component should be incorporated into the

- Those engaged in the operation of casino games (table games, poker, slots, keno and bingo, and sports betting), at least beginning with supervisors and above;
- Casino marketing employees whose job requires frequent direct contact with patrons, including domestic and international hosts, branch office employees, and if applicable special events employees;
- Cage employees.
- Surveillance employees.

EMPLOYEE TRAINING

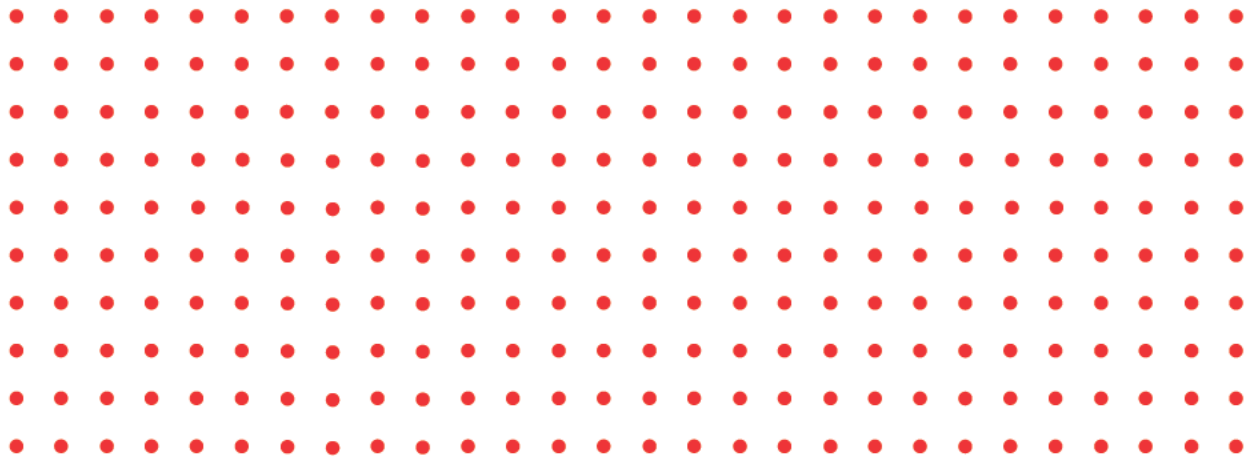
- Property compliance and AML compliance employees.
- Audit employees, including internal audit and fraud department employees.
- Senior gaming management, board of directors, audit committee, or compliance committee, as applicable.



Training on BSA and AML policies of the casino also may be incorporated in job training for other non-gaming employees, as necessary.

Casinos should consider adopting policies and

The casino's AML compliance performance, as well as the compliance actions of individual employees, should be considered in performance reviews of those employees involved with BSA compliance, in calculating compensation and bonus, and in determining any negative personnel action, including performance improvement plans through to termination from employment.



PREVENTIVE STEPS

procedures that have the purpose of preventing patrons from attempting transactions that have a higher likelihood of involving BSA violations or other violations of law. Such policies and procedures should be tailored to the casino's specific business profile and customer base; geographic location; financial services offered; and product offerings.

Some examples of such policies and procedures may include:

- Requiring that “ticket-in/ticket-out” (TITO) redemptions at slot machine kiosks be capped at an amount below \$3,000 determined by the risk assessment for such transactions at that casino. Increasing surveillance at TITO machines to detect stuffing multiple low denomination tickets to avoid CTR reporting and placing TITO machines in areas that are easily observable by staff.
- Barring cash for cash exchanges above a threshold consistent with the risk assessment for such transactions at that casino, while permitting senior management to approve such exchanges above that threshold for an appropriate business purpose (e.g., foreign currency exchanges for established patrons at reasonable levels). Such approvals should be documented.
- Declining to accept cash to purchase a casino check or other monetary instrument or to initiate a wire transfer. This would not restrict the cage from issuing a check or funds transfer for documented casino winnings, or from doing so in legitimate circumstances. Such approvals should be documented. Concern would be heightened with respect to checks or wire transfers which originate from a labor union, charitable/nonprofit organization or foundation, law firm (including Interest on Lawyer's Trust Account (“IOLTA”)), accounting firm, or any type of trust account. A casino may determine to reject and/or reverse such checks and wire transfers.
- Issuing casino checks and wires to a patron only for the amount of his/her winnings, in the absence of legitimate circumstances for such actions (e.g., the remaining funds from a cashier's check which already has been negotiated).
- A check for winnings should be payable only to the patron, and a wire transfer should be made only to the patron's account or, if applicable, to the account from which the originating wire was received.
- To the extent a casino issues checks and/or wires payable to a patron's business or other account, or to someone other than the patron, casinos must develop appropriate procedures. Such procedures should include cage or senior management approval. Such transactions should only be allowed when an appropriate business purpose for the action is documented, and/or an appropriate connection is documented between the patron and the business. For example, the casino could consider requiring a signed, written questionnaire clearly setting forth the relationship between the patron and business as well as documentation as to the nature of the business.

PREVENTIVE STEPS

- Suspending a patron's loyalty club account and/or barring the patron if the patron's activity has generated the filing of an incomplete CTR and the patron has declined to produce the required information, until the missing information is provided. Filing a SAR for the episode should be considered. In such instances, the patron may be prohibited from further gaming and redemption of complimentary.
- Senior management should have discretion on such matters if the patron is cooperative, the complimentary were already earned, and the expectation is that acquisition of verifying identification will be facilitated by maintaining the patron relationship.
- Directing international branch offices of the casino to adhere to the same recordkeeping and reporting requirements under the BSA that are consistent with the laws of the jurisdiction in which the international branch office is located.
- Additionally, all traveling marketing executives, prior to travel outside the U.S. should be trained on the laws that relate to gaming and marketing for the specific jurisdiction(s) they are visiting. If a traveling marketing executive is authorized to conduct a financial transaction in an international location, the casino may also need to report the transaction under the BSA.
- Eliminating cash play at poker tables and properly documenting poker chip purchases.

KNOW YOUR CUSTOMER (KYC)

The risk-based approach to BSA compliance is driven by a periodic risk assessment that identifies those customers and transactions that potentially pose the greatest risk of money laundering, so higher levels of scrutiny and evaluation can be applied to those situations, when appropriate. As noted above, the risk assessment allows casinos to determine and implement proportionate controls to reduce the different levels of risk present in differing circumstances.

In 2018, FinCEN's Customer Due Diligence rule became effective. The rule does not apply to casinos, but it requires certain other financial institutions to identify the beneficial owners of legal entity customers. The rule demonstrates that FinCEN is focused on the use of corporate forms to launder money. Casinos should determine on a risk basis the level of Customer Due Diligence (i.e., obtaining information about beneficial owners of companies) to apply to situations involving payments from third parties for the benefit of customers.

