



Administrative Measure Publication Notice

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DATE OF IMPOSITION OF THE ADMINISTRATIVE MEASURE:

30 January 2024

SUBJECT PERSON:

Kanon Gaming Limited

RELEVANT ACTIVITY CARRIED OUT:

Remote Gaming Operator

SUPERVISORY ACTION:

Compliance review carried out in 2020

DETAILS OF THE ADMINISTRATIVE MEASURE IMPOSED:

Administrative Penalty of €67,874 in terms of Regulation 21 of the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFTR).

LEGAL PROVISIONS BREACHED:

- Regulation 7(1)(c) of the PMLFTR, Section 4.4.2 of the Implementing Procedures (IPs) Part I and Section 3.2 (iii) of the IPs Part II



REASONS LEADING TO THE IMPOSITION OF THE ADMINISTRATIVE MEASURE:

Purpose & Intended Nature of the Business Relationship - Regulation 7(1)(c) of the PMLFTR ad Section 4.4.2 of the IPs Part I and Section 3.2 of the IPs Part II

The examination revealed that the Company failed to obtain information pertaining to the SoW and/or expected SoF of its players, this was noted in 90% of the sample reviewed. Furthermore, the Company allowed most of such players to continue their gambling activity, despite not having established an adequate risk profile. Hence, players continued depositing in the absence of any information obtained by the Company relating to the players' SoW and expected SoF, nor on any information on the player's employment. Therefore making it impossible for the Company to adequately scrutinise the gaming activity undertaken by its players and in determining whether the players' funds were derived from legitimate sources. Examples of the shortcomings identified are being illustrated hereunder:

- One particular player was assigned a high-risk rating by the Company due to his residence in a high-risk country. This player had deposited over €21,000 and withdrew less than €5,000 in a span of one year and two months, however no information and/or documentation on SoW and expected SoF was obtained. In its representations, the Company asserted that customers deriving from the aforementioned jurisdiction were full time gamblers. However, the Company failed to provide any documentation showing that these customers were indeed full-time gamblers and, thus, the Company's argument was not considered as being justifiable. In fact, not even any employment information was held on file with respect to this player. Aggravating matters further was the fact that the player was allowed to continue depositing even though the Company had failed to establish an adequate customer profile.
- Another player rated as medium risk by the Company deposited over €12,000 and withdrew less than €5,000 in a 10-month period, however no information and/or documentation on SoW and expected SoF was obtained. In its representations, the Company held that this player has to be seen as a player who initially tried the betting platform to see if it was up to his standards and then returned six months later to play again. However, the Company's argument for not collecting information on the player's SoW/ expected SoF is not justifiable. This since, the Company failed to develop an adequate risk profile so as to be able to identify any unusual activity throughout the business relationship. Although this player was assigned a medium risk rating, the Company was still expected to obtain information relating to the nature of the customer's occupation, employment or the activities from which the customer derives his wealth. This information could have, at least, been obtained in the form of a declaration from the customer. Aggravating matters further was the fact that the player was allowed to continue depositing even though the Company had failed to establish an adequate customer profile.
- Another player assigned as medium risk by the Company deposited over €10,000 and withdrew less than €6,500 in a year, however here again no information on the customer's SoW and expected SoF was obtained, not even details of the player's employment/business or annual salary. No representations were provided by the Company on this file. Furthermore, the player was allowed to continue depositing even though the Company had failed to establish an adequate customer profile.

Through the above failures, the Company was also unable to determine the expected frequency and size of transactions/ activity expected by its players. Despite not providing any representations on this point, once the €2,000 deposit threshold was reached, the Company was expected to obtain information on the level of activity of its customers, the extent of the information that licensees are to collect should reflect the level of ML/FT risk identified through the customer risk assessment. Section 3.2 (iii) of IPs Part II clearly state that where the risk is not high, a declaration from the customer with some details (e.g., nature of employment/business, usual annual salary etc.) can suffice. By obtaining information and/or documentation on the players' SoW/ expected SoF (including information on the player's employment/ business activity), this would have allowed the Company to have a good understanding of the expected level of activity of its customers.

