Spel inspek tionen

# Guidance Anti-Money Laundering



# Contents

Introduction	3
Money laundering and terrorist financing	4
Work against money laundering and	
terrorist financing in practice	5
Risk assessment	6
Procedures	7
Education	7
Customer due diligence	7
Documentation and processing	
of personal data	9
Risk classification	10
Model risk management	10
Monitoring	11
Reporting to the Financial Police	11
Internal control and whistleblowing	12

#### **Definitions**

**FATF** Financial Action Task Force – Is an intergovernmental body that develops international standards for combating money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction.

**PEP** Politically Exposed Person – A person who holds or has held important public positions in a state or international organisation.

**SOF** Source of funds – Origin of funds

**SOW** Source of wealth – Source of funding

# Introduction

This guidance is primarily aimed at license holders for commercial online gambling and online betting. However, the content is such that it is also relevant to other license holders. The purpose of the information is to raise awareness and knowledge about money laundering and terrorist financing and to provide concrete advice on how license holders can work to prevent their exploitation for money laundering and terrorist financing. It is necessary that license holders have a systematic and risk-based approach.

The guidance is not exhaustive, but provides an overview and compiled description of the license holders' obligations under the anti-money laundering regulations. It describes possible approaches to risk-based work and provides concrete examples of effective action. However, the user of the guidance must always assess whether the guidance applies in the individual case. license holders must always take into account, among other things, the provisions of the Money Laundering Act (2017:630) and the Swedish Gambling Authority's Regulations and General Advice (SIFS 2019:2) on measures against money laundering and terrorist financing.



# Money laundering and terrorist financing

### What is money laundering?

The Anti-Money Laundering and Terrorist Financing Act (Money Laundering Act) is a law aimed at preventing and counteracting the financial sector, the gambling sector and several other industries from being used for money laundering or terrorist financing. The provisions of the Money Laundering Act are largely based on EU directives (the Money Laundering Directives), which in turn are based on recommendations from the Financial Action Task Force (FATF).

According to the money laundering regulations, money laundering is when someone tries to convert money that comes from crime to make it look like the money is legally earned. All funds arising from criminal activities are covered by the Money Laundering Act.

Chapter 1, Section 6of the Money Laundering Act states that:

For the purposes of this Act, "money laundering" means measures relating to money or other property arising from criminal offences or activities which

- may conceal the connection of the property with crime or criminal activities;
- 2. may promote the possibility for someone to assimilate the property or its value;
- 3. may promote the possibility for someone to evade legal sanctions;
- 4. means that someone acquires, holds, claims the right to or uses the property.

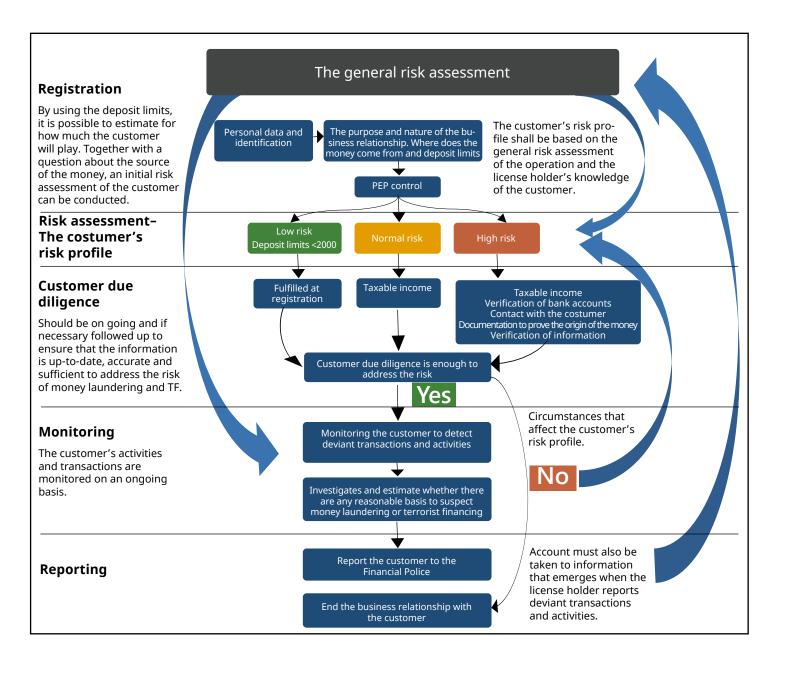
Money laundering schemes differ and can be simple or more complex in design. This involves more than just cash transactions. Money already in the financial system can also constitute money laundering. Consumption of criminally earned money is covered by the Money Laundering Act.

### What is terrorist financing?

Terrorist financing means financially supporting terrorism. This involves more than just contributing money. Terrorist financing also involves raising, providing and receiving money to be used for terrorism. Terrorism is often financed by money of legal origin, which makes it particularly difficult to detect.