These include payments from corporations, partnerships, LLCs, and other similar entities particularly if they are foreign based. As noted earlier, it is important to understand and document the nature of the relationship between the customer and third-party.

PATRON IDENTIFICATION AND VERIFICATION

No front money or marker limit/credit account or safety deposit box agreement will be opened, nor will any transaction involving such services be conducted, unless the patron provides a

full name, a permanent address, and (for U.S. citizens) a Social Security number (as required by law or regulation). On a risk basis, casinos should obtain additional information depending the risk presented by the patron and product or service.

For example, in some situations, the casino could consider obtaining additional information, such as occupation, employer, business affiliations, and bank account information. In addition, on a risk basis, casinos should perform an appropriate amount of due diligence to verify information provided by patrons. This requirement does not apply to the establishment or use of player loyalty club accounts.

No transaction(s) known to be reportable under the BSA or AML procedures will be completed unless the individual conducting the transaction(s) provides a valid, current, government-issued photo identification, including government-issued Real IDs and a permanent address.

If the patron asserts that their only permanent address is a post office box, the casino should confirm this assertion by examining available databases and acquiring the patron's attestation to this fact.

Examples of acceptable government-issued photo identification are:

- Driver's license¹⁴
- Passport
- Alien registration card
- State-issued identification card (including Real IDs)¹⁵

¹⁴ This does not include "driver authorization" cards or international driver's licenses/permits, which are not an acceptable form of identification.

¹⁵ All state issued IDs that are compliant with the Real ID Act are sufficient for BSA reporting purposes, even those that contain the disclaimer, 'Not for Federal Identification.'

KNOW YOUR CUSTOMER (KYC)

VERIFICATION

Other than a driver's authorization card, a casino generally may rely on government-issued identification as verification of a customer's identity; however, if a document shows obvious indications of fraud, the casino must consider that factor in determining whether it can form a reasonable belief that it knows the customer's true identity.

In some instances, information in the casino's records will suggest that certain information on the official identification document—most often, the patron's permanent address—is no longer accurate.

In those situations, if the casino can verify by reasonable inquiry the more recent information, it may wish to report the more recent information on any CTRs and SARs filed for that patron. The reason for using an address other than one on the customer's government-issued ID should be maintained in the casino's records.

If the patron is a U.S. citizen or a U.S. resident, a Social Security number is required for certain transactions including CTRs and slot jackpot winnings. Patrons may verbally provide a Social Security number. If the casino knows or has reason to believe that a previous Social Security number provided by the patron was incorrect, then the patron may be required to complete and sign a W-9 Form before any pending transaction can be completed. Casinos should consider filing a SAR if inconsistencies in identifying information are suspicious.

If a patron declines to provide a Social Security number when one is required, the casino should not complete any pending reportable transaction with that patron. If the patron has exceeded the reporting threshold for a CTR without providing a Social Security number, a casino employee will

attempt to acquire that information from publicly available information. Declining to provide a Social Security number may warrant completion of a SAR for the incident, particularly if a pattern has been observed.

If the patron does not provide proper identification and/or required information, the casino should consider whether to continue engaging in transactions with that patron and whether the patron should be barred from further gaming activity until satisfactory identification and/or the required information is provided. Documentation of the incident should be added to the patron's account in the management information system.

In the interactive gaming environment, casinos may sometimes rely on third parties for verification of certain information such as Social Security number in addition to age verification, among others. Casinos cannot delegate their BSA/AML responsibilities. Accordingly, contracts with third parties should clearly identify BSA/AML responsibilities and provide the casino the option to perform periodic reviews of third-party processes to ensure compliance with the BSA.

CURRENCY REPORTING

The same patron identification requirements apply to any person(s) who, acting as an agent(s) for another person, performs transactions on behalf of that patron, and to any person who performs transactions in conjunction with that other patron, if the transactions trigger a CTR filing. Casinos should include all readily available patron information on CTRs.

KNOW YOUR CUSTOMER (KYC)

In those circumstances, both the person(s) conducting the reportable currency transactions as well as the person on whose behalf they are acting must provide the identification and required information described above.

If an individual cannot provide the identification and/or required information, that individual may be barred from further gaming activity, and the casino may consider filing a SAR.

For purposes of currency reporting, independent agents that contract with the casino are agents for the patron and not the casino if that designation has been established in the independent agent agreement. Independent agents should acknowledge, in writing, the responsibility of the casino under the BSA and the casino's obligations to report suspicious activity and agree to report to the casino any suspicious activity they become aware of.

SANCTIONS

Although separate from BSA/AML requirements, casinos should check whether patrons and related entities appear on the list of "Specially Designated Nationals" maintained by the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury.¹⁶

Such due diligence may be conducted on a risk basis and should encompass procedures for checking against updates to the OFAC list. Casinos should also consider their SAR reporting obligations and how they intersect with OFAC requirements.

In addition, casinos should ensure that sanctions issues are woven into the fabric of compliance, including as to:

- ◆ Management commitment
- ◆ Risk assessment
- ◆ Internal controls
- ◆ Testing and audit
- ◆ Training¹⁷

ONGOING AND ENHANCED DUE DILIGENCE

The casino's compliance policies should be calibrated to increase scrutiny of customer play, transactional activity, and background in situations that pose greater risk of money laundering and the use of funds that may derive from criminal activity.

For high-volume patrons, whose activity (in terms of bills-in, marker play, or total play) exceeds a level determined by the risk assessment for that casino or who are otherwise identified as posing a risk of BSA/AML violations, the casino should review the patron's identity against public records and third-party database(s) to determine whether that person (or related entity):

- Is a politically exposed person ("PEP").
- Is the subject of negative reports concerning possible criminal activity or doubtful business practices.
- Has a prior criminal history, relevant to AML risk.

¹⁶ US persons and entities (including casinos) are prohibited from doing business with persons or entities designated by OFAC, and any assets of the designees must be "frozen" immediately.

¹⁷ For more information on OFAC compliance, consult "A Framework for OFAC Compliance Commitments" (May 2, 2019), available at https://www.treasury.gov/resource-center/sanctions/Documents/framework_ofac_cc.pdf.

KNOW YOUR CUSTOMER (KYC)

For high-volume patrons or transactions identified as possibly posing a risk of BSA/AML violations, the casino also may need to assess the source of the funds being used by the patron to gamble and whether they may derive from illegal activity or from legitimate sources.

This may require the casino to obtain information concerning the patron's financial and business circumstances. In addition to querying available databases, leveraging information-sharing arrangements with other financial institutions, or asking the patron, the government's program under Section 314(b) of the USA PATRIOT Act is a critical tool to obtain more information and reach judgments on whether the patron:

- Has sources of wealth or income commensurate with his or her gaming activity.
- Has provided the casino with identification information and business-related information that can be readily confirmed.

