

Australian Churches Gambling Taskforce

SUBMISSION

Joint Select Committee on Gambling Reform

Inquiry into the Anti-Money Laundering Amendment (Gaming Machine Venues) Bill 2012

15 February 2013

Committee Secretary
Joint Select Committee on Gambling Reform
PO Box 6100
Parliament House
Canberra, ACT, 2600

The Australian Churches Gambling Taskforce (the Taskforce) is supportive of the *Anti-Money Laundering Amendment (Gaming Machine Venues) Bill 2012*, to reduce the threshold transaction on which gaming venues must report transactions.

In its statement on organised crime in Australia in 2011, the Australian Crime Commission explicitly named gambling venues as one of the avenues that had been identified as being used by crime syndicates to launder funds.¹ The ACC suggested that money launderers are constantly looking for the path of least risk in the laundering of funds as “Organised crime will consistently seek to exploit areas that receive less regulatory attention. Collectively, domestic groups and individuals who launder the proceeds of crime demonstrate a significant capability to change and adapt in response to increasing regulatory controls.”²

The Taskforce notes media reporting on one typology of money laundering through gaming venues is for the person to purchase winning tickets from gamblers at the venue and then obtaining cheques from the venue. *The Australian* alleged company records for the Westend Market Hotel in Sunshine North showed between March and August 2012 Cong B Le, his wife and son presented 326 winning tickets worth \$632,396.67 to be cashed at the venue. The Taskforce has no knowledge if the people named in the article were engaged in any money laundering activities. It was alleged the winning tickets were purchased from other gamblers. Staff at the venue interviewed by *The Australian* alleged they were told by venue managers and head office employees at the ALH Group to turn a blind eye to this activity at the venue.³ However, it should be noted that the venue in question is not part of the ALH Group, but the list of approved associates for the venue includes Ross Blair-Holt and Bruce Mathieson. ALH chief executive Ross Blair-Holt denied the ALH had condoned the activity and blamed the venue staff for colluding with the activity. In correspondence with the Uniting Church in Australia, Synod of Victoria and Tasmania, the Chief Executive Office of the ALH Group stated the Westend Market Hotel “has taken disciplinary action including the dismissal of several staff who were found not to be abiding by the AML measures that are in place at the venue.”⁴ Further, “In order to enhance our reporting compliance, ALH has introduced further processes above and beyond what is required by legislation.”⁵

The Taskforce believes it should not be possible for money launderers to purchase cheques from gamblers who have had a win and then cash them, if the venues issued the cheques to the gamblers in question and required adequate levels of identification before issuing the cheque. It is not clear that all venues nationally carry out such a simple safeguard. We note the proposed Bill will place an obligation on financial institutions to have to report to AUSTRAC if a cheque issued for winnings and transferred to another person is presented for deposit.

¹ Australian Crime Commission, “Organised Crime in Australia”, 2011, p. 47.

² Australian Crime Commission, “Organised Crime in Australia”, 2011, p. 49.

³ Chip Le Grand and Adam Shand, “Pub linked to money laundering”, *The Australian*, 20 September 2012.

⁴ Correspondence from Bruce Mathieson Jnr, CEO, ALH Group, 10 January 2013.

⁵ Correspondence from Bruce Mathieson Jnr, CEO, ALH Group, 10 January 2013.