# Work against money laundering and terrorist financing in practice



### Risk assessment

The Money Laundering Act requires license holders to take risk-based measures to prevent their own operations from being used for money laundering and terrorist financing. This means that resources should primarily be used where the risks of money laundering and terrorist financing are greatest. Where the risks are lower, less extensive action is needed.

In order to work risk-based, the license holder must carry out a risk assessment of their own operations, a so-called general risk assessment.

The general risk assessment that the license holder must carry out is fundamental to all other work to prevent money laundering and terrorist financing. It shall form the basis of the operations' procedures and other measures to counter money laundering and terrorist financing.

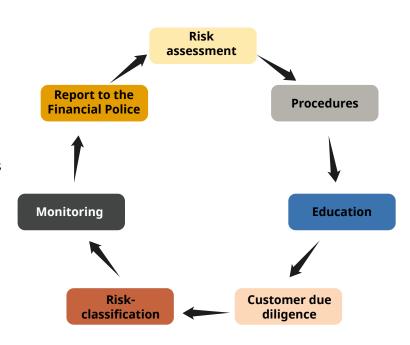
The risk assessment should address the ways in which the license holder's products and services could be used to launder money or finance terrorism and the extent of the risk that this will happen. All factors that may have an impact on the risks of money laundering and terrorist financing must be taken into account in the risk assessment, but special consideration must be given to the type of products and services offered, customers, distribution channels and geographical risk factors.

The scope of the risk assessment depends on the size and nature of the operations.

It is important that the risk assessment is kept up to date. Therefore, the risk assessment needs to be reviewed and updated continuously. The risk assessment must also be documented.

In order to work risk-based, it is important that license holders continuously follow the latest reporting regarding money laundering and terrorist financing. Important relevant information and reporting in the field of money laundering and terrorism financing is provided, inter alia, by the Coordination Function against Money Laundering and Terrorist Financing (Coordination Function) and the Financial Police. <sup>1</sup> The Coordination Function works actively to identify the vulnerabilities and risks that exist in Sweden in the area of money laundering and

terrorism financing and takes measures to reduce these vulnerabilities. This can be, for example, through increased dissemination of information, by developing data for decision-makers at different levels or by improving collaboration with both public and private actors. The Financial Police's mission is both to be Sweden's Financial Intelligence Unit and to be part of the national intelligence activities within the Swedish Police Authority. The Financial Police handles information about pre-crimes to money laundering or when money laundering can be suspected to be part of concealing the proceeds of crime. The Financial Police also handles information relating to the financing of terrorism.



<sup>&</sup>lt;sup>1</sup> See, for example, https://polisen.se/om-polisen/polisens-arbete/penningtvatt/nationell-samord-ning-mot-penningtvatt-och-finansiering-av-terrorism/ and https://polisen.se/om-polisen/polisens-arbete/finanspolisen/.

### **Procedures**

The license holder shall have risk-based internal procedures for anti-money laundering and terrorist financing measures. The purpose of the procedures is to counteract the risks that have been identified in the business. It is therefore important that there is a close link between the risk assessment and the procedures.

Procedures must be in place regarding:

- Customer due diligence measures
- · Monitoring and reporting
- Processing of personal data
- · Aptitude testing of staff
- Compliance and internal control
- Model risk management procedures, if such models are used

For license holders who are part of a corporate group, there are special provisions on group-wide procedures. In a group, the parent company must establish common procedures and guidelines that shall apply to the entire Group (see Chapter 1. Sections 9-10 of the Money Laundering Act).

### Education

The license holder shall ensure that employees who carry out tasks relevant to the prevention of money laundering or terrorist financing receive relevant training and information on an ongoing basis.

The training should ensure that staff have sufficient knowledge to ensure compliance with the license holder's procedures and guidelines. The content of the training shall be adapted to the duties and responsibilities of the employee and the license holder's general risk assessment. The timing of training and supplementary training shall be adapted to the findings of the license holder in his risk assessment and to any changes in the operations or tasks.

### Customer due diligence

A license holder must identify the customer and ask for the customer's name and other information that may be relevant to the purpose and nature of the business relationship. Without sufficient knowledge, the license holder may not establish or maintain a business relationship or carry out individual transactions. The purpose of collecting information about

the purpose and nature of the business relationship is to provide the license holder with documentation to assess the risk that may be associated with the customer and how the customer is expected to act within the framework of the business relationship. Such an assessment is necessary in order to detect deviations from the expected behaviour. For example, the license holder should find out how the customer intends to use the gambling products or services. Where justified by the risk in the business relationship, the license holder should also find out information about the customer's financial situation.