Databases that may be relevant to consult in such situations include records of court activity such as PACER, the [anti-fraud website](#) maintained by the Federal Trade Commission, the listing of "Specially Designated Nationals" of the Office of Foreign Assets

Further due diligence may be warranted if the casino has information indicating that the patron:

- Has financial fiduciary obligations (e.g., trustee, accountant, attorney, nonprofit/charity executive) that may create a risk of misappropriation or other illicit financial activity.
- Is associated with individuals or entities known to be connected with the illicit generation of funds.
- Claims connections with businesses that have no actual operations.
- Proposes transactions with entities of unknown ownership or control.
- Is the subject of substantial tax liens or has gone through a recent personal bankruptcy proceeding.
- Has ties or is affiliated with a state-licensed and regulated marijuana related business.
- Otherwise may present an unacceptable risk of money laundering or violating the casino's AML policies.

Control (OFAC), and commercial screening products offered by third-party vendors, though such resources are considerably more limited for persons and activity located in non-U.S. jurisdictions.¹⁶ Casinos may also wish to consult social media (such as LinkedIn or Facebook) or other public source information.

TRANSACTION MONITORING

On a regular basis, compliance personnel will complete a review of those transactions above thresholds determined by the risk assessment for that casino. To facilitate this effort, data held by relevant casino departments and functions should be consulted, and such data should be shared and integrated to the extent feasible among those relevant departments and functions.

As warranted by the facts of any situation reviewed, compliance personnel may further review third-party databases to determine the patron's business connections and history and any other information that will assist in explaining the patron's transactions or in determining the source of funds presented to the casino by the patron, in order to decide whether or not to file a SAR and/or terminate the relationship.

Circumstances warranting such review may include the following:

- Patrons with large cash-in transactions with no cash-out transactions, which cannot be reasonably explained through transaction review (i.e., little or no gaming activity).
- Patrons with large cash-out transactions with limited cash-in transactions, which cannot be reasonably explained through transaction review.
- Patrons with large cash-out transactions (in the aggregate) with little or no CTR "out" filings.
- Patrons with large check cashing transactions and/or credit card advances with limited play.
- Patrons with cash transactions, including aggregated transactions, that are just below the CTR reporting threshold.

- Un-carded patrons with large jackpot winnings.
- Checks or wire transfers received for the benefit of the patron (or multiple patrons) from third parties whose connection to the patron is suspect or unclear.
- Multiple transactions over a period of time with the apparent purpose of avoiding BSA reporting requirements.
- A single payment received by the casino (e.g., negotiable instrument or wire transfer) for the benefit of multiple patrons if the casino cannot determine a relationship or business association between the source of the payment and the beneficiaries.

In addition, compliance personnel should conduct a review of relevant daily audit summaries, logs and reports, such as marker summaries, front-money/ safekeeping summaries, multiple transaction logs, monetary instrument logs, check logs and wire reports to identify potential suspicious activity.

RESTRICTING & TERMINATING PATRON RELATIONSHIPS

Based on the result of due diligence reviews of high-volume patrons or of certain events identified by the risk assessment for that casino (e.g., the filing of one or multiple SARs for a patron, negative news, or the receipt of a law enforcement request for information concerning a patron), information received pursuant to a 314(b) request, or the filing of multiple SARs on the same individual, the casino may consider whether to terminate or restrict its relationship with a patron.

While multiple SAR filings on the same patron is a factor on whether a relationship should be terminated, the severity of the conduct must also be considered. Consequently, one SAR filing may be sufficient to terminate the relationship with a patron. The assessment should consider whether the activity prompting the SAR is merely suspicious or known criminal conduct. The greater the likelihood of the latter, the greater the risk to the casino if relationship is not terminated.

To the extent a casino has a BSA/AML exclusion policy, the casino may consider accounting for the following topics:

- Multiple SAR filings on the same patron.
- Severity of alleged criminal activity (e.g., terrorist financing).
- Suspicious versus known criminal activity;
- Use of “all available information”.
- Risk to casino if patron is not excluded.
- Clearly identifies authority to exclude (i.e., BSA Officer and/or Committee).

If a committee is used to make exclusion determinations, it should not include anyone with a direct conflict (e.g., player development management).

The termination of a patron relationship will be warranted if the patron’s activities present an actual or unacceptable risk of violation of federal or state law or regulation or the casino’s compliance policies.

POTENTIAL SUSPICIOUS ACTIVITY

The BSA requires casinos to file a SAR if the casino knows, suspects, or has reason to suspect that a transaction or attempted transaction aggregating at least \$5,000:

- Involves funds derived from illegal activity.
- Is intended to disguise funds or assets derived from illegal activity.
- Is designed to avoid BSA reporting or recordkeeping requirements.
- Involves the use of the casino to facilitate criminal activity.
- Has no economic, business or apparent lawful purpose.
- Is not the sort in which the particular patron would normally be expected to engage, and the casino knows of no reasonable explanation for the transaction after examining the available facts.

Given that the SAR rule encompasses attempted transactions, casinos should ensure that they monitor both attempted and completed transactions for potential SAR filings.

Casinos should actively use the 314(b) program to obtain information about patrons, which may be used to evaluate potential suspicious activity.

Casinos also should consult with FIN-2008-G007, which discusses “red flags” for suspicious activity at casinos. Casinos should also routinely engage with law enforcement to obtain a clear understanding of evolving criminal trends and typologies/relevant risks.¹⁸

Casinos must ensure they have a holistic view of patron behavior across business lines, including interactive gaming, and all gaming verticals. Casinos should consider the extent to which it may be appropriate to leverage information across the entire enterprise in investigating and reporting suspicious activity.

It is important to maintain a consistent approach to the decision-making around SAR investigations and filing, and to ensure such decisions are aligned with the casino’s risk profile. In addition, it is vital to memorialize investigations of suspicious activity and decisions around filing SARs (including in cases in which the casino decided not to file a SAR).

The following categories are examples of potentially suspicious situations that often will prompt consideration of whether a SAR should be filed under the casino’s risk assessment criteria.

GAMING FLOOR ACTIVITY

- Minimal gaming despite large financial transactions with the casino.
- Structuring of transactions to stay at or slightly below the \$10,000.00 reporting threshold for CTRs.
- Placing currency in a slot machine, then cashing out after minimal or no play and redeeming the TITO ticket at a kiosk on the gaming floor (“bill stuffing”).

¹⁸ See, FinCEN Guidance, ‘Recognizing Suspicious Activity – Red Flags for Casinos and Card Clubs’ (July 31, 2008), <https://www.fincen.gov/resources/advisories/fincen-guidance-fin-2008-g007>.

