



# **The 2020 Risk Evaluation Questionnaire**

## **Land-Based Casinos and Remote Gaming Operators**

14 February 2020

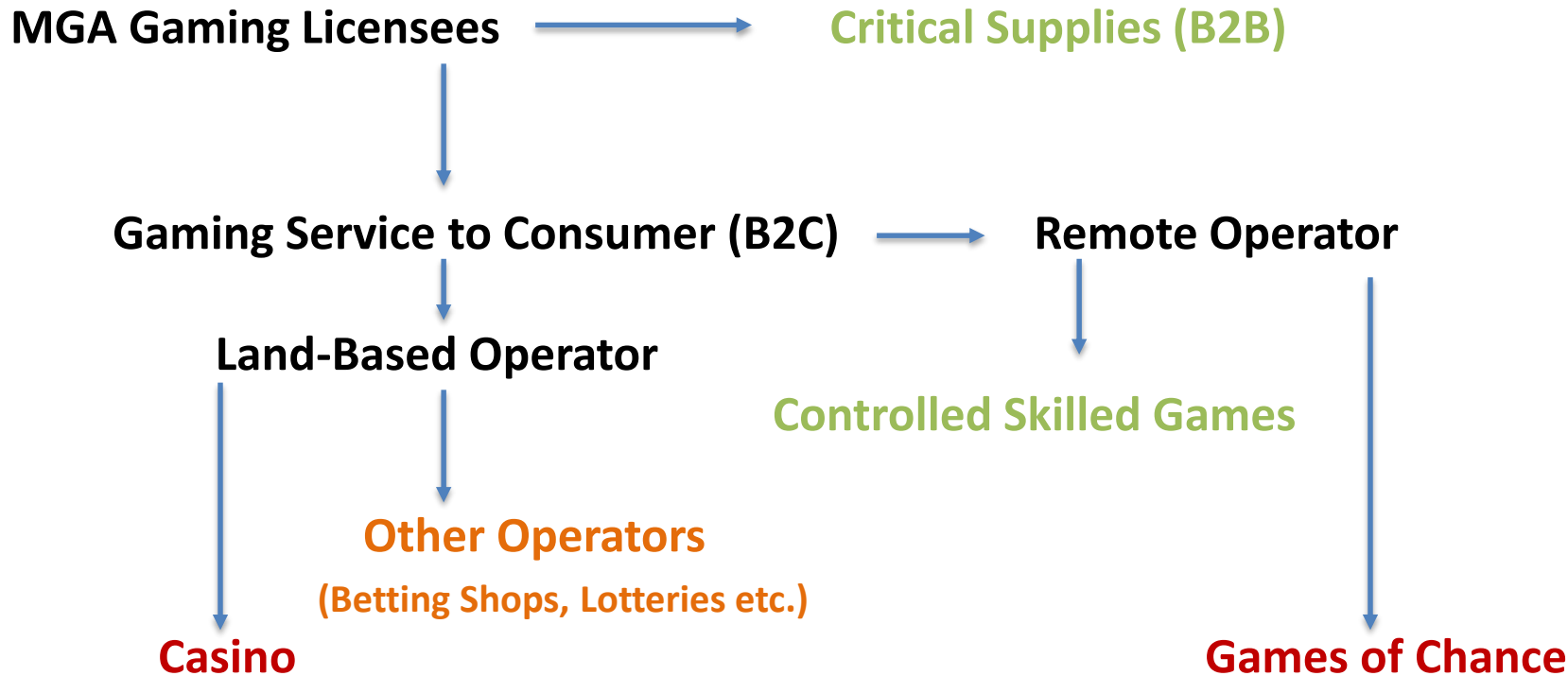
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# Agenda

- General Overview of the 2020 Risk Evaluation Questionnaires (“REQs”)
- General Pointers
- Structure & New Developments of the 2020 REQ
- Submission Deadlines & Timelines
- 2020 REQ Topics & Pointers
- Q&A Session