In Sweden, e-ID can be used to identify players according to the Gambling Act (2018:1138). The e-ID can serve as an initial identification of customers online. For customers who initially pose low risk, in many cases, a check of e-ID and PEP may be sufficient to achieve simplified customer due diligence measures in connection with online registration.

The extent of the action needed depends on the complexity of the product or service and the risks associated with the product/service or the unique business relationship.

As a rule, the purpose of the customer relationship can initially be considered to be for entertainment purposes. However, many license holders fail to define what entertainment purposes mean. Without defining the concept of entertainment purpose, it will be difficult for the license holder to determine what constitutes abnormal customer behaviour. According to Statistics Sweden, households spent 11.3% of their income on leisure, entertainment and culture in 2019. These figures on entertainment consumption may give an indication of when the customer should be evaluated and the risk rating revised. Another parameter that can be taken into account in the risk assessment is the income situation in Sweden. For example, the median net income<sup>2</sup> in 2019 in Sweden amounted to approximately SEK 270,000.3

The Swedish Gambling Authority considers that it would generally be beneficial if license holders asked more questions when registering new customers. license holders' questions should focus on the origin of future deposits and through such questions license holders get to know their customers better already when onboarding. This makes it easier to then

track and risk classify customers. Deposit limits should be taken into account and form the basis for customers' risk rating. High deposit limits may indicate that a customer intends, and has the ability, to make large deposits during short periods of time.

Examples of questions that can be asked when registering a new customer:

- Where does the money to be used for gambling come from?
- What was your taxable income last year?/Where does your income come from?

When a player deposits larger amounts, when the total stakes amount to larger amounts or when the risks increase due to other parameters, the customer's risk profile shall be changed and further action taken. If the customer is considered to pose a high risk, stricter measures must be taken. It is important that these measures are taken directly, for example in connection with the deposit and not only when the player wants to withdraw money from the gambling account. Large, unusual and/or irrational deposits should be stopped and verified before the customer has the opportunity to convert the deposit. If the customer is unable to verify the deposit or is reluctant to inform about the origin of the money, there may be a reason to report the customer to the Financial Police. It is also important that the license holder follows up the customer relationship on an ongoing basis by reviewing the customer's activity and,

if necessary, adjusting the rating of the customer and taking more customer due diligence measures.

It is important that in-depth customer due diligence measures are reliable and relevant. In Sweden, relevant public information is available, which enables checks on a person's registered address and income data.

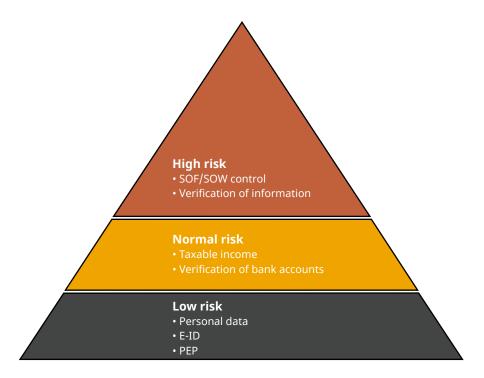
In the case of risk-based work, the measures must be proportionate to the risks, for example, information on taxable income may be appropriate to obtain in case of a normal risk while additional verifications and contact with the customer are required to find out where the customer's money comes from in case of a high risk.

An effective way to reduce the risk of money laundering and terrorist financing can be to apply so-called *closed loop* transactions, which means that the customer is only able to withdraw money to the account from which the deposit was made. This can be achieved by only allowing the customer to use one account for all transactions or by requiring the customer to make withdrawals equal to the deposits to the respective deposit method before the remaining funds can be withdrawn.

<sup>&</sup>lt;sup>3</sup> Statistics Sweden, Net income for residents in Sweden for the whole year by region, gender and age. https://www.statistikdatabasen.scb.se/pxweb/sv/ssd/START\_HE\_HE0110\_HE0110A/NetInk02/.



 $<sup>^2</sup>$  Net income is the sum of all taxable and tax-free income of a person minus tax and other negative transfers (e.g. repaid student loans).



Examples of what customer due diligence measures linked to the level of risk might look like.

### In-depth customer due diligence measures for high-risk customers

For customers at high risk, all steps of customer due diligence measures must be taken. SOF/SOW documentation must be requested for customers classified as high risk.

### In-depth customer due diligence measures for normal-risk customers

For customers with a normal risk level, the same customer due diligence measures as at low risk must be taken. Information on taxable income should be obtained and, where necessary, verification of bank accounts can be carried out.

### Simplified customer due diligence measures for low-risk customers

For customers with low risk, personal data must be collected and/or the customer must identify themselves with e-ID. It should also be checked if the customer is PEP.

# Documentation and processing of personal data

The Money Laundering Act contains rules on documentation and how personal data should be stored. It states, inter alia, that the license holder is obliged to retain documents and data on customer due diligence, information on transactions carried out within a business relationship and single transactions subject to the customer due diligence requirement. license holders must keep documents and data relating to customer due diligence measures for five years. Such documents and data must be dated, in accordance with the Swedish Gambling Authority's regulations and general advice (SIFS 2019:2).