In view of the above, the Committee concluded that these shortcomings represented a systematic failure on the Company's part to establish a comprehensive profile. In failing to collect information on the players' SoW/ expected SoF nor any information on the player's employment, made it impossible for the Company to adequately scrutinise transactions/ gaming activity and in determining whether the players' funds were derived from legitimate sources.

ADMINISTRATIVE MEASURES TAKEN BY THE FIAU'S COMPLIANCE MONITORING COMMITTEE (CMC):

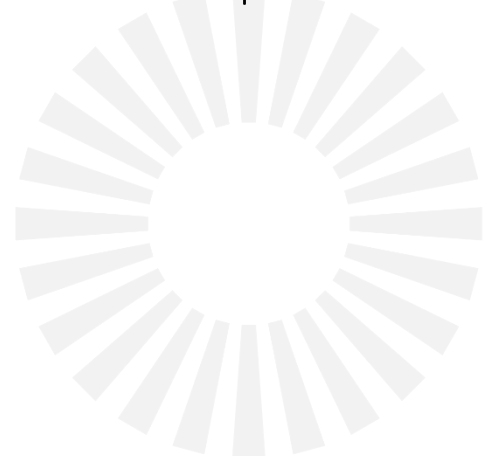
After taking into consideration the abovementioned, the Committee decided to impose an administrative penalty of €67,874 with regards to the breaches identified in relation to:

- Regulation 7(1)(c) of the PMLFTR, Section 4.4.2 of the IPs and Section 3.2 (iii) of the IPs Part II

When deciding on the appropriate administrative measures to impose, in addition to the specific breach outlined above, the Committee took into consideration the importance of the obligation being breached, the level of seriousness and systematic nature of the finding identified, as well as the extent of ML/FT risk such failure could lead to. The Committee also considered the Company's size, that this is not a large gaming institution as well as the impact that the subject person's failure may have had on both its operations and on the local jurisdiction. Whilst the good level of cooperation portrayed by the Company throughout the supervisory process was also factored in the Committee couldn't but note that the breach identified were a result of the Company's lack of adherence to AML/CFT obligations imposed by the PMLFTR and the IPs.

Under normal circumstances, a Directive would be imposed for the breach identified in terms of Regulation 21(4)(c) of the PMLFTR, however the Committee took into consideration other matters pertaining to the case and decided not to impose any Directive on the Company. The Committee reserves the right to serve the Company with a Directive should circumstances change in the future.

The administrative penalty hereby imposed is not yet final and may be appealed before the Court of Appeal (Inferior Jurisdiction) within the period as prescribed by the applicable law. It shall become final upon the lapse of the appeal period or upon final determination by the Court.



Key Takeaways:

- According to Section 3.3.2 of the IPs Part II CDD measures are to be applied when reaching of surpassing the €2,000 threshold. As regards to the €2,000 deposit threshold, this is to be applied vis-à-vis funds deposited onto an account, whether in a single transaction or a number of transactions adding up to the said amount. To the extent that a licensee can distinguish between customer deposits and funds made available by the licensee itself, such as bonuses given by the licensee itself, or winnings accumulated onto an account, the €2,000 deposit threshold is to be calculated only on the basis of deposits made by the customer.
- Once the €2,000 deposit threshold is reached, subject persons are expected to develop a customer business and risk profile which is the key element to having sufficient information available so as to allow the detection of any unusual activity throughout the business relationship. In doing so, subject persons are expected to collect sufficient information to establish the customer's SoW and/or SoF.
- According to Section 3.2 of the IPs Part II, if there is no indication of high-risk elements, subject persons are still expected to obtain information relating to the customer's occupation, employment or business activities, the activities from which the customer derives his wealth as well as the expected SoF. In such cases, a mere declaration from the customer would suffice.

30 January 2024