# General Overview of the 2020 Risk Evaluation Questionnaires (“REQs”)

# Who is to Complete the REQ?



-  Subject Person – Required to submit REQ
-  Subject Person – Not Required to submit REQ
-  Not a Subject Person – Not Required to submit REQ

# Who is to Complete the REQ?

## Corporate Licensees

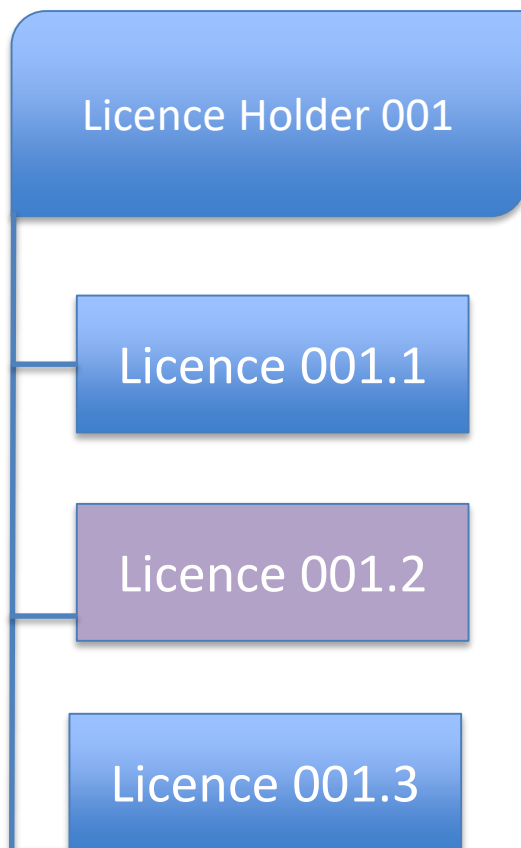
- Each B2C covered by a corporate licence is to submit its own REQ
- Allows ML/FT risk to be determine on an individual basis and does away with distortions



B2C Games of Chance – Individual REQ



B2B Critical Supplies – No REQ Required





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# General Pointers

## General Pointers (1)

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### **Which REQ should one complete?**

The CASPAR System will amalgamate questions covering all the licences/services offered by the subject person into one REQ. Questions that apply equally will need to be answered ones while questions that are product and customer based will be asked per type of license/service offered

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### **Is a separate REQ required for different entities?**

Yes, each subject person has to complete a separate REQ and provide information that is specific to that subject person. Even if entities form part of the same group and controls may be the same, a separate REQ has to be completed and the inherent risk questions have to be completed to cover for the specific risk exposures of that subject person.

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### **Does an REQ need to be completed even if operations have just started?**

The 2020 REQ covers the operating period January – December 2019, therefore subject persons who obtained their license in 2019 have to complete the 2020 REQ. Subject persons who do not require the be licensed have to complete the REQ depending on the day when they commenced operations. Registration on CASPAR is compulsory

## General Pointers (2)

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**Is it possible to select more than one option to explain the structure of one's company?  
Would be possible to upload the structure chart for ease of reference?**

Yes, you will be able to tick more than one option.

Optional upload of the corporate structure chart shall also be included

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**The questions related to subsidiaries should include all companies with common ownership?**

The definition of subsidiary shall be construed to mean the same as explain in the Companies Act. Companies that have the same ownership and share a common parent shall be included. Otherwise, simply having common ownership does not make a company a subsidiary, there has to be a common parent.

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**Do all questions involving customers cover also beneficial owners?**

Unless the question makes specific reference to beneficial owners, take reference to customers as the person or entity to whom you are providing the service (i.e.: excluding BOs of corporate customers)



## General Pointers (3)

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### **What is the difference between ticking Not Available against the Not Applicable Option?**

The Not Applicable option should only be selected in instances where the question does not apply to the SP answering the REQ for example a product is not offered or the subject person has recently commenced operations. The Not Applicable option can also be availed of where the main question upon which all subsequent questions depend was answered in the negative.

