INTER-GOVERNMENTAL ACTION GROUP AGAINST MONEY LAUNDERING IN WEST AFRICA (GIABA)

ORGANIZED CRIME: WEST AFRICAN RESPONSE TO MONEY LAUNDERING AND THE FINANCING OF TERRORISM (OCWAR-M)

CONCEPT NOTE

Activity/Project Title: Study on the Vulnerabilities of Casinos and Other Games of Chance to ML/TF in West Africa & Regional Workshop

Duration: Twelve (12) Months (June – 2020 – May 2021)

Executing Agency: Joint OCWAR-M/GIABA

Estimated Project Cost: One hundred fifty four thousands, five hundreds twenty-four Euros (EUR 154,524)

Estimated Starting Date: June 2020

I. Background

1. The threat to the global financial system posed by money laundering and terrorist financing remains very real. The anti-money laundering and combating the financing of terrorism (AML/CFT) effort has been a cornerstone of the fight against serious crime on a global level since the late 1980s. The fundamental objective of this effort is to ensure that criminal misuse of the financial system is detected and defeated. Both of these phenomena have become increasingly complex over the years, and we are still trying to learn more, not only about the changing circumstances that facilitate illicit financial flows, but also and above all, the concrete methods criminals use for getting the funds they need to where they need them. Accordingly, the Financial Action Task Force (FATF) has been carrying out a number of research and typologies to examine the situation on a continuous basis and ensure that to counter-measures are applied in both a timely, efficient and effective manner.

2. Regardless of the robustness and effectiveness of AML/CFT regimes, criminals will continue to attempt to move illicit funds undetected and will, from time to time, succeed. They are more likely to target the Designated Non-Financial Businesses and Professions (DNFBP) sectors, including casinos, if other routes become more difficult. For this reason, DNFBPs may be more or less vulnerable depending on the effectiveness of the AML/CFT procedures applied in other sectors. Consequently, increased attention should be paid to the factors that may influence the risks of money laundering and terrorist financing (ML/TF) through casinos and other games of chances.

3. Casinos are often portrayed in the media as places with bad reputation. Along with gambling's moral conflict with virtue, and the known social burden of addiction, casinos are also stigmatized for alleged links to organized crime and ML. Historic examples of gambling houses (both legal and illegal) owned by crime syndicates are deeply imprinted and keep evoking similar associations decades later. This negative public image transcends the digital
era despite the effect of technology on gambling and the increasing pressure from regulatory authorities.

4. Typologies produced by the FATF and APG over the last 10 years have consistently identified ML risks in casinos and gaming. The casino and gaming sector is characterized by diverse types of gambling activity, size and rate of development, as well as public and private sector ownership models. Similarly, the country reports annually submitted by GIABA member States have clearly revealed a need for a proper supervision of this very sector.

5. In West Africa, Casino establishments are highly vulnerable to ML due to the financial structures of their operations. Money laundering in the casino does not necessarily take the form of currency transactions, but may also take the form of financial instruments, such as credit cards and wire transfers. Suspicious transaction of this form usually comes from an initial placement of the laundered money from another financial establishment or may have been transferred from series of financial institutions to a casino. The financial transactions of the unsuspected money laundering through the casino are made by another agent in order to conceal the real identity of the criminals involved in the laundering. These agents are even willing to lose small bets in the form of chips or they may offset larger bets to which they exchange the chips into a currency form, wire transfer or a check.

6. Cognisant of the ability of casinos to detect and identify potential suspicious transactions, and in view of the wide range of regulatory and law enforcement deficiencies with regard to gaming sector in general, the FATF adopted a Risk-Based Approach Guidance for Casinos in June 2007. In the same vein, a joint APG/FATF study was undertaken in March 2009 on the Vulnerabilities in the Gaming and Casinos Sector. While these efforts provided very important insights, the ability to identify, assess and understand the risks associated with the Casinos and Other Games of Chance remain a major concern for West African countries.

7. Consequently, for the year 2020-2021, GIABA, in partnership with OCWAR-M, proposes to conduct a regional study on the Vulnerabilities of Casinos and Other Games of Chance in West Africa.

II. Objective

8. The main objective of this general research study is to identify significant gaps in AML/CFT controls over the Casinos sector in West Africa, and highlight possible policy implications for effective implementation of the FATF standards to cover casinos and gaming. The primary target audience of this report is the casinos themselves.

9. The study will also look at why legit gambling businesses are targeted as money laundering channels by the criminals, and how authorities fight back to prevent exposure of casinos to such exploits. Equally, it is hoped that this study will give room for concrete intervention programmes and the capacity building of GIABA member States on AML/CFT good practices in the Casinos sector.

10. The report is intended to serve as a resource for policy formation. In this respect, the study is aimed at addressing the following specific questions:

a) What are the various types of gambling activities, size and rate of development, as well as public and private sector ownership models that characterise the casino and gaming sector in the region?

b) What are the laundering techniques using casinos in West Africa?
c) What are the key areas of vulnerabilities in the gaming and casino sector in West Africa?

d) What are the specific risk factors in laundering the proceeds of crimes through the casinos sector?

e) How adequate and consistent are the legal, institutional and operational frameworks that govern the casinos sector?

f) What are the policy measures and action-oriented programmes that can be adopted based on the findings of the study to effectively mitigate the risks of ML/TF associated with the games of chance in West Africa? and

g) What outcome indicators can be recommended to assess the impact of these measures on the effectiveness of the AML / CFT system in this area?