### Risk classification

The rating of customers shall be based on the general risk assessment of the operations and the license holder's knowledge of the customer. When a new customer is registered by the license holder, the customer must be assigned a level of risk. License holders must initially assess whether the customer should be considered low, normal or high risk. The money laundering legislation lists circumstances that may indicate that the risk should be considered low or high. The general risk assessment that the license holder must carry out is fundamental to all other work to prevent money laundering and terrorist financing. It shall form the basis of the operations' procedures and other measures to counter money laundering and terrorist financing.

It is important that the license holder follows up on the rating and, if necessary, adjusts the risk levels. If the risk associated with a customer is deemed to be higher than when the business relationship was entered into, the license holder must find out more information about the customer and, if necessary, tighten the ongoing follow-up and monitoring.

For a customer who poses a high risk, information on taxable income should be obtained on an ongoing basis and the customer's rating should be continuously monitored and, if necessary, revised. However, if the customer is deemed to pose a lower risk, the follow-up and monitoring need not be as extensive or take place as often.

### Model risk management

Where the license holder uses models for risk assessment, rating, monitoring or similar, model risk management procedures shall be in place. The procedures must aim to evaluate and quality assure the models used by the license holder.

#### Indications of high risk

Circumstances indicating high risk may include unusual or irrational gambling patterns, unusually large transactions, reluctance to answer customer due diligence questions or providing documentation to prove the origin of the money. This is stated in the Swedish Gambling Authority's regulations and general advice (SIFS 2019:2). It is very important



to note that in case of one of the above indications the license holder must take appropriate measures to address the risk of being used for money laundering, such as requesting information on the origin of the funds.

#### **Indications of normal risk**

The Swedish Gambling Authority considers that customers who set higher deposit limits than a total of EUR 2,000 and/or gamble more than EUR 2,000 during a rolling 12-month period can be considered normal risk (see Chapter 3, Section 5 of the Money Laundering Act), to the extent that there is no indication that the customer should be classified as high risk.

#### **Indications of low risk**

The Swedish Gambling Authority considers that customers who make deposits totalling less than EUR 2,000 over a rolling 12-month period can be considered as low risk (see Chapter 3, Section 5 of the Money Laundering Act). However, it is important to consider high deposit limits. If a customer sets remarkably high deposit limits when registering or during the business relationship, the license holder must be vigilant that gambling does not escalate rapidly, even though the customer initially poses a low risk of money laundering.

### Monitoring

It is of the utmost importance that license holders continuously monitor the business relationship with their customers. The ongoing monitoring of the business relationship has two purposes. One purpose is to ensure that the customer due diligence is up to date, accurate and sufficient to justify the risk that may be associated with the customer. The second purpose is to detect deviant transactions and activities to prevent the customer from trying to launder money or finance terrorism. The license holder must therefore continuously monitor and review transactions and activities in order to detect deviations from expectations. This includes checking and documenting that the transactions carried out are consistent with the customer due diligence, the customer's business and risk profile and, if necessary, the origin of the customer's financial resources.

The scope and frequency of the monitoring and review depends on the risks in the current business relationship.

# Reporting to the Financial Police

Under the Money Laundering Act, the license holder is obliged to review and report suspicious transactions. If the suspicion remains after the analysis, the license holder must report it promptly to the Financial Police. No evidence that money laundering or terrorist financing has actually taken place is necessary.

It is prohibited under the Money Laundering Act to tell the customer or any third party that a report has been made to the Financial Police.

Read more about reporting to the Financial Police and report here: https://polisen.se/om-polisen/polisens-arbete/finanspolisen/https://fipogoaml.polisen.se/Home



# Internal control and whistleblowing

### Size and nature of the operations

Chapter 7 of the Swedish Gambling Authority's Regulations and General Advice (SIFS 2019:2) contains detailed rules on the cases where the license holder must appoint a specially designated officer, a central function manager and establish an independent audit function.

Where justified by the size and nature of the operations, the license holder shall appoint:

- A member of the management team, CEO or equivalent executive responsible for ensuring that the license holder implements the measures required by the Money Laundering Act.
- A central function manager who is responsible for continuously verifying the existence of guidelines, controls and procedures that effectively manage the risks of money laundering and terrorist financing and reporting to the Financial Police.
- An independent review function that is responsible for verifying that the license holder complies with the Money Laundering Act.

### Whistleblowing system

The license holder shall ensure that there is whistleblower system in place, which means that it must be possible for employees and contractors to report internally if the license holder breaches the anti-money laundering rules. Reporting shall be done through a dedicated, independent and anonymous channel.

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