The Not Available option should be selected in instances where the subject person should reply to the question but it does not have sufficient information at its disposal to answer the said question

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### **How to answer questions that require a monetary value?**

All questions requiring the SP to give monetary values require an answer in Euro. The rate of conversion that has to be utilised depends on the type of question that is being answered. If the value requested is the value at year end, then one is to use the last official exchange rate available for the year under review. On the other hand, where the value represents the sum total of a number of transactions which took place during the year, one is to use the average spot rate.

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## General Pointers (4)

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### **Why is there a reference to the Basel Index?**

The 2019 REQ allowed subject persons to make use of their own determination in identifying high risk jurisdictions when answering given questions. This introduced an element of subjectivity that undermined the ability of the FIAU to compare data.

The FIAU included the reference to the Basel Index, together with other lists, to reduce this element of subjectivity. However, subject persons are to note that the Basel Index is being used only for the purposes of this exercise and is not to be considered as having any form of official endorsement by the FIAU. Subject persons are still to make their own informed and autonomous decision as which jurisdictions represent a given level of risk. While they can make use of the Basel Index to inform their judgement, they are not to automatically rely thereon.

Subject persons are expected to make use of the public version of the Basel Index.

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# Structure & New Developments of the 2020 REQ

## Structure of the REQ

### 2020 REQ

- 14 Topics
- 5 Topics cover the SP's inherent risks
- 9 Topics cover the SP's control levels
- Average of 250 Questions per REQ

### Type of Questions

- Yes/No Answer
- Answers that require values
- Answers that require %
- Answers wherein you may select more than one option
- Answer in ranges/brackets
- Answers that are Free Text

### Changes from 2019 to 2020 REQ

- Sentence Structuring
- Removed Questions that were deemed to be irrelevant
- Created new questions to cater for areas not covered in 2019
- Included questions that were required in virtue of questionnaires the FIAU has to answer
- Included new Validations



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# Submission Deadlines & Timelines



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## Risk Evaluation Questionnaire Deadlines

28 Feb  
2020

- REQs available on CASPAR

31 Mar  
2020

- First deadline for REQ submission (Fee: €50)

Post 31  
March  
2020

- Late payment fee of €100

30 Apr  
2020

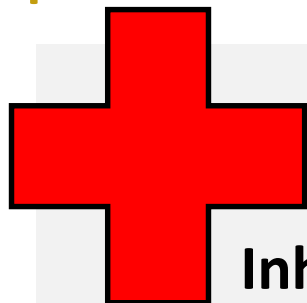
- Final deadline

Post 30  
April 2020

- SPs can still complete REQ for information purposes, but may be subject to administrative penalties

# 2020 REQ Topics & Pointers

## Topics



### Inherent Risks

- 1) Subject Persons Information
- 2) Customers
- 3) Products and Services
- 4) Geography
- 5) Interface/Distribution Channel

### Controls

- 1) Governance
- 2) Policies and Procedures
- 3) Business Risk Assessment
- 4) Customer Acceptance and Risk Assessment
- 5) Internal Audit/ Independent Testing
- 6) AML/CFT Training
- 7) On-going monitoring/Transaction Scrutiny
- 8) Reporting
- 9) Record-Keeping





## Subject Person Information

Subject Person Information covers the subject person's:

- ☐ legal formation;
- ☐ ownership and control structure;
- ☐ shareholder information (if applicable);
- ☐ organizational structure and;
- ☐ basic financial and operational statistics.