However, this simple safeguard can be circumvented if the money launderer is able to in some way purchase the 'winnings' before the cheque is issued. The Taskforce believes venue staff should be able to notice such activity, as presumably not all gamblers with winnings would react favourably to a stranger seeking to buy their winnings off them and a person or people approaching winning gamblers seeking to make such transactions should stand out even in a crowded a venue. In fact members of the EGM industry made this point themselves in interviews for Australian Institute of Criminology research.⁶ It should trigger a suspicious matter report to AUSTRAC under existing legislative requirements. In venues where this activity occurs without any action by the venue staff or venue management, it would point to a significant disregard on the part of electronic gaming machine (EGM) venues to combat the risks of money laundering. This is of concern given the existing obligations of gaming venues under Chapter 10 of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*. It is suggestive greater effort may be needed to ensure venues take their AML obligations seriously and significant penalties need to apply to encourage venues to take money laundering risks seriously. There has already been published research that the gambling industry takes money laundering risks less seriously than other business sectors, with the Australian Institute of Criminology reporting gambling businesses were the least likely to use AML/CTF software to assist in the identification of such risks, with 74% of those surveyed not using any such software.⁷ Further, owners of pubs and clubs interviewed for the AIC research argued that anti-money laundering legislation was superfluous to their businesses.⁸ Those associated with the gambling sector had the highest level of conducting no monitoring of transactions (at 7.2% of those surveyed) compared to the other business sectors studied by the AIC.⁹ A greater proportion of those connected with the EGM sector believed their operations faced no or low risk to money laundering (13.4%) compared to other business sectors surveyed.¹⁰ This also meant the gambling sector was the sector that most strongly held the view that the AML/CTF regime was too onerous for the level of risk that existed.¹¹ The Taskforce recognises that one of the intentions of the Bill is to get the EGM industry to take the risks of money laundering more seriously.

The current costs of compliance with AML/CTF measures in the gambling sector appear affordable, with only 4.3% of gambling providers surveyed by the Australian Institute Criminology reporting they spent more than \$10,000 in complying with their regulatory obligations and the median regulatory compliance cost being just \$500.¹²

⁶ Julie Walters, Russell Smith, Brent Davis, Kim-Kwang Raymond Choo and Hannah Chadwick, "The anti-money laundering and counter-terrorism financing regime in Australia: Perceptions of regulated businesses in Australia", Australian Institute of Criminology Report 117, 2012, p. 17.

⁷ Julie Walters, Russell Smith, Brent Davis, Kim-Kwang Raymond Choo and Hannah Chadwick, "The anti-money laundering and counter-terrorism financing regime in Australia: Perceptions of regulated businesses in Australia", Australian Institute of Criminology Report 117, 2012, pp. xiv, 30.

⁸ Julie Walters, Russell Smith, Brent Davis, Kim-Kwang Raymond Choo and Hannah Chadwick, "The anti-money laundering and counter-terrorism financing regime in Australia: Perceptions of regulated businesses in Australia", Australian Institute of Criminology Report 117, 2012, p. 17.

⁹ Julie Walters, Russell Smith, Brent Davis, Kim-Kwang Raymond Choo and Hannah Chadwick, "The anti-money laundering and counter-terrorism financing regime in Australia: Perceptions of regulated businesses in Australia", Australian Institute of Criminology Report 117, 2012, p. 43.

¹⁰ Julie Walters, Russell Smith, Brent Davis, Kim-Kwang Raymond Choo and Hannah Chadwick, "The anti-money laundering and counter-terrorism financing regime in Australia: Perceptions of regulated businesses in Australia", Australian Institute of Criminology Report 117, 2012, p. 21.

¹¹ Julie Walters, Russell Smith, Brent Davis, Kim-Kwang Raymond Choo and Hannah Chadwick, "The anti-money laundering and counter-terrorism financing regime in Australia: Perceptions of regulated businesses in Australia", Australian Institute of Criminology Report 117, 2012, p. 60.

¹² Julie Walters, Russell Smith, Brent Davis, Kim-Kwang Raymond Choo and Hannah Chadwick, "The anti-money laundering and counter-terrorism financing regime in Australia: Perceptions of regulated businesses in Australia", Australian Institute of Criminology Report 117, 2012, pp. 55-57.

The Taskforce believes the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* should be amended so that gaming venues are required to identify the customers they are dealing with when the customer is paid out winnings to the value of \$1,000 or more, instead of the existing threshold of \$10,000. The Taskforce notes the research conducted by the AIC found EGM venues placed a low value on customer due diligence as an anti-money laundering strategy compared to the views of other business sectors.¹³ The EGM sector had the lowest compliance with 'know your customer' requirements (75.7%) of all the business sectors studied by the AIC and 17% of EGM industry respondents reported they did not do on-going due diligence of existing customers.¹⁴

Recent Developments

On 7th February 2013, The Australian Crime Commission released a report detailing "the findings of a 12-month investigation into the integrity of Australian sport and the relationship between professional sporting bodies, prohibited substances and organised crime."^[1] This report raises many issues about integrity of sport in Australia, including suggestions of match fixing and raises concerns about the relationship between gambling providers and major sporting codes. We have not had time to consider the details of this report, at this stage, but recognise that it has relevance to this inquiry.