POTENTIAL SUSPICIOUS ACTIVITY

- A transaction that has no apparent economic, business, or lawful purpose (e.g., confederated gamblers placing offsetting bets on red and black on a roulette wheel).
- Patrons pass a large quantity of chips, cash, or TITO tickets between themselves, in an apparent effort to conceal the ownership of the chips, cash, or TITO tickets although if patrons are closely related, such activity may not be suspicious.
- A patron's gaming activity dramatically increases with no known substantiation for the source of those funds.
- A patron uses another patron's player card to disguise identity and/or evade reporting requirements.
- A patron leaves the casino floor with a significant amount of chips in his possession without offsetting chip redemptions or chip buy-ins at another table, and there is no known disposition or whereabouts of the chips, although this may not be deemed suspicious if there is a reasonable, experience-based expectation that the patron will return to the casino in the near future.
- A patron with a safe-deposit box connected to the poker room accesses that safe-deposit box with a frequency that is disproportionately high when compared to the time and frequency of his or her poker play.
- At a racing venue, inserting cash into a tote machine, cashing out for vouchers and then cashing vouchers at a teller's station with little or no wagering.
- Structuring wagers across multiple tickets/ locations so the payout of each ticket is under the reportable identification thresholds, but in aggregate, would have exceeded the thresholds on one ticket.
- Behavior that may be indicative of coordinated betting (or betting on both sides of a game or an event) among related parties for purposes of laundering the funds.
- Indications of insufficient wealth or income to support betting patterns.
- Significant changes in wagering patterns or unusual spike in play that cannot be readily explained.
- A patron misrepresenting themselves by presenting false or multiple identities or providing inconsistent Social Security numbers on completed W-9s.
- Presenting a large amount of money, but in small denominations (\$1, \$5, \$10, and \$20).
- Placing a bet on both sides of the line.
- Information indicating that a patron may be betting on behalf of an unknown third-party.
- Ticket redemption by an individual that is not known to have placed the initial bet.

RACE AND SPORTS BOOK ACTIVITY

- Inquiring with race and sportsbook staff about reporting and identification thresholds either before or after a wager and possibly adjusting wagering activity to fall below the applicable thresholds.

INTERACTIVE GAMING ACTIVITY

- Multiple gaming accounts being set up from the same IP address or physical address.
- Unusual wagering activity that appears to lack any legitimate economic purpose.

POTENTIAL SUSPICIOUS ACTIVITY

- Significant changes in wagering patterns.
- Unusual spike in play that cannot be readily explained.
- Deposits and withdrawals into an online account without sufficient play to account for such activity.
- Unusual patron behaviors based on geo-location data, such as traveling between jurisdictions in a relatively short period of time.

CAGE-FOCUSED ACTIVITY

- Presenting a third-party check or wire transfer—whether apparently deriving from a business or an individual—for payment of markers or for use in gambling-related activity in an amount at or above a threshold determined by the risk assessment for that casino.
 - ◆ In such situations, the casino should ascertain whether the beneficiary (patron) has a documented connection to the sender (e.g., spouse or immediate family member or business), either in the casino’s records or by means of a database search or other reasonable inquiry.
 - ◆ If no appropriate connection can be established between the source of the funds and the patron, those employees responsible for deciding whether to file a SAR also may consider whether or not to proceed with the transaction.
- A negotiable instrument or wire transfer is presented for the benefit of multiple patrons, or multiple patrons engage in play on a single patron account.
- A negotiable instrument or wire transfer is presented for the benefit of an individual and

originates from a law firm account, or is from a charitable/non-profit organization or foundation, another type of trust or labor union account.

- A patron refuses to provide required information for the completion of a CTR or identifying information more broadly.
- A patron deposits funds into a front money account or receives a wire transfer, does not play a substantial amount of the funds, then requests a withdrawal or wire out.
- A patron deposits large sums of cash into a front money account but the known occupation is not a cash intensive business.
- A patron requests information about how to avoid BSA reporting requirements.
- A patron requests establishment of an “AKA” account in a name other than the one by which the casino knows the patron.
- A patron attempts to deposit front money or to make payments using complex means, such as multiple sources of funds or multiple methods of transmission, which could mask the true source of the funds transmitted.
- A patron presents funds which the casino has a basis for suspecting to be the proceeds of illegal activity.
- A patron presents funds in any form that derive from a foreign jurisdiction declared by the United States government to be a jurisdiction of concern for narcotics trafficking, human trafficking, money laundering, terrorism, or other illicit activity or if the foreign jurisdiction has been identified as non-cooperative by the Financial Action Task Force, or as a country with a high degree of public corruption by Transparency International or a similar reputable organization.¹⁹

¹⁹ For example, see the State Department’s annual International Narcotics Control Strategy Report (<http://www.state.gov/documents/organization/239561.pdf>) and regulations and guidance issued by FinCEN.

POTENTIAL SUSPICIOUS ACTIVITY

- A patron provides a wire transfer, cashier's check, or other form of payment and such instrument reflects that the transaction is being made for a purpose other than related to gaming.
- A patron presents chips for cashing and there is little or no gaming activity recorded for the patron in the casino's system to establish the source of the chips.

insiders. Therefore, casinos should have adequate communication lines between the group(s) responsible for employee-related investigations and disciplinary issues, and the team(s) responsible for filing SARs to ensure detection of potential collusion between an employee and customer to circumvent internal policies or ordinary practices, or an employee's violation of casino policies and procedures.

INFORMATION FROM BACK OF THE HOUSE

- Law enforcement or regulatory agencies deliver to the casino a formal request for records concerning the patron.
- News articles or other media reports allege acts of financial wrongdoing or other illegal conduct by the patron.
- Patron is the owner of a business, the nature of which has been profiled by the Federal Trade Commission as high-risk for fraud schemes.
- Patron is an owner, employee, or is otherwise associated with a marijuana-related business.
- A patron raises his or her financial transactions to levels well above the ordinary levels for that patron with no reasonable explanation.
- An external actor attempts to compromise or gain unauthorized electronic access to the casino's electronic systems, services, resources, or information, in pursuit of illegal activities.²⁰

This list is by no means exhaustive; other patron activities may trigger BSA/AML concerns due to the circumstances in which they arise. Each casino should develop its own scenarios tailored to its business.

Further, the SAR requirement encompasses suspicious activity conducted by employees/

²⁰ Please see, FinCEN Advisory to Financial Institutions on Cyber – Events and Cyber – Enabled Crime (October 25, 2016), <https://www.fincen.gov/sites/default/files/advisory/2016-10-25/Cyber%20Threats%20Advisory%20-%20FINAL%20508_2.pdf>

SUSPICIOUS ACTIVITY REPORT REVIEW PROCEDURES

A SAR review—aimed at determining whether a SAR should be filed for a situation—may be prompted by direct observations by property employees, by data analysis performed through back-of-house procedures, or by other means (e.g., incoming law enforcement inquiry).

On an annual basis and as part of its ongoing risk assessment, the casino should review its filed SARs for the previous year to analyze patterns of suspicious activity. The SAR review measures identified in this section ordinarily should be performed by AML/BSA compliance personnel, under the direction of the AML/BSA officer.