## Subject Person Information



<p>Please select the status of your entity.</p>	<p>Subsidiary of a foreign traded company / Subsidiary of a privately held foreign company / Subsidiary of a local traded company / Subsidiary of a privately held local company / Privately held foreign company / Privately held local company / Other</p>
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<p>If your entity is a subsidiary of a foreign traded company or a subsidiary of a privately held foreign company, is the parent company located in EU / EEA jurisdictions or non-EU/EEA jurisdictions?</p>	<p>EU/EEA jurisdictions / non-EU/EEA jurisdictions / Not Applicable</p>
<p>Does your entity have any subsidiaries, branches, affiliates, representative offices and agencies in other EU / EEA countries?</p>	<p>No / Yes</p>
<p>Does your entity have any subsidiaries, branches, affiliates, representative offices and agencies in non-EU/EEA countries?</p>	<p>No / Yes</p>
<p>Does your entity have subsidiaries, branches, affiliates in jurisdictions listed in the FATF lists and / or the EU list identifying high risk 3rd countries with strategic deficiencies and / or jurisdictions featuring in the top 20 countries of the Basel Index?</p>	<p>No / Yes</p>



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## Subject Person Information

Please indicate total annual turnover according to the latest available audited financial statements and / or tax declaration.	[€] / Not Applicable
Please provide the year end reference date for the financial statements or / tax declaration as indicated above.	[Date] / Not Applicable

Has your entity undergone changes in its ownership structure during the prior calendar year?	No / Yes
Has your entity undergone significant changes in its management and control structure during the prior calendar year?	No / Yes

## Governance/Organisation

- ☐ The assessment of the subject person's governance and organizational structure includes the experience level and the responsibilities of its Money Laundering Reporting Officer ("MLRO"), employee screenings, and how much of its compliance tasks are outsourced to external parties.

Have you / your entity <u>outsourced</u> the carrying out of any applicable AML / CFT obligations (within or outside the group)?	No / Yes (within Group) / Yes (outside Group) / Yes (within and outside Group)
If "Yes", please specify the obligations that are being outsourced.	<u>Business Risk Assessment / Customer Acceptance Policies / Customer Risk Assessment procedures / Internal controls / Employee screening procedures / CDD procedures / On-going monitoring / Record keeping obligations / Two of the above / Three of the above / All of the above / / Not Applicable</u>
How many times has the Board or equivalent body, received a <u>presentation on AML / CFT</u> issues in the prior calendar year?	Monthly / Quarterly / Half yearly / Annually / None / Not Applicable

## Business Risk Assessment

- ☐ The assessment of how well the subject person's evaluates its AML/CFT risk profile. Risk assessment is considered a fundamental element of a sound AML/CFT compliance program, as it provides a basis to identify and mitigate gaps in the AML/CFT controls.
- ☐ Similar to the 2019 REQ, the 2020 REQ asks for an attachment of the BRA.

## Why is the BRA Required to be attached?

3.08	Please ATTACH latest Business Risk Assessment	[File Upload] / Not Available / <b>Not Applicable</b>
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- ☐ The FIAU considers the BRA to be the fulcrum of an effective and efficient AML/CFT program.
- ☐ It confirms that the BRA is actually present and that the SP is adhering to its AML obligations.
- ☐ It is not automatically scored through the FIAU's Risk Assessment Methodology (RASM), however:
  - We consider the quality of the BRA in implementing the Supervisory Plan
  - We may instigate a focussed review on the SP's BRA and its implementation
  - Utilised by supervision associates during the preliminary stages of a compliance review

## Business Risk Assessment



3.02	What is your / your entity's most recent Business Risk Assessment for ML / FT risk? <span>inherent risk scoring / rating</span>	High / Medium High / Medium / Low Medium / Low / Not Applicable
3.03	What is your / your entity's most recent Business Risk Assessment for ML / FT risk? <span>residual risk scoring / rating</span>	High / Medium High / Medium / Low Medium / Low / Not Applicable

Select the option that is closer to the subject person's rating mechanism  
If the rating is numerical carry out an exercise to recalibrate the score to be in line with the above  
For example if you score 1-10:

