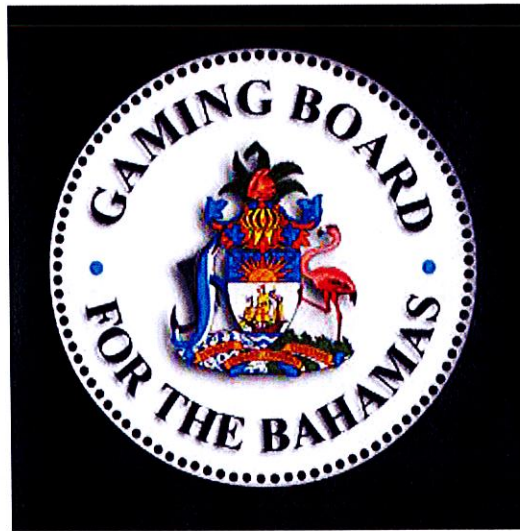


The Gaming Board for The Bahamas



The Prevention of Money Laundering & Combating the Financing of Terrorism

Guidance for Casinos and Gaming Houses
First Edition
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1. ABBREVIATIONS AND ACRONYMS

AML/CFT	Anti-Money laundering /Countering the Financing Terrorism
CDD	Customer Due Diligence
FATF	Financial Action Task Force
CFATF	Caribbean Financial Action Task Force
FIU	Financial Intelligence Unit
ML	Money Laundering
TF	Terrorist Financing
RBA	Risk-Based Approach
PEP	Politically Exposed Person
MLRO	Money Laundering Reporting Officer
POCA	Proceeds of Crime Act
FTRA	Financial Transactions Reporting Act
ATA	Anti-Terrorism Act
STR	Suspicious Transactions Report
MJPHD	Multi-Jurisdictional Personal History Disclosure Form
ICS	Internal Control Standards

2. INTRODUCTION

1. This guidance has been written by the Gaming Board to assist gaming licencees in understanding the requisite processes and procedures that should be undertaken in the battle against money laundering and terrorist financing. Thus, the goal of this document is to provide a resource for gaming licencees in establishing and implementing adequate procedures that meet industry best practices and to help guide their efforts to protect the gaming industry and the broader financial system from money launderers and those involved in illegal activities.

2. Licensees must comply with the gaming and anti-money laundering laws that have been enacted in the fight against money laundering and the financing of terrorism. Patrons will need to appreciate that a licencee's adherence to statute may potentially result in a lengthier and more detailed registration process before patrons can begin utilizing the services of the gaming licensee, coupled with occasions where patrons may have to provide further information about themselves.

3. Moreover, the nature of the gaming sector is such that small weaknesses, if exploited, could pose great risks by virtue of the sums of money involved, the speed of transactions, and the levels of turnover. The entire process requires that there be vigilance on the part of all concerned. Therefore, these guidelines are meant to compliment legal and regulatory requirements.

4. Unless otherwise specified, note that references in this guidance to gaming licencees is not limited to casino operators but also extends to gaming house operators.

3. LEGAL BACKGROUND

1. In 1969, the Lotteries and Gaming Act was passed by the Parliament of The Bahamas, and ushered in the licensing and regulation of casino gaming, under the authority of a gaming licence. The Lotteries and Gaming Act has been amended periodically since the coming into operation thereof in 1969, for the most part to make provision for additional procedures and requirements, as well as to expand the range of activities authorised by a gaming licence. As such, Section 32(1) of the Lotteries and Gaming Act, spoke to the establishment of the Gaming Board for The Bahamas.

2. In 2014, the Gaming Act, and its subsequent legislations were passed by the Parliament of The Bahamas. The Gaming Act seeks to conform with international best-practice standards by putting in place stringent qualification requirements for participation in gaming and related activities. The Gaming Act also establishes a stringent regulatory process for the licensing and regulation of the gaming industry. Section 3 of the Gaming Act provides for the continuation of the Gaming Board as established under the Lotteries and Gaming Act.