In examining the casino's SAR procedures, the casino's review should consider the following components of a SAR compliance effort:

- If prompted by direct observation, information about a transaction and the patron should be gathered promptly (e.g., patron name, Social Security number, player's card number, observed suspicious activity with supporting documentation) without alerting the patron that filing a SAR is being considered.
- The BSA/AML officer and/or staff will conduct an investigation of the facts to assess whether the transaction(s) and/or activity rises to suspicion and requires a SAR filing, including in light of other available facts known about the patron or established during a due diligence review of the situation and the patron, plus the background or possible purpose of the transaction.
- Based on that investigation, the compliance

officer may determine that there is a reasonable, non-suspicious explanation for the transaction and that no SAR should be filed, or that a SAR should be filed. In either event, the compliance officer will make a record of that review and its conclusions. If that review determines that a SAR should not be filed, the reason for not filing should be documented.

- The SAR and other SAR trends then may be reviewed by a casino's SAR committee, if applicable, to determine whether adjustments to the AML program or risk assessment are warranted.

Further steps that may be warranted:

- ♦ Review when a single patron conducted payments to or deposited funds with the casino through the use of multiple instruments deriving from more than one financial institution, in an aggregated amount exceeding a threshold determined by the casino's risk assessment, or in transactions spread over multiple days in an aggregated amount exceeding such a threshold.
- ♦ Trace redeemed sports tickets above a certain transaction amount, consistent with the casino's risk assessment, to the original wagers to determine whether the patron

SUSPICIOUS ACTIVITY REPORT REVIEW PROCEDURES

- redeeming the ticket was the same as the patron making the wager.
- ◆ Ensure that the casino has identified those individuals (some of whom may be independent agents registered with state regulatory agencies) who have organized visits to the casino by patrons and that all patrons arriving due to the efforts of such individuals have been identified so that available funds for each patron are accurately reflected in the patron management system and the play of each patron is recorded as warranted.
 - ◆ For chip redemptions in excess of a threshold determined by the casino's risk assessment, examine recorded play to determine whether the patron had a significant value of unredeemed chips at the end of play and how the chips were obtained.
 - ◆ For front-money deposits and marker payments above a level consistent with the risk assessment for that casino, analyze that patron's deposit and payment patterns.
 - ◆ Gather the technical details of relevant electronic activity, including IP addresses, timestamps, indicators of compromise (IOCs), and other data regarding the digital footprint of the individuals behind the activity when responding to an external attempt to compromise or gain unauthorized access to electronic systems, services, resources, or information (such as through an e-mail compromise scheme).
 - ◆ If the casino participates in voluntary information sharing under Section 314(b) of the USA PATRIOT Act, it may contact officials at other participating casinos or banks or other financial institutions for additional information concerning a patron's business connections and other relevant matters.
- Receipts for slot tickets purchased with chips will be reviewed if they exceed a threshold determined by the casino's risk assessment, to determine if those tickets were used for gaming or cashed out.
 - Once a decision has been made to file a SAR, the fields on the SAR form must be completed correctly and thoroughly, and the narrative should be sufficiently detailed to explain the circumstances, individuals, and amounts involved. Explanatory documents and other due diligence materials acquired from the transaction/patron should be maintained and, where appropriate, be attached to the copy of the SAR retained by the casino as part of the casino's recordkeeping processes.
 - A SAR should include all contact information (e.g., mobile telephone numbers, email addresses) that is reasonably available from the casino's records for those persons who are the subject of the SAR.
 - On a risk basis, when a SAR is filed for a patron, compliance personnel should evaluate further activity by the patron for the following 90 days and consider whether a continuing report of suspicious activity should be filed within 120 days of the previous SAR.
 - When one or more SAR is filed for a patron's activities, casino management may consider whether the casino wishes to continue its relationship with that patron.
 - Casinos shall also establish controls for maintaining the confidentiality of SARs and any information that reveals that a SAR was filed.

AUDIT PROCEDURES

The BSA regulations require independent testing of the casino's overall program, as well as specific functions, by qualified independent auditors. Internal auditors who perform the testing should not have any operational responsibilities. Surveillance is typically an integral component of the casino's AML program so their performance of the required audit could be viewed as a potential conflict of interest.

The independent test must cover all elements of the casino's AML program, including but not limited to:

- Customer due diligence
- Transaction monitoring
- Required reporting and recordkeeping
- Training
- AML officer function

Independent auditors of BSA/AML compliance may be either external or internal to the casino, depending on the casino's corporate structure and practices.

The independent auditors should report their findings directly to senior management officials who have the authority to remediate the audit findings and ensure corrective action is taken.

For each audit finding that raises concerns about the casino's AML program, as well as findings by independent auditors or Internal Revenue Service examiners, the casino should undertake corrective action or make a specific documented determination that no such action is necessary.

If the casino utilizes an internal audit function, that function must be independent from AML compliance, in order to ensure the independence of the internal audit function. Casinos also may consider a reporting process to communicate to the board of directors the results of AML independent testing.

INDEPENDENT TESTING PROCEDURES FOR CTRS

On a scheduled basis, the casino's independent auditor, or audit team for CTR filings, will review currency transactions by using all relevant records, including but not limited to multiple transaction logs (MTLs), player-rating records, and patron deposit and withdrawal records, that were prepared during the 24-hour reporting period, as well as all system reports for the period.

AUDIT PROCEDURES

A detailed audit program should be maintained to document all audit procedures performed by independent auditors.

An initial audit should ensure:

- That a CTR has been prepared for all reportable transactions—either single or aggregated—that exceed \$10,000.
- That the information recorded on the CTR is complete and accurate.
- CTRs shall be electronically filed within 15 days of the transaction date.

If the initial findings indicate possible weaknesses in the AML program, the audit may need to be expanded to confirm or disprove those indications.



The monetary/negotiable instrument log (MIL/NIL) will also be reviewed by independent auditors for proper completion and for retention for at least five years.

A system query should identify those patrons, if any, who inserted into a gaming device bill validator(s) funds more than a threshold determined by the casino's risk assessment. For patrons who have reached the log threshold for the gaming day, the total of their inserted bills shall be entered onto the multiple transaction log for reporting when required by law.

All currency transactions above an amount established by the risk assessment for that casino will be logged, with the exception of slot jackpots, which are not reportable on CTRs.

Exception notices will be prepared for all instances of noncompliance noted during the daily audit, including but not limited to logging errors, MIL/NIL completion errors, inaccurate identification, missing information, and other requirements not met.

The exception notices should be sent to applicable casino supervisory personnel at the conclusion of the independent audit and secondary review. Exception notices should be returned within a reasonable time indicating corrective action taken, and the results of these periodic audits should be part of the firm's overall independent testing.