- 1 may be low risk
- 10 should be high
- 5 should be medium
- 2-4 low medium,
- 6-9 higher medium

## Business Risk Assessment

3.04	Did the Business Risk Assessment conducted take into account the risks and controls related to:	
	a) your / your entity's customers	No / Yes / Not Applicable
	b) the products and services offered by you / your entity and the transaction risk exposure through same	No / Yes / Not Applicable
	c) specific countries or geographical areas	No / Yes / Not Applicable
	d) the distribution channels	No / Yes / Not Applicable

The Not Applicable option is a mistake and will be removed  
Even if you:

- Have one type of product
- Have only face to face relationships
- Have only local customers



## Business Risk Assessment

3.05	Did the Business Risk Assessment conducted take into account the results of the SNRA and NRA?	No / Yes / Not Applicable
3.06	Has the Business Risk Assessment been approved by senior management (including directors and partners) of your entity?	No / Yes / Not Applicable
3.07	Did you / your entity review and / or update the business risk assessment in the prior calendar year?	No / Yes / Not Applicable

The Supranational Risk Assessment is available on the website of the European Commission:

[http://ec.europa.eu/newsroom/just/item-detail.cfm?item\\_id=81272](http://ec.europa.eu/newsroom/just/item-detail.cfm?item_id=81272)

The results of the latest national risk assessment can be found on the website of the Ministry for Finance and are accessible through the following link:

[https://mfin.gov.mt/en/Library/Documents/Result\\_of\\_the\\_NRA\\_2018.pdf](https://mfin.gov.mt/en/Library/Documents/Result_of_the_NRA_2018.pdf)

## Internal Audit/ Independent Testing

The assessment of AML/CFT includes:

- ☐ Internal audit effectiveness
- ☐ Independent testing and remediation of audit findings

## Reporting

- ❑ The assessment of internal management reporting, submissions of STRs, and timing of the STR reporting.

How many STRs were submitted to the FIAU during the prior calendar year?	[Number] / Not Available
Please list the number of alerts generated as a result of unusual activity or transactions during the prior calendar year?	[Number] / Not Available

Please list the number of alerts <u>investigated</u> by your entity as a result of unusual activity or transactions during the prior calendar year?	[Number] / Not Available
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Subject persons should not include false positives but rather actual alerts or transactions that required the carrying out of a detailed review to discover and examine the facts of the alert or transaction so as to establish whether there is suspicion or reasonable grounds to suspect that money laundering took place.

## AML/CFT Training

The assessment of the AML/CFT training program centers on:

- ☐ the content,
- ☐ frequency
- ☐ delivery of training

provided to the subject persons' employees, Senior Management and Board of Directors.

## Record Keeping

- ☐ The assessment of recordkeeping controls and compliance with Maltese laws that specify retention periods.
- ☐ It also evaluates the accessibility of these records if the FIAU requests them.
- ☐ Recordkeeping demonstrates that the policies and procedures are followed, and therefore, it is considered an important control factor.

# Customer Acceptance and Risk Assessment

## Remote Gaming Operators

- “Introducer” – a third party who does not have the power to bind a subject person but who takes steps to introduce and put forth for consideration by the subject person concerned a person as a possible customer.
- “Marketing Affiliate” – a third party who has an agreement with a remote gaming operator to direct traffic from its website to the website of the remote gaming operator in return for a commission – there is no relationship between the customer and the marketing affiliate.
- “SEO” – increasing the quality and quantity of website traffic through non-paid search engine results.

# On-Going Monitoring/Transaction Screening

## Land-Based Casinos

- Relevant even outside the context of a business relationships with customers:
  - Occasional Transaction Thresholds – ‘in a single operation or in several operations which appear to be linked’ – and coming into being of a business relationship.
  - Detection of unusual or suspicious activity that may be indicative of ML/TF.
- A monitoring system need not be an automated system but may include a degree of human intervention to cover aspects that are not catered for by the IT components.