3. The stability of the regulatory environment is bolstered by effective and comprehensive law enforcement mechanisms for the identification and elimination of illegal operations as provided for in the Gaming Act. In this regard, the main object of the Gaming Board is to:

- (a) grant or refuse or recommend the grant or refusal of licences and certificates of suitability and activities incidental thereto; and
- (b) to regulate all licensed gaming and activities incidental thereto in The Bahamas, subject to this Act¹.

4. The Gaming Board is also identified as a supervisory authority under the Money Laundering (Proceeds of Crime) (Designation of Supervisory Authority) Notice, 1996. The Gaming Board is thus further empowered to regulate licenced gaming entities to ensure that money laundering and terrorist financing are not permitted to infiltrate the gaming sector within The Bahamas.

¹The Gaming Act, 2014-Section 3(3)

4. THE ROLE OF THE GAMING BOARD

1. The Gaming Board requires gaming licencees to prevent gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime. This guidance document is an important frame of reference to help casino and gaming house operators meet that objective. Whilst potential breaches of Proceeds of Crime Act, 2018 (“POCA”), The Financial Transactions Reporting Act, 2018 (“FTRA”) and the Anti-Terrorism Act, 2018 (“ATA”); will normally be reported to the Financial Intelligence Unit (“FIU”); the investigative authority for potential money laundering and terrorist financing offences; the Gaming Board, in its role as regulator of gaming and all activities incidental thereto in The Bahamas, seeks assurance that risks to the licensing objectives as outlined in the Gaming Laws posed by money laundering activity and terrorist financing are effectively managed.

2. The Gaming Board has adopted a risk -based approach to its role as a supervisory authority. The Board focuses its attention on circumstances where the processing of criminal funds or criminal spend indicates serious failures in an operator’s arrangements for the management of risk and compliance with the relevant anti-money laundering laws in existence in The Bahamas or a breach of a licence condition. Essentially, the Board continuously reviews gaming licencees and their employees to assess their continued suitability to hold a licence.

3. In instances where a gaming licencee fails to uphold the licensing objectives, for example by being ineffective in applying AML/CFT controls or ignoring their responsibilities under existing anti-money laundering legislations; or breaches an applicable licence condition, the Gaming Board will consider reviewing the casino or gaming house operator licence. This could result in the suspension or revocation of the casino or gaming house operator’s licence². The Gaming Board may also consider imposing a penalty where a licence condition has been breached³.

²The Gaming Act, 2014-Section 37

³The Gaming Act, 2014-Section 76; The Financial Transactions Reporting Act, 2018-Section 57

5. THE ROLE OF THE GAMING OPERATOR

1. Casino and Gaming House Operators have a responsibility to uphold the statutory objectives set out in Gaming Act, 2014 and its subsequent regulations. Further, gaming licencees shall endeavour to prevent gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime.

2. In order to avoid breaching statutory provisions which governs gaming and the prevention of AML/CFT; licencees shall take great care in developing internal control processes with particular regard to their business risk assessment. It is particularly important that the licensee's senior management understands its responsibility and be actively involved in the decision making process with regard to the establishment, implementation and enforcement of its risk-based approach policies. As the gaming industry is ever evolving; licencees shall review these internal controls regularly and update with the consent of the Gaming Board, where necessary; so as to remain on the cutting edge of preventing gaming establishments from being utilized to support criminal activities.

6. LICENSING REGIME

6.1. Introduction

1. The Gaming Board’s Licensing Department is considered the “Gateway” to the Gaming Industry. All individuals or entities seeking to be employed within the gaming industry or seeking to conduct business within the gaming industry must firstly be licensed. Essentially, no person in The Bahamas, without the appropriate license, shall conduct or permit the conduct or be directly or indirectly involved in the operation of any gaming business or establishment⁴. The Licensing Department is thus charged with the responsibility for conducting full probity investigations, with respect to all applicants seeking approval to be licensed by the Gaming Board.

