AML AND AGE VERIFICATION IN ONLINE GAMING

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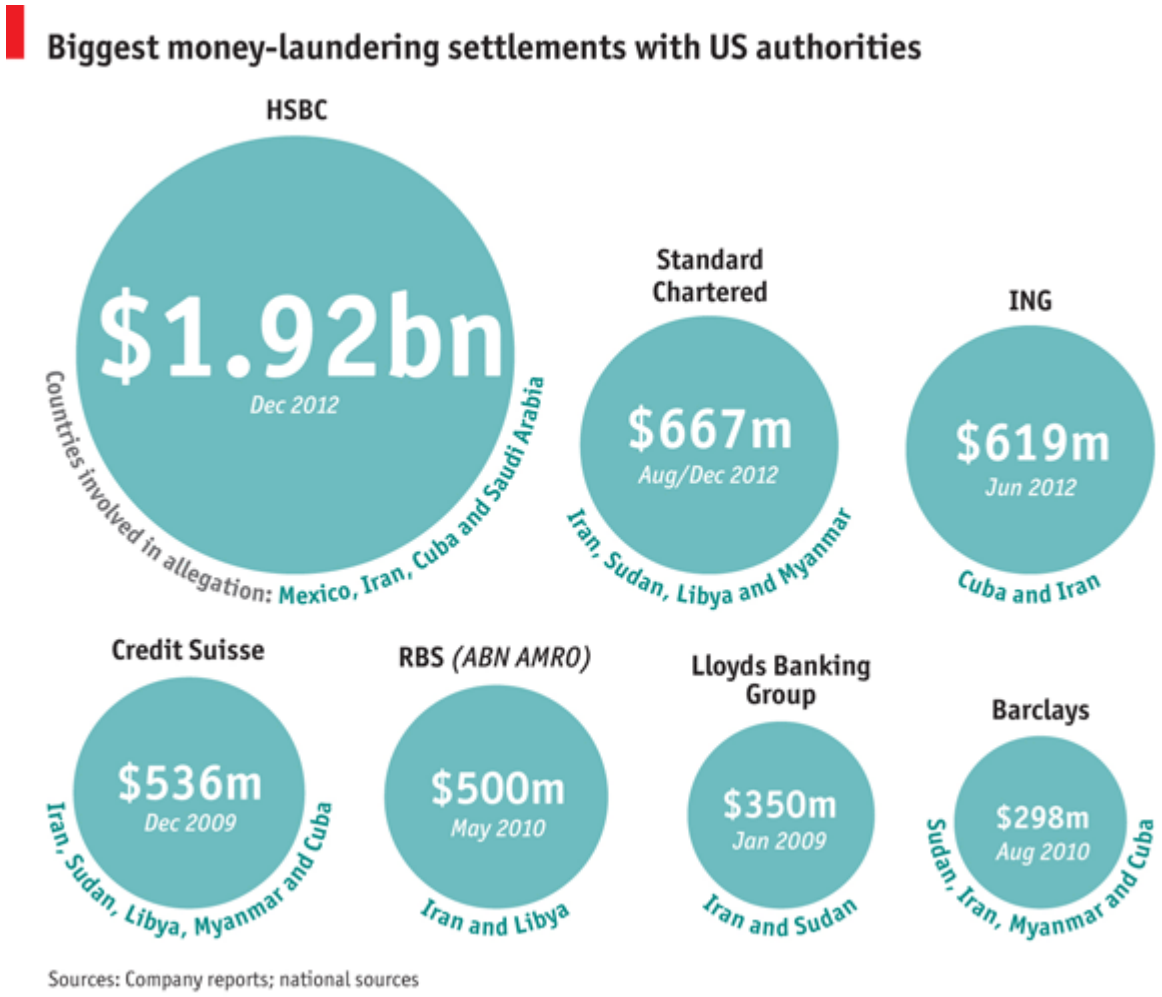
What is Money Laundering?

Concealing the source of illegally gotten money (WordNet)

The process of hiding the source of illegal income by processing it through a large-turnover entity, who takes a premium from it, and then receiving the income from that entity to avoid suspicion (Urban Dictionary)

Recent US Money-Laundering Settlements

… and iGaming is a reputational risk to banks???