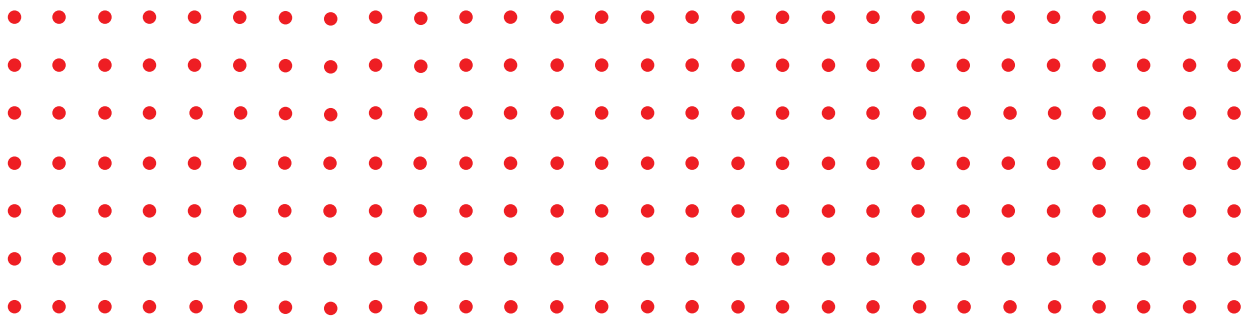
AUDIT PROCEDURES

When evaluating the effectiveness of the casino's monitoring systems, independent auditors should consider the casino's overall risk profile based on its products, services, customers, entities, geographic locations, volume of transactions, and adequacy of staffing.

INDEPENDENT TESTING PROCEDURES FOR SARs

The independent test function will establish testing parameters for both SAR and no-SAR decisions. This review will consider the completeness of investigation processes and documentation and timeliness of the review. In instances where SARs were filed, the independent auditors will test the completeness of SAR fields and narrative and timeliness of the filing.

This review also should test the casino's monitoring systems (if appropriate) and how the system(s) fits into the casino's overall suspicious activity monitoring and reporting process. The independent auditors will test information flow across the casino, including but not limited to the fraud/security and host functions, as well as test whether information regarding employee misconduct is appropriately communicated to the group responsible for SAR decisions.



RECORD-KEEPING AND RETENTION

The casino shall adopt a record-keeping system to preserve the following for each patron who is the subject of customer due diligence procedures:

- A record of those specific procedures performed to analyze a patron's gaming patterns and financial transactions.
- Any due diligence report created.
- Any risk determination.
- Any action taken as a result, including monitoring of the patron, reports to law enforcement agencies, or changes in casino services available to the patron.

Such records should be maintained for at least five years after the relationship is terminated. The casino also shall maintain CTRs, SARs (and supporting documentation, such as surveillance) for at least five years after filing. In order to assist law enforcement, the casino may elect to establish a protocol for receiving and responding to authorized requests for SAR supporting documentation without a subpoena.



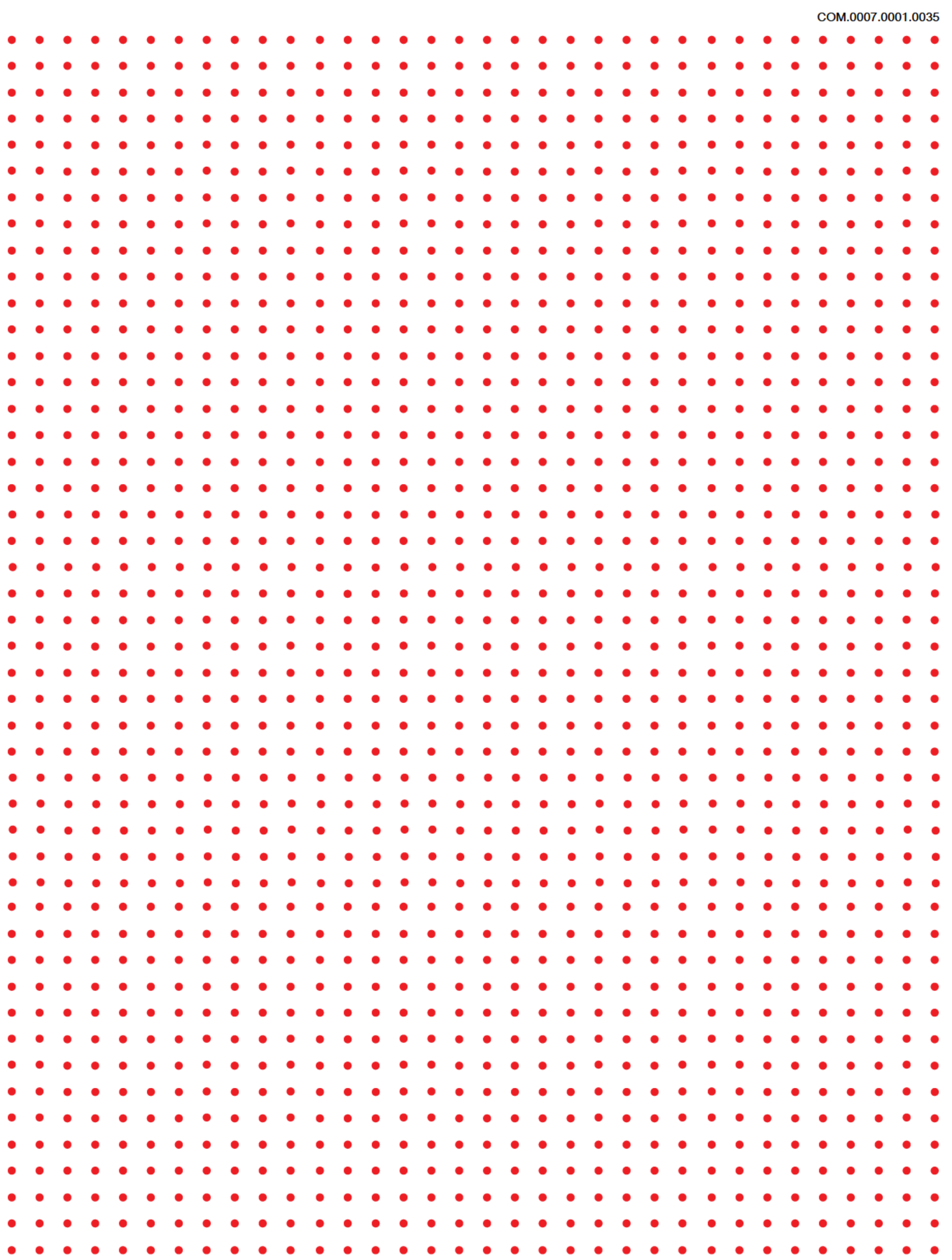
CONCLUSION

.....

These steps reflect the continuing efforts of AGA member casino operators to mitigate the risks of potential money laundering and illegal activity connected with their businesses. The guidelines in this document must be adapted to match the specific circumstances of individual casinos and companies.