2. The purpose of a probity investigation is to determine whether such applicants are suitable or deemed “fit and proper” to receive a licence pursuant to the Gaming Act. Therefore, to qualify for a license, a natural person must be a fit and proper person whose character, integrity, honesty, prior conduct, regard for the law, reputation, habits and associations do not pose a threat to the health, safety, morals, good order and general welfare of the inhabitants of The Bahamas and to the provisions of the Gaming Act⁵. The investigations to ensure a business or individual’s fitness to participate in the gaming industry are extensive. As such, the investigations can encompass but are not limited to an examination of the personal history of the applicant, police reports, education, financial and character reference verification, neighbourhood checks, past and present employment checks, and an interview. The Department also produces detailed reports with the assistance of local and External Enforcement Agencies and other gaming regulatory bodies in various jurisdictions. At the conclusion of investigations, licenses may be issued with or without conditions. Licensing of individuals prior to their participation in the gaming industry is the first step the Board takes in ensuring that gaming is conducted in an honest, competitive environment, free of any criminal element.

6.2. Types of Licenses:

1. There are various Licenses issued by the Gaming Board which includes but are not limited to the following:

- **Gaming License:** Issued to the Operator of a Casino (Patron Base-Non Domestic)

⁴ The Gaming Act, 2014- Section 66

⁵ The Gaming Act, 2014- Section 24

- **Gaming House Operator License:** Issued to the Operator of a Gaming House (Patron Base-Domestic)
- **Supplier License:** Issued to companies distributing gaming devices for use in The Bahamas
- **Key Employee License:** Issued to every executive director or agent of, or any person in the employ of the holder of any operator licence. Key employees can include (managers, supervisors, pit bosses, surveillance personnel, and the like.)
- **Gaming Employee License:** Issued to every employee, excluding a key employee, who is employed by the holder of a principal licence. Gaming employees can include (cashiers and ticket-sellers; dealers and croupiers; machine technicians, and the like.)

6.3. Gaming Operators Internal Investigations

1. Prior to submission of a Gaming Employee or Key Employee License application, it is recommended that a Gaming Operator conducts preliminary due diligence, to ensure that, at a minimum, the applicant is free of any serious criminal element. This procedure would be beneficial to the Operator, in that the **non-refundable** application fees for such applicants can be saved. Please note that once an application is submitted to the Board, the relevant application fee is charged, notwithstanding a withdrawal of the application or non-approval of the same.

6.4. Application Processes

6.4.1. Key Employee License/Gaming Employee License

1. The first step in applying for a Key Employee or a Gaming Employee License is that the Applicant must have been offered employment by the casino or gaming house operator.

2. Subsequent to being offered a position by the casino or gaming house operator, the Applicant is required to complete the requisite “Multi-Jurisdictional Personal History Disclosure Form (MJPHD). The form should be carefully completed in its entirety, inclusive of all requisite signatures and documents attached. Failure to do so can delay the processing of the application or in extreme cases, result in denial. The ensuing list of documents are required:

- a. Duly completed MJPHD Form

- b. Four (4) identical passport size photos signed and dated by a responsible person⁶ on the back. Photo shall not be older than three (3) months old.
- c. Copies of all relevant pages of the applicant's passport ensuring that all visa, work permit and permanent residence entries are clearly legible. Non-Bahamians should provide proof of citizenship and right to work (spousal permit, permanent residence work permit)
- d. Original Criminal Record Character Certificate (not more than three (3) months old)
- e. Original Birth Certificate or Original Affidavit.
- f. A copy of current Driver's license
- g. Original Finger Print Card
- h. Three (3) Original Character References (signed and dated not more than six (6) months old inclusive of the contact details of the persons giving the character reference.
- i. Original Marriage Certificate or Divorce Decree where applicable.
- j. Educational Verification (attached certified copies of all tertiary qualifications)
- k. Proof of Ownership of all vehicles
- l. Bank Statements for a three (3) month period for each bank account listed
- m. A Bank Reference Letter
- n. Proof of Residence Verification i.e. (Voters Card, Mortgage Agreement, Lease, Utility Bill)
- o. Business Affiliations and Prior Gaming Licenses
- p. Income Tax Returns if applicable copies of tax returns for the three (3) years preceding the date of the application. If the Applicant was not required to file Income Tax Returns for three (3) years directly preceding the date of this application, the applicant shall provide proof of one's income for the previous three (3) months as well as copies of one's salary (pay slip) for the past three (3) months.
- q. Court Support Documents

⁶ Responsible Person can include the following: Justice of the Peace, Minister of Religion, or Notary Public.