Australian Churches Gambling Taskforce

The Australian Churches Gambling Taskforce (the Taskforce) brings together leaders of the major Christian churches in Australia and the heads of their social services arms nationally. Established in 2011, the Taskforce is united by a commitment to reduce the harms caused by poker machine gambling. Australian churches have a long, proud history of social services provision. Our members are ongoing contributors to the debate on gambling reform, notably through the Productivity Commission reports of 1999 and 2010 and through the Taskforce's support of the National Gambling Reform Bill 2012.

Objectives

The Australian Churches Gambling Taskforce supports:

- the adoption of a national mandatory pre-commitment scheme that requires gamblers in all electronic gaming venues to set spending limits on high impact (high loss) poker machines;
- \$1 maximum bets on all machines which limit losses to \$120 an hour;
- reduced access to cash in gambling venues as a measure to reduce the opportunity for unplanned expenditure on gambling;
- restrictions on online gambling, including wagering and gaming; and
- improving other consumer protection measures as agreed by the Taskforce

¹³ Julie Walters, Russell Smith, Brent Davis, Kim-Kwang Raymond Choo and Hannah Chadwick, "The anti-money laundering and counter-terrorism financing regime in Australia: Perceptions of regulated businesses in Australia", Australian Institute of Criminology Report 117, 2012, p. 21.

¹⁴ Julie Walters, Russell Smith, Brent Davis, Kim-Kwang Raymond Choo and Hannah Chadwick, "The anti-money laundering and counter-terrorism financing regime in Australia: Perceptions of regulated businesses in Australia", Australian Institute of Criminology Report 117, 2012, pp. 27-28.

^[1] The Hon. Jason Care MP, Senator The Hon Kate Lundy, "Organised Crime and Drugs in Sport", Media release, 7th February 2013

People who provide counselling for problem gamblers rightly focus on the individuals they are working with. The priority is to help individuals and families turn their lives around. There are very few voices focusing on the broader public policy issues such as consumer protection. Poker machine gambling is a risk for around a third of regular users. Prevention is the focus of good public policy with measures in place to help people who fall through the safety net.

Membership of the Australian Churches Gambling Taskforce

Chair: Rev Tim Costello, Baptist Union of Australia and CEO of World Vision.

Members: Anglican Church of Australia, Anglicare Australia, Australian Christian Churches, Australian Christian Lobby, Baptist Union of Australia, Baptist Care Australia, the Catholic Church in Australia, Catholic Social Services Australia, Churches of Christ, Lutheran Church, Lutheran Community Care, Presbyterian Church, St Vincent de Paul Society, The Salvation Army, the Uniting Church in Australia, UnitingCare Australia, National Council of Churches in Australia, South Australian Heads of Christian Churches Gambling Taskforce, Tasmanian InterChurch Gambling Taskforce, Victoria InterChurch Gambling Taskforce, NSW Churches Gambling Taskforce.

The work of the taskforce is also supported by a number of advisers and academics.

SUMMARY

The Australian Churches Gambling Taskforce supports efforts to reduce the threshold transaction on which gaming venues must report transactions and recommends the amount should be reduced from \$10,000 to \$1,000.

Adequate levels of identification before winning cheques are issued would prevent money launderers from purchasing these cheques and cashing them later.

The proposed Bill will place an obligation on financial institutions to report to AUSTRAC if a cheque issued for winnings and transferred to another person is presented for deposit.

Attempts to purchase winnings from other patrons should trigger a suspicious matter report to AUSTRAC under existing legislative requirements.

Greater effort may be needed to ensure venues take their AML obligations seriously and significant penalties need to apply to encourage venues to take money laundering risks seriously.

Beyond the proposed legislation, the Taskforce would support enhanced requirements for EGM venues to have to do due diligence of their customers.