Economist Magazine – December 2012

Money Laundering in US iGaming

- Most US based money laundering accusations have been related to offshore gaming sites for processing payments in violation of UIGEA or other banking laws

  - Gaming sites taking payments from US Citizens after UIGEA
  - Processing payments using improper category codes provided by credit card networks
  - Payment providers and e-wallets, accepting funds using non-gaming codes and allowing the funds to be used for gaming

Where Money Laundering is Found

- Criminal money laundering is focused in unregulated iGaming markets for a reason!
  - Internationality of funds flow
  - Anonymous play or no proper Know Your Customer (KYC) methods
  - Markets with no tax on wins
  - Able to play high percentage return games with a large number of transactions
  - No physical goods are involved
  - Higher stake games

Examples of Money Laundering in iGaming

- How would a criminal launder funds through iGaming?
  - Purchase of prepaid cards with cash and use prepaid debit cards to fund gaming account
  - Fund account with large deposits, wager a minimal amount, then withdrawal funds
  - Register several accounts and deposit/withdrawal amounts below AML tracking limits or suspicious activity monitoring
  - Peer-to-peer transfer of funds between accounts
  - Patron tries to withdraw funds to an account other than where the funds were deposited from
  - Chip dumping – One player buys in large and loses to another player(s) those funds
  - Using digital currencies from offshore sources to fund gaming

Potential Signs of Suspicious Activity Could Include

- Patron conducts transactions just below established thresholds or daily limits
- Multiple transactions within a short period of time
- Patron is successful at registering multiple accounts using a slightly different name
- Multiple patron accounts are identified with the same physical address on file
- Patron conducts a few small transactions and then large transaction near thresholds

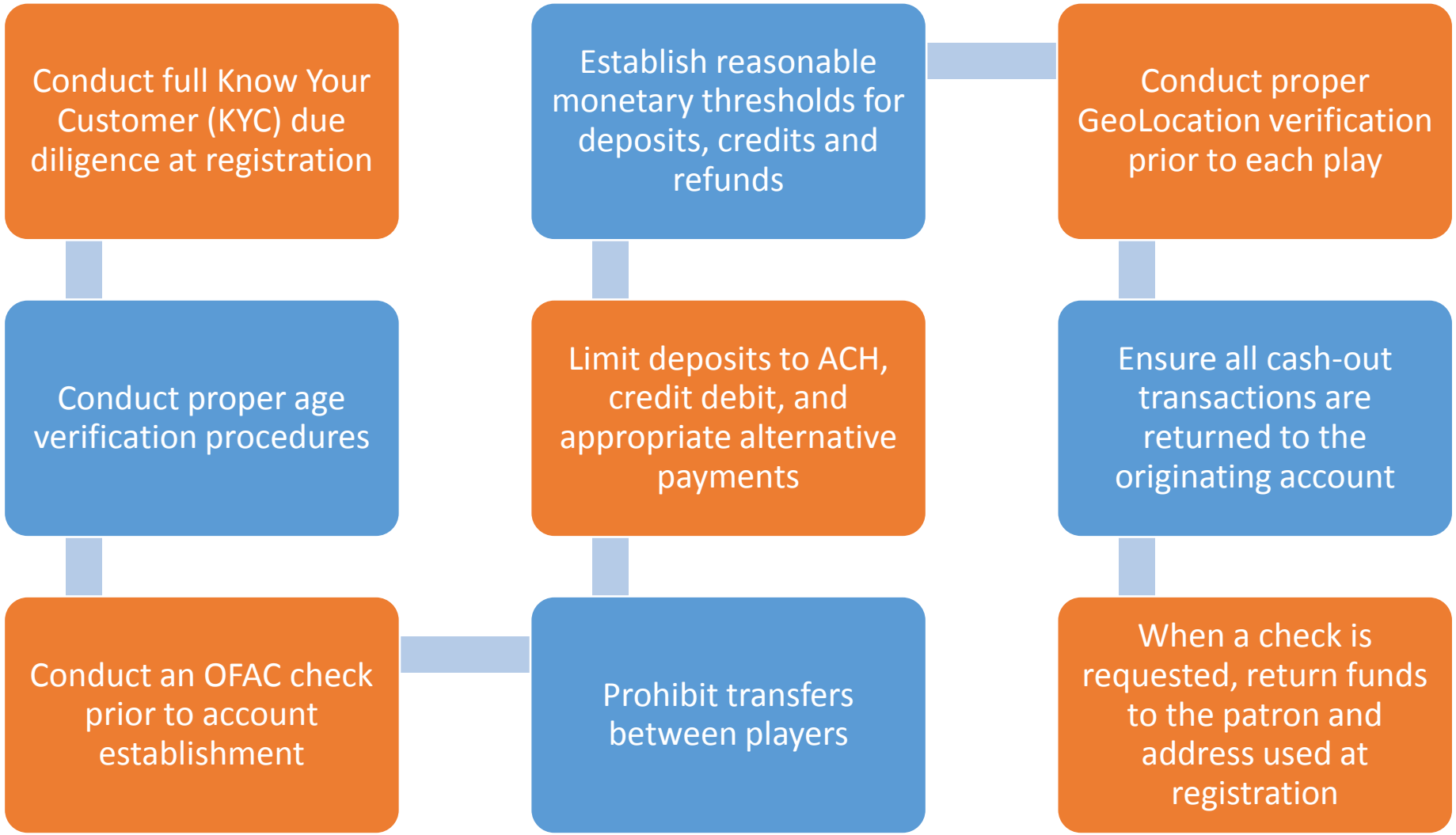
What is the AML Risk in iGaming?