- r. If ever declared legally insolvent, bankrupt have filed a petition for any type of bankruptcy or insolvency under any bankruptcy or Insolvency Act, one must provide a certified and legible copy of the Court order
 - s. Notarized Authorization Release Form
 - t. Temporary Employee License Form signed and notarized (where applicable).
3. Prior to submission of the application, the Applicant must bear in mind that the Board is assessing his/her character, honesty and integrity, therefore the Applicant is to ensure the following:
- a. Every question has been answered completely and truthfully
 - b. That he/she has followed all instructions on each application
 - c. All requisite documents are attached.
 - d. That he/she has retained a copy of his/her records/documents
 - e. The Multi Jurisdictional Personal History Disclosure Form (MJPHD) is notarized
 - f. Authorization Release Form is notarized (See Appendix # 1)

6.4.2. Notes:

THE FOLLOWING SHOULD BE NOTED:

1. Having a Criminal record may affect the outcome of your application, particularly if one has been convicted within the **past ten (10) years** in the Bahamas or elsewhere of any criminal activity⁷.
2. Subsequent to approval, all licenses are valid for a period of one (1) year.
3. Full probity is conducted during the first year (initial application) and Limited Probity is conducted during the second and third year.
4. All renewal application forms are due for submission to the Gaming Board **ninety (90)** days in advance of the Licensees expiration date of the license.
5. As a means of ensuring compliance, failure to submit all requisite documents and/or avail oneself for all scheduled interviews and or appointments, the Board reserves the right to

⁷The Gaming Act, 2014, Section 25

place such applicants on a “**Stop List**”. This means that the individual will no longer be able to function in the *approved* or *requested* capacity in the Casino or Gaming House.

6.4.3. Renewal Process:

1. With regards to limited probity for a **Gaming/Key Employee**, the Operator submits either an “*Application to Renew a Gaming Employee License*” or the “*Application to Renew a Key Employee License*” on behalf of the employee **ninety (90)** days in advance of the expiration date by the Board. The application should be accompanied by a police certificate not more than **three (3)** months old and a signed and notarized “*Authorisation for Examination and Release of Information Indemnification*” form. Further, documented proof of any updated personal information should be submitted as a means of updating the relevant file (e.g. new Passport, Driver’s License, National Insurance Card, Work Permit (where applicable)).
2. It should be noted that at any time during the course of the year, The Gaming Board reserves the right to call a licensee in, if deemed necessary due to receipt of any derogatory information pertaining to him/her. **The Board reserves the right to revoke a license at any time, if deemed necessary.**

6.4.4. Supplier License:

1. A supplier license is required by every person who distributes any gaming device for use in The Bahamas to the holder of a license issued under the Gaming Act, 2014. A supplier license is only issued to a company⁸. Therefore, the ensuing list of items shall be submitted to the Gaming Board when seeking approval for the same:
 1. An original completed Supplier License Application Form. This application form should be completed by the person authorized thereto by the applicant company identified on the first page.
 2. A signed and notarized Authorization for examination and release of information and indemnification is attached.
 3. Affidavit signed and notarized.
 4. A certified copy of resolution by the Board of Directors authorizing the signatory submitted.

⁸The Gaming Act, 2014- Section 47

5. Certified copies provided of statements (for the past three (3) months) of all the bank accounts listed.
6. A list of persons or entities holding indirect shareholding of 30% or more in the application. **(Persons listed must submit a Personal History Disclosure Form and entities must submit a Business Entity Disclosure Form for Certificates of Suitability).**
7. Audited financial statements of the applicant for the past year provided.
8. An updated organisational chart in respect of the applicant, which illustrates the organisational hierarchy and job descriptions with the names of all the incumbents provided.
9. A diagrammatic flowchart attached; which illustrates the entire relationship of all the entities / ownership involved to the applicant (where applicable).
10. A certified copy of the most recent share/security register provided.
11. Annual reports of the owner(s) for the past year provided.
12. List of all current Supplier licenses attached.
13. Tax Returns for the previous three (3) years.
14. Certification from an accredited Independent Testing Laboratory
15. Copy of VAT Certificate, inclusive of TIN Number (Where applicable).

