Gambling Business Group offers assistance to improve ML risks charter, but the Commission has no regrets

MONEY LAUNDERING RISK ASSESSMENTS

The Gambling Commission has pushed through its **Money Laundering and Terrorist Financing Risk Assessments** somewhat hastily, and many argue, shoddily. The Gambling Business Group again held out the hand of assistance to the regulator, but to no avail.

The Gambling Commission's Money Laundering and Terrorist Financing Risks Assessments document issued last week has not been met with the level of praise that the regulator would probably have hoped for. But then, it appears it didn't do that much listening to merit glowing reviews.

Just a cursory overview of the document displays a significant gulf between its assessments and its experience. For an organisation that knows all there is to know about the UK gambling industry, its conclusions suggest it knows far less than it should - and worse still, applies far less of its knowledge than its obliged to.

A harsh assessment? The Commission will certainly think so, but less so the industry, particularly the land-based sector. The document was another disturbing example of the Commission, once again, passing the buck and blaming the industry rather than itself.

ASSESSING THE ASSESSOR

The trade body that really does excel in this regulatory arena, the Gambling Business Group, was on to the ML and TF risk assessments like a hawk. The Commission had promised engagement with the GBG back in 2025 and they have since pushed, pushed and pushed again for a draft copy, and when the Commission finally despatched its penultimate version - just days before publication - the GBG went straight into analysis mode.

3,000 words later, and some 30 reference points highlighting the inconsistencies and revisions required, the industry body concluded that the Commission's ML&TF Risk Assessment was neither accurate nor robust - and arguably not fit for purpose.

AN 'UNCONVINCING JOB'

It noted the report did "a reasonable job of identifying potential areas of criminal and financial risks, but an unconvincing job of explaining why the resulting burden placed on compliant operators is justified by the evidence and outcomes."

Industry improvements

Peter Hannibal said...

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The Commission, it said, focused on theoretical risk rather than residual risk; added 81 new risks with little or no evidence or evaluation provided to support; appears to categorise the illegal market as just a central risk; effectively gave the National Lottery and scratchcards a free pass avoiding any assessment of the most popular and most accessible genre of gambling in the UK.

WE CAN HELP YOU OUT

But the Gambling Business Group argued it was able to refine the framework to improve it, and requested a postponement to get the conversation underway.

GBG lodged its assessment with the Commission and offered its services to help the regulator adjust the burden on businesses with key revisions whilst still achieving its objectives.

The Commission's response was thanks but we're publishing it anyway.

Peter Hannibal, GBG chief executive, was neither impressed nor surprised. "It is disappointing. The Commission knew 12 months ago that we wanted to give our input and turn this document into an effective and workable code of conduct. I know the industry would have improved the Commission's document and deliver less burdensome regulation and a better assessment," he told Coinslot.

A KEY DOCUMENT BUT WITHOUT ANY LEADERSHIP TO SIGN IT OFF?

What should disturb many, not least the government, is that the new ML and TF assessments have been rushed through by a Commission that has no chief executive, no chairman, has just one of its two acting chiefs left, and effectively no clear oversight of what the lower order of the Commission had cobbled together.

A harsh assessment? Hannibal smiled wryly: "My views on the Commission's absence of leadership is well documented, and I do agree, an assessment of such importance requires senior input and Boardroom/Commissioner oversight. After all, this document is supposed to inform HM Treasury of the actual Money Laundering risks in our sector. It should be the first question stakeholders ask - who approved this and which senior people at the Commission contributed and commented on it, and who decided not to properly engage with the industry?"

A 'WORRYING LACK OF UNDERSTANDING'

"But that's for the DCMS and the Commission to sort out, and it's crucial that they do. What we're concerned about is the worrying absence of understanding when it comes to the land-based sector in particular. The idea that the most regulated gambling industry in the world with all of its precautions and regulations is considered medium risk is actually risible, and what's worse is the Commission knows this through experience."

And Hannibal is equally interested in how the GBG's suggestions will be addressed in the ML and TF assessments going forward. "I believe we provided an invaluable appraisal to the Commission, including areas that could be adjusted to improve the outcome and lessen the burden. They are missing an opportunity by not giving it due consideration."

A 'HUGE BURDEN OF OVER-REACH'

It was a potent analysis; the GBG assessment pulled no punches. It was very critical not least of all with the principle of the Commission paper, noting: "Given the huge burden that this 'over reach' is placing on the industry, is it ethical for the Commission's AML Team to author its own Risk Assessment, without due scrutiny or relevant 'checks and balances' to ensure relevance and proportionality?"

EXTENDING THE RISK LIST AND BLAMING OPERATORS IS NOT THE ANSWER

In its Summary, the organisation wrote: "We all want to improve standards, and to that end GBG Members would welcome the opportunity to work with the Commission to develop guidance to help operators make better real-time decisions, instead of the Commission just extending the list of risks and then criticising operator decisions with the benefit of hindsight.

"In reality, when potential money laundering is taking place, staff have a matter of moments to assess the situation, often with limited information, multiple competing priorities and an awkward customer in front of them. More practical guidance would help people make better decisions in those circumstances than simply another expansion of the risk register, and would contribute to the Government's target of reducing regulatory burdens, whilst still ensuring the licensing objectives are upheld."

Can't say better than that.