Casinos should reconsider their AML/BSA compliance efforts on a routine basis to ensure they account for new risks and emerging patterns of illegal activity. When dealing with businesses as complex as modern casinos, and with judgments as subjective as those required by the BSA, no compliance effort can be perfect or immune from retrospective re-evaluation.

Though perfection cannot be expected of a process that involves so many variables and periodic shifts in financial practices and regulations, effective AML/BSA compliance programs should ensure that the gaming industry continues to effectively combat money laundering or illicit financing threats.



GLOSSARY

Bank Secrecy Act (“BSA”): Adopted in 1970 and amended several times since, the statute authorizes the U.S. Secretary of the Treasury to impose on U.S. financial institutions the requirement to keep such records and submit such reports that have a high degree of usefulness in criminal, tax, and regulatory matters and in the conduct of intelligence activities to protect against international terrorism. 31 U.S.C. §§ 5311, et seq.

Cage: A secured area adjacent to the gambling floor of a casino where casino cashiers conduct marker/credit, front-money, and other gambling-related transactions, and where currency and chips are often kept. Safe-deposit boxes are often available at the cage. A large casino may have more than one cage location.

Casino: A casino is a land-based or interactive entertainment venue that offers its patrons highly regulated gaming activities, such as traditional casino-style games, house-backed games, and sports betting.

Chip Walk: When a patron leaves the casino floor with a significant amount of chips in their possession without offsetting chip redemptions or chip buy-ins at another table, and there is no known disposition or whereabouts of the chips. A chip walk may not be deemed suspicious if there is a reasonable, experience-based expectation that the patron will return to the casino in the near future.

Credit: Under the regulations of many state licensing authorities, casinos are authorized to issue gaming chips or other representatives of value to patrons for gambling purposes up to the amount of a “marker” (see below), which is a negotiable instrument signed by the patron

and made out to the benefit of the casino by the patron. Although state regulations refer to such arrangements as credit transactions, the markers may be negotiated immediately at the discretion of the casino.

Front money: Cash, wired funds, or negotiable instruments that are deposited with the casino by a patron who will draw down on those funds for gambling. Front-money accounts are sometimes described as safekeeping accounts.

Interactive Gaming: Interactive gaming comprises traditional internet gaming; mobile wagering, and account wagering (i.e., funding an account at a brick and mortar location that can be used in digital channels).

Interest On Lawyer’s Trust Account: A financial account set up by a law firm, in which the funds are held in trust for the benefit of the firm’s clients, and are by state law or Supreme Court rule to be held separate and apart from the funds belonging to the law firm.

Marker: A negotiable instrument (sometimes called a “counter-check”) executed by a casino patron and made payable to the casino that authorizes the casino to recover the amount of the marker from the patron’s bank account. The casino will advance funds to the patron up to the amount of the marker. Under state casino regulations, casinos are not required to conduct full credit investigations before issuing a marker, but will confirm that the patron’s bank account contains sufficient funds to cover the requested marker.

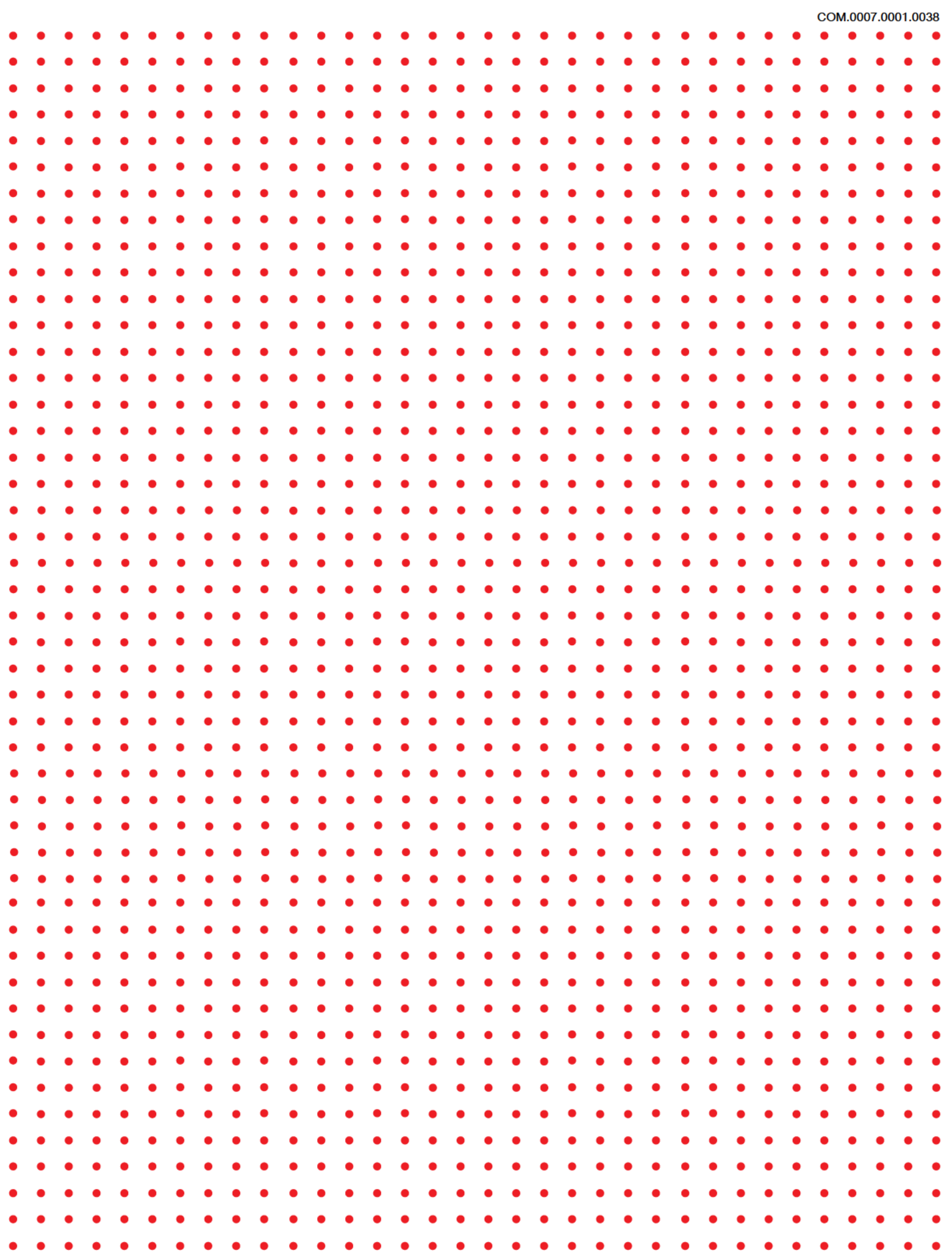
GLOSSARY

Monetary/Negotiable Instrument Log: Required by the BSA, it must reflect transactions of monetary instruments (e.g., money orders, cashier's checks, traveler's checks, and bank drafts) between the casino and the patron with a value above \$3,000.