6.4.5. Certificate of Suitability (Business Entity)

A corporate body wishing to hold or procure a financial interest of 5% or more in the holder of an operator license; or a financial interest of 30% or more in the holder of a supplier license will require a certificate of suitability to hold such interest. ***The following must be submitted:***

1. A completed original application form.
2. A signed and notarized Authorization for Examination and Release of Information and Indemnification is attached.
3. Affidavit signed and notarized.
4. A certified copy of resolution by the Board of Directors authorizing the signatory to sign the application documents on behalf of the applicant.

5. Application form completed by the person authorized thereto by the applicant company identified on the front page.
6. Certified copies provided of statements (for the past three (3) months) of all the bank accounts listed.
7. List of persons holding indirect shareholding of 30% or more in the company.
8. Audited financial statements of the company for the past one (1) year provided.
9. An updated organisational chart in respect of the applicant, which illustrates the organisational hierarchy and job descriptions with the names of all the incumbents provided.
10. A diagrammatic flowchart attached; which illustrates the entire relationship of all the entities / ownership involved to the applicant (where applicable).
11. A certified copy of the most recent share/security register provided.
12. Annual reports of the owner/s for the past year provided.
13. List of all current Supplier licenses attached.
14. Tax Returns for the previous three (3) years.
15. Copy of current business license/ certificate of good standing.
16. Copy of VAT Certificate, inclusive of TIN Number.

6.4.6. Certificate of Suitability Checklist (Natural Person)

A natural person wishing to hold or procure a financial interest of 5% or more in the holder of an operator license; or a financial interest of 30% or more in the holder of a supplier license will require a certificate of suitability to hold such interest. The following must be submitted:

1. A completed original application form
2. A signed and notarized Authorization for examination and release of information and indemnification is attached
3. Affidavit signed and notarized
4. Copy of all relevant identifying pages of passport.
5. Copy of Birth Certificate

6. Current Police Certificate(not dated more than six (6) months)
7. Finger print card
8. Character Reference letters three (3)
9. Two (2) Passport size photos
10. Copy of valid Driver's License
11. Certified copy of agreement showing proof of financial interest
12. Tax Returns for the previous three (3) years
13. Certified copies of financial statements (for the past three (3) months) of all the bank accounts listed

7. RISK BASED APPROACH

1. A risk based approach is part of the statutory mandate inherent in the Gaming Act, 2014 and its subsequent regulations particularly as it relates to the supervisory framework appurtenant to regulating the Gaming Industry in The Bahamas. Thus, under existing regulations, casinos and gaming houses are required to develop and maintain a robust risk based anti-money laundering program.

7.1 Risk Assessment

1. In the most basic sense of the word, a risk can be defined as a situation involving exposure to danger. In determining which situations can place casinos and gaming houses in peril; in conducting a risk assessment an analysis can be done of standard risk categories utilized by the Financial Action Task Force (“FATF”) namely:

- Country or Geographic risk
- Customer Risk
- Transaction Risk.

2. A key to the conduct of any risk assessment is to adopt an approach which facilitates a distinction between the extent of different risks to assist with prioritization of mitigation efforts. The risk assessment process should consist of the following standard stages:

Identification: This stage seeks to develop an initial list of potential risks or risk factors when combating money laundering and terrorist financing.

Analysis: This stage involves consideration of the nature, sources, likelihood, impact and consequences of the identified risks or risk factors. The aim of this stage is to gain a comprehensive understanding of each of the risks. Risk analysis can be undertaken with varying degrees of detail, depending on the type of risk, the purpose of the risk assessment, and the information, data and resources available.

Evaluation: This stage involves assessing the risks analysed during the previous stage to determine priorities for addressing them, taking into account the purpose established at the beginning of the assessment process. These priorities can then contribute to the development of a strategy for the mitigation of the risks.