III. Justification

1. The vulnerability of games of chance sector was recognized in the revision of the FATF 40 Recommendations, with obligations on casinos being significantly enhanced in relation to Customer Due Diligence (CDD), record keeping, reporting of suspicion, and comprehensive regulation and supervision. However, there remains a lack of recent regional or global studies on casinos and gaming, which this report seeks to address.

2. Besides, Casinos are generally subject to a range of regulatory requirements, commercial considerations, and security measures, which can complement AML/CFT measures. In some of the ECOWAS countries like Côte d'Ivoire, Senegal, Ghana and Nigeria, casinos are licensed and some of their activities are supervised by government agencies.

3. A chain is only as strong as its weakest link. Having regard to the sustained efforts made by the GIABA member States to monitor financial institutions, it is obvious that criminals might have started exploring non-financial sectors for ML/TF purposes. Hence, the legitimacy of such study that will recommend practical options for an effective implementation of the relevant AML/CFT standards in this particular sector.

IV. Methodology and Work Plan

1. As indicated earlier, the study is designed to identify the vulnerabilities of casinos to ML/TF in six (06) GIABA member States that are known to harbour the largest gambling businesses in the region – Benin, Côte d'Ivoire, Ghana, Nigeria, Senegal and Cabo Verde. The conduct of this activity will involve the following steps:

- Recruitment of a bilingual consultant (English/French) who will conduct the study, with the support of the GIABA Secretariat – 08 weeks (June – July 2020). He/she will be recruited as a regional consultant for a maximum period of forty (40) working days, which is equivalent to about two (02) months. He/she is expected to work from home, therefore will not attract any per diem except for approved travels (mainly data gathering from the countries);

- A planning meeting will be conducted with the consultant at the Secretariat, in Dakar, following which the consultant will submit an inception report. The consultant will present documentary sources as well as the methodology adopted, by country, and for all the questions asked by the study, to best respond to the objectives set, by attaching the questionnaires or type of questionnaires envisaged and the forecast work schedule.
• The Consultant is required to obtain both primary and secondary data, and employ both qualitative and quantitative analysis in the assessment;

• The consultant will be put in touch, thanks to international experts from OCWAR-M, with the Central Racing and Games Service of the Central Directorate of the Judicial Police of the French Ministry of the Interior for benchmarking purposes. Indeed, the experience of the French supervisory authority for games and casinos in France, but also abroad, can provide additional elements that are extremely useful for the study. 

• Field visits will be conducted by the Consultant to each of the six countries, accompanied by a Secretariat staff. Each visit should be for a maximum of 07 days, including traveling days;

• National Correspondents (FIUs) will be contacted to identify and assign a qualified person to serve as a facilitator and to assist with the planning and execution of the field visits;

• During the field visits, the Consultant is expected to:
  o Visit each casino and have a very precise idea of their functioning
  o Adopt the eclectic approach to data collection that would involve the use of questionnaires, face-to-face interviews and focus group discussions, personal accounts, etc. All needed logistical support or back-up will be facilitated by the local facilitator and the accompanying GIABA staff.

• A draft report will be reviewed by the Secretariat, validated by OCWAR-M team, and a final report presented to the RTMG, PRG and Plenary for endorsement - November 2020;

• A two-day sharing session will be organized to discuss the outcomes of the study and validate the recommendations contained in the report. An independent expert will be recruited, on this occasion by OCWAR-M, to make a detailed presentation of the report and advice on the best ways to deal with the issue. – December 2020;

• Finalisation, editorial and translation of the report into the other two ECOWAS languages – 8 weeks (December 2020 - January 2021);

• Consideration and approval of the report by the GIABA plenary - May 2021);
  • Dissemination of the Report as soon as it is validated and formatted

V. Expected Outcomes

2. The exercise is expected to achieve the following outcomes:

• Increased understanding of the various forms of gambling businesses and emerging markets in the West African region;
• Enhanced knowledge and understanding of the risks, trends, patterns, methods (including the main predicated offenses to this type of ML/FT) and techniques of laundering the proceeds of crimes through casinos and other games of chance in West Africa;

• Thorough assessment of the adequacy of the legal, regulatory and institutional frameworks for AML/CFT Compliance in the Casinos sector;

• Comprehensive examination of ML and TF vulnerabilities with both legally operating casinos and online gaming specifically in each country (no inappropriate generalities);

• Provision of policy and operational recommendations, which could lead to prioritisation of interventions based on the risks associated with the gaming sector, for the consideration of relevant stakeholders in GIABA member States;

• Production of a Final Report published in English, French and Portuguese and made available to global audience; and

• Approval of the report by the GIABA Plenary with specific call to member States to implement the recommendations concretely as soon as possible.

VI. Budget

3. The total cost for the study and workshop is one hundred fifty four thousands, five hundreds twenty-four Euros (EUR 154 524), to be funded by the OCWAR-M Project under the 11th EDF.

VII. Risks and Assumptions:

4. The project has no major foreseen risks that can hamper its comprehensive implementation, apart from external risks associated with global pandemics and internal crisis situations. However, time management will be critical, especially with regard to delays in the procurement process. Particular attention will be paid to ensure that factors hindering timely completion of the procurement process are addressed. The selection of a qualified Consultant could pose a challenge where the call for EOI (Expression of Interest) is not widely publicised, especially to the right audience. Efforts will be made to ensure wide circulation of the call for EOI in all member states and other media. GIABA will endeavour to recruit a bilingual Consultant who has a very good knowledge of Casinos and AML/CFT issues.

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