Multiple Transaction Log: This is a record of cash-in and cash-out transactions at or above pre-determined amount which also records identifying information about the patron in order to determine when a person is approaching or has exceeded a reportable threshold.

Risk Assessment: The formal process of examining a casino's mix of gambling activity, patrons, and overall economic environment in order to identify those activities and levels of play or other transaction that pose a risk of money laundering to be addressed by the casino's AML compliance procedures.

Ticket In/Ticket Out ("TITO"): A system for slot machine play through the use of a barcoded paper ticket. The ticket may be purchased in advance of slot machine play, or issued from the slot machine if there are credits remaining at the conclusion of the patron's gaming session. When the patron has completed his play, balances on the ticket can be redeemed for cash at a kiosk or the casino cage, or used for further play at the casino that issued the ticket.



ABOUT THE AGA

.....

The American Gaming Association is the premier national trade group representing the \$261 billion U.S. casino industry, which supports 1.8 million jobs nationwide. 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 achieve sound policies and regulations consistent with casino gaming's modern appeal and vast economic contributions.

APPENDIX A: Anti-Money Laundering Program Questionnaire

A compliance program may be satisfactory even if some of the answers to these questions are not in the affirmative, as long as the company can explain why its policies provide adequate AML vigilance.

A. General Policies, Practices and Procedures

1. Is the AML compliance program approved by the company's board of directors?
2. Does the company's legal and regulatory compliance program include a designated officer who is responsible for coordinating and overseeing the AML compliance framework?
3. Do you have written policies documenting the processes in place to prevent, detect and report suspicious transactions?
4. Do you perform periodic training on AML policies and practices for those employees covered by your compliance program?
5. In addition to inspections by government regulators, does an internal audit function or other independent third-party periodically assess AML policies and practices?
6. If a patron proposes a transaction with a bank or corporation on his or her behalf, do you have a policy for inquiring into the identity of the beneficial owners of the bank or corporation involved?
7. Do you have policies to reasonably ensure that you will not conduct transactions with shell banks or corporations?
8. Do you have policies for identifying Politically Exposed Persons (PEP's), their family and close associates, and for controlling transactions with such individuals?

9. Do you have record retention procedures that comply with applicable law?

10. Are your AML policies and practices being applied to all associated entities both in the United States and in foreign locations?

B. Risk Assessment

11. Do you have a risk-based assessment of your customer base and their transactions?
12. Do your risk-based assessments consider:
 - a. The volume and character of overall gaming activity at a gaming venue?
 - b. The characteristics of the games offered at a gaming venue?
 - c. A customer's country of origin?
 - d. The gambling patterns or financial transactions favored by a customer?
 - e. Third-party information about a customer, including negative information regarding the patron's integrity?
 - f. Whether a customer has sources of wealth or income commensurate with his or her gaming activity?
 - g. Whether a customer has provided verifiable identification information?
 - h. Whether a customer has financial fiduciary obligations (e.g., trustee, accountant, attorney, nonprofit/charity executive)?
 - i. Whether a customer is associated with individuals or entities known to be connected with the illicit generation of funds?

APPENDIX A: ANTI-MONEY LAUNDERING PROGRAM QUESTIONNAIRE

- j. Whether a customer claims connections with businesses that have no apparent operations?
- k. Whether a customer is the subject of substantial tax liens or has gone through a recent personal bankruptcy proceeding?
13. Does your compliance program identify and explain the proper responses by employees to customers and transactions that you have reason to believe pose a heightened risk of illicit activities at or through your casino?
- C. Know Your Customer and Due Diligence**
14. Have you implemented processes for securing identification for those customers whose transactions fall within the AML program?
15. Do you have a requirement to collect information regarding a customer's business activities and connections?
- a. If so, under what circumstances does that requirement apply.
- b. What steps should be taken in that effort?
16. Do you have a process to review and update customer information relating to high risk relationships and activities?
17. In what circumstances do you complete a risk-based assessment to understand the normal and expected transactions of customers?
- D. Reportable Transactions**
18. Do you have policies or practices for the identification and reporting of transactions that must be reported?
19. For currency reporting purposes, do you have procedures to identify multiple transactions that have been structured to avoid such reporting?
20. Do you screen customers and transactions against lists of persons, entities or countries issued by the Office of Foreign Asset Control or other government authorities?
- E. Transaction Monitoring**
21. Do you have a monitoring program for unusual and potentially suspicious activity that covers funds transfers, engaging in financial transactions without significant gaming activity, coordinating activity with other customers, and the like?
22. In order to identify AML concerns, do you review daily audit summaries, logs and reports such as Marker Summaries, Front-Money/ Safekeeping Summaries, multiple transaction logs, Monetary Instrument logs, check, logs, and wire reports?
- F. Preventive Measures**
23. Do you cap "ticket-in/ticket-out" (TITO) redemptions at slot machine kiosks?
24. Do you cap the level of cash-for-cash exchanges?
25. Do you accept currency to purchase a casino check, other monetary instrument, or wire transfer?
26. Will you issue casino checks or wires to a patron for an amount greater than his or her winnings? Under what circumstances?
27. Do you issue checks for winnings only in the name of the customer?
28. Do you require supervisor review of checks or wires made payable to a customer's business or other account, or another individual?
29. If a patron declines to provide identifying information, do you suspend the patron's loyalty club account or bar the customer?
30. Do you allow cash play at poker tables?

APPENDIX A: ANTI-MONEY LAUNDERING PROGRAM QUESTIONNAIRE

G. Employee Training

31. Is your compliance officer at each gaming venue educated on the requirements of the AML program, including suspicious activity reporting and currency transaction reporting, and the requirements of state and federal regulators for AML compliance?
32. Do you provide AML training to other relevant employees? If so, does that training include:
- a. Identification and reporting of transactions that warrant a suspicious activity report or a currency transaction report?
 - b. Examples of different forms of suspicious or illegal activity involving the casino's business and services?
 - c. Correct methods for completing currency transaction and suspicious activity reports?
 - d. Internal policies to prevent money laundering
 - e. Do any of the following employees receive AML training:
 - i. Those engaged in the operation of casino games, beginning at least at the supervisor level?
 - ii. Casino marketing employees?
 - iii. Cage employees?
 - iv. Surveillance employees?
 - v. Property compliance and AML compliance employees?
 - vi. Audit employees, including Internal Audit and/or Fraud Department employees?
 - vii. Senior gaming management, members of the Board of Directors, Audit Committee, or Compliance Committee?
33. Do you retain records of training sessions including attendance records and the training materials used?
34. Do you update relevant employees on changes in AML law, policies, or practices?