7.2. Business Risk Assessment

1. The implementation of a risk based approach is highly dependent on the gaming houses or casinos business risk assessment. The drafting of the business risk assessment is a very important task which requires careful consideration. Gaming licencees are in the best position to identify those areas of their operations that present the greatest risks of money laundering and terrorist financing and therefore those which should be the focus of their attention. The licensee can determine the most cost effective and proportionate way of managing those risks in a manner that is both flexible and effective. The Business Risk Assessment therefore encompasses an assessment of the licensee's exposure to money laundering and terrorist financing risks and vulnerabilities. Thus, the ICS emanating from the risk assessments shall explain the steps that will be taken to meet legislative requirements and the timescale involved. Therefore, licencees are required to demonstrate:

- How they have determined the money laundering and terrorist financing risks to their operation;
- The steps that have been taken to manage those risks;
- The strategy has been approved by senior management and the Board.
- It will also be necessary for the licencee to demonstrate that the risk assessment and strategy are being kept under review.

2. In addition to that which the licencees must demonstrate; more specifically licencees must assess the risk posed by:

- The Industry
- Customers
- Products and Services
- Payment Methods
- Location
- Employees
- New and Emerging Technologies

3. Licensees must also design controls or processes to manage risks and identify:

- Complex Transactions
- Unusual Transactions
- Transactions Outside a Customer's Normal Pattern of Activity
- Transactions Arising from a Country Which Does Not Apply or Insufficiently Applies FATF Recommendations.

4. Licensees must monitor information held relative to:

- Customers' Financial Habits
- Customers' Gambling Habits

5. Casino and gaming house operators should also give due consideration to the money laundering risks posed by their business-to-business relationships, including any third parties they contract with. The assessment of these risks is based, among other things, on the risks posed to the operator by transactions and arrangements with business associates and third party suppliers such as gaming product suppliers or payment providers and processors, including their beneficial ownership and source of funds. Effective management of third party relationships should assure Casino and Gaming House operators that the relationship is a legitimate one, and that they can evidence why their confidence is justified.

6. Licensees must also record in writing and detail actions that are taken in their pursuit to achieve compliance with the gaming laws particularly as it relates to the execution of their business risk assessments.

7.3 Internal Controls

1. All Gaming House Operators and Casinos prior to commencing licensed operations, shall develop and submit for the Board's approval written internal control standards which set forth controls that are in place to effectively manage and minimize gaming related risks. Also, casino and gaming house operators shall set forth controls to be implemented by it to ensure:

- a. The integrity of its gaming operation;
- b. That gaming devices, documents and information are properly controlled and safeguarded;
- c. That unaccounted drop is secured;
- d. That financial and other gaming-related records are accurate and reliable;
- e. That gaming-related transactions are preformed with the necessary authorisation;
- f. That gaming-related transactions are recorded in sufficient detail to ensure the proper reporting of gaming revenue, taxes and other fees due;
- g. That appropriate measures and procedures are in place to ensure compliance with all applicable provisions of the Financial Transaction Reporting Act, the Financial Transactions Reporting Regulations, the Financial Intelligence Unit Act, the

Financial Intelligence (Transactions Reporting) Regulations, and the Proceeds of Crime Act; and

- h. That gaming-related functions, duties and responsibilities are appropriately segregated and performed in accordance with sound practices by competent and appropriately qualified employees⁹.

2. Further, the internal control systems developed by Gaming House Operators and Casinos, shall describe programmes which were developed by the licensee, having regard to its business risk assessment to ensure that it has such policies, procedures and controls as are appropriate and effective for the purposes of forestalling, preventing and detecting money laundering and terrorist financing¹⁰. Essentially, casinos and gaming houses internal control procedures which are compiled pursuant to the licensee's business risk assessment shall include information such as:

- a. applicable internal policies, procedures and controls, including its policy for reviewing at appropriate intervals its compliance with the requirements of regulations;
- b. arrangements to manage compliance;
- c. screening practices when recruiting relevant employees;
- d. ongoing employee training programme;
- e. audit function to test its systems;
- f. measures taken to keep abreast of and guard against the use of technological developments and new methodologies in money laundering and terrorist financing schemes;
- g. patron identification and verification systems; and
- h. ongoing due diligence of the patron relationship.