- Money Laundering risk for online gaming is low **if** the jurisdiction is regulated and safeguards are implemented

Gaming Operator's Steps to Responsibility

- Ensure existing Anti-Money Laundering (AML) program covers this new business segment
- AML risk assessment must include this new business segment
  - Identify potential risks and the steps being taken to mitigate this risk
- Identify your company's role in the business and management of funds
  - Prepaid Provider, Prepaid Seller, Program Manager
- Assess what thresholds the business is setting for deposits, credits, refunds, overall balances, etc.
  - This leads to determination of the type of prepaid/stored value program and the compliance requirements - open loop/closed loop
- Setup your transaction monitoring based on determined thresholds
- Monitor based on what you deem may be suspicious
- Ensure your technology captures all transactions for monitoring and reporting purposes
- File Suspicious Activity Reports (SARs) with FinCEN as required by 31 CFR Chapter X
- Ensure your program is fully and easily auditable

Gaming Operator's AML Requirements



Combating Money Laundering

- Safeguards that can be taken to deter money laundering
  - License iGaming operators
  - Require AML programs with regular audits
  - Validate account on registration
    - Know Your Customer (KYC) verification
    - Age verification
    - Geo-Location
    - Proxy piercing
    - Device fingerprinting
  - Enable account limits
    - Daily/weekly/monthly deposit amounts based on payment form
    - Velocity controls on how quickly funds can be deposited/withdrawn
  - Game level analytics and fraud detection
  - Do not allow Peer-to-Peer (P2P) transfers and digital currencies
  - Suspicious activity monitoring for repetitive or similar transactions

Accomplishing Age Verification

- Identity Verification - Is the applicant applying really who they claim to be?
  - Verifies submitted Name and Address against CRA data
  - Includes Date of Birth verification
    - Proof of Age is established when the applicant's DOB matches the KYC data from the CRA files
- KYC Authentication
  - Look for level of inconsistency within the application
  - What required elements were matched? Name, address, DOB, DL and SSN
  - Is there evidence that ties the supplied application details together,
    i.e. name, address, phone, Social Security number?

Verified Data Used to Establish Age

- Only verifiable sources of Data are used
- Databases are updated when the underlying records change
- New credit applications are used to continuously update the Gramm-Leach-Bliley (GLB) related data
- Experian also has access to 37 states driver's license databases
  - All include record of DOB
  - DL numbers can also be used as an optional data source

Experian Centric Database

Cross-industry credit applications ▪ 200+ million records	Shared application data
Consumer credit data ▪ 215+ million records ▪ 25 fraud / 200+ credit indicators	Fraud Shield℠
Consumer demographic data ▪ 215+ million records (includes credit and non-credit sourced proprietary databases ▪ 140+ million households ▪ ZIP™-level attributes	Checkpoint
Shared fraud data ▪ 700,000 known, verified fraud records	National Fraud Database℠

Any comments or questions?