## Policies and Procedures

- New question on whether the subject person has internal whistleblowing procedures.
- Not a requirement arising from domestic AML/CFT legislation but equally important:
  - i. Directive (EU) 2015/849 requires Member States to provide for reporting procedures other than the traditional MLRO channel;
  - ii. The Protection of Whistleblowing Act makes reference to ML/FT; and
  - iii. Provide an alternative avenue to report ML/FT-related issues where the MLRO does not take action or is otherwise suspected to be involved in the wrongdoing.

### Land-Based Casinos

- ‘junket operators or other similar groups of “pooled” activity’ – To be limited to junket operators that are not employed by the casino.



# Products and Services

## Land-Based Casinos

	Please provide the total deposits, wagers and RTP information recorded in the prior calendar year:
11.01	Land-based (offline) gaming activities (ex.: slots, poker, live tables, etc.):
	a) Total Value of cash-in transactions (player deposits) (€)
	b) Total number of cash-in transactions (player deposits) (#)
	c) Total amount wagered by players (€)
	d) Total value of winnings for Player (€)
	e) Total Value of cash-out transactions (player withdrawals) (€)
	f) Total number of cash-out transactions (Player Withdrawals) (#)

	Please indicate which specific activities are performed by your entity during the prior calendar year:
11.02	Typology Type 1 Gaming Services:
	a) Amount wagered by players (€)
	b) Amount of winnings (RTP) for player (i.e. € for Type 1)

Initial Question covers overall activity.

Subsequent questions look at activity within specific categories of games.



## Remote Gaming Operators

	Please provide the total deposits, wagers and RTP information recorded in the prior calendar year:
11.01	Remote (Online) gaming activities (ex.: Casino, Sportsbook, P2P, etc.):
	a) Total value of player deposits (€)
	b) Total number of player deposits (#)
	c) Total amount wagered by players (€)
	d) Total number of wagers made by players (#)
	e) Total percentage of winnings (RTP) for players (%)
	f) Total amount of winnings (RTP) for players (€)

	Please provide a breakdown of deposits, wagers and RTP information recorded in the prior calendar year:
11.02	Gaming Vertical - Casino including live casino:
	a) Amount wagered by players (€)
	b) Percentage wagered out of total amount wagered by players (%)
	c) Percentage of winnings (RTP) for player (%)
	d) Amount of winnings (RTP) for players (€)

# Products and Services

## Remote Gaming Operators

- A shift from classifying games on the basis of the licence type held by the operator to the actual categorization of games on the basis of verticals.
- ‘Player deposits’ is to include **only** funds that were remitted by the player to its gaming account – it is to exclude winnings, bonuses etc. On the other than ‘amount wagered by players’ is to include any wager even if it includes recycled funds.
- Percentage wagered out of total amount wagered by players (%)

$$\frac{\text{Amount reported in 11.02(a)}}{\text{Amount reported in 11.01(c)}} \times 100\%$$

- Remember - Any other vertical has **always** to be in relation to a game of chance.

## Customers

- Please list the total number of customers as at the end of the prior calendar year
  - Business relationships that have not been terminated as at year end; and
  - Customers for whom an occasional transaction was carried out.
- Inactive accounts – relationship still on-going but no activity on the account for not less than 3 months. Should these be included?

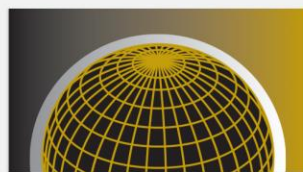
## Interface/Distribution Channel

For what percentage of total customers was Enhanced Due Diligence carried out by a third party?

- Question to be removed and in the case of remote gaming operators replaced with a question on reliance.

### Remote Gaming Operators

- Difference between percentage of customers:
  - (a) on-boarded face-to-face – independent outlets and outlets owned by licensee
  - (b) via a land-based intermediary – independent outlets only.



# FIAU

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