3. Moreover, casinos and gaming houses are required to regularly review their business risk assessment so as to keep it up to date¹¹. Casinos and gaming houses shall also seek approval from the Board, where a change is required to its internal control procedures based on the review.

⁹Gaming Act, 2014- Section 83(1)

¹⁰Gaming House Operator Regulations, 2014-Regulation 6(3) & Gaming Regulations, 2014-Regulation 139(3)

¹¹Gaming House Operator Regulations, 2014-Regulation 10(2)(a)& Gaming Regulations, 2014-Regulation 143(2)(a)

4. Furthermore, prior to registering a patron, or as soon as reasonably practicable thereafter; gaming houses and casinos are required to undertake a risk assessment in respect of that patron¹². Additionally, the risk assessment of the patron shall also be regularly reviewed so as to keep it up dated¹³. Thus, in this vein, gaming licencees are required to consider their business risk at regular intervals to ensure that it has not become susceptible to new methodologies of money laundering or terrorist financing. The review period has to take into account the size, nature, and complexity of the licencee's gambling offering; its registered customers, and the way it provides its services¹⁴.

5. Therefore, gaming houses and casinos should manage their risks in such a way to meet the aims of the gaming legislations relative to business risk assessments and patron risk assessments. This approach enables casinos and gaming houses to focus their efforts where it is most needed and where it would have significant impact.

7.3.1. Reserves

1. Additionally, an essential component relative to the operations of gaming houses is that of reserves. As such, gaming house operators must set forth controls and procedures to effectively manage reserve accounts. In this regard, Gaming House Operators are required to maintain an adequate reserve which is a restricted account that consists of approved funding sources (cash, cash equivalents, an irrevocable letter of credit, a bond or a combination thereof), used exclusively for the benefit and protection of registered patrons' funds held in patron accounts. The amount of the reserve shall be equal to the sum of all registered patrons' funds held in patron accounts, provided that amounts available to registered players for play that are not redeemable for cash may be excluded from the reserve requirement¹⁵.

2. Gaming House Operators must calculate its reserve requirements daily, provided that if an operator determines that its reserve is not sufficient to cover the calculated requirement, the operator must, within twenty-four hours, notify the Board of this fact in writing and must also indicate the steps the operator has taken to remedy the deficiency¹⁶.

3. In addition to the reserve requirements, a gaming house operator

- (i) Shall maintain cash in the sum of twenty five per centum (25%) of the total amount of registered patrons' funds held in patron accounts, excluding those funds that are not redeemable for cash.

¹²Gaming House Operator Regulations, 2014-Regulation 19(2) & Gaming Regulations, 2014-Regulation 150(2)

¹³Gaming House Operator Regulations, 2014-Regulation 21 & Gaming Regulations, 2014-Regulation 152

¹⁴Gaming Regulations, 2014-Regulation 139(4)

¹⁵The Gaming House Operator Regulations, 2014- Regulation 42(2)

¹⁶The Gaming House Operator Regulations, 2014- Regulation 42(5)

- (ii) Must engage an independent certified public accountant to examine the records relating to the reserve each month and determine the reserve amounts required for each day of the previous month and the reserve amounts actually maintained by the operator on the corresponding days.
- (iii) Moreover, the accountant shall report the findings with respect to each day of the month under review in writing to the Board and to the operator no later than the tenth (10th) day of the month following the month in respect of which the review was conducted¹⁷.

7.3.2. Signatures

1. An organizational structure for each licensee shall be implemented and maintained consisting of Executive Management, Departments/Divisions/Sections and Job Responsibilities; to ensure segregation of incompatible functions into independent sectors of the organization. A clear chain of command should also be created which will ensure continuous authorisation and supervision of gaming and related activities. In this regard, a signature listing is required so as to ensure the proper operation and effective supervision of all gaming and related activities in an attempt to ensure that the same is not compromised. Persons deemed to be directly involved in the activities performed under the principal licence has, or will have, the express, implied or reasonably incidental authority to perform any activity in respect of the gaming operations of the principal licence holder which, in the opinion of the Board, may reasonably enable the person on whom such authority is conferred –

- a. To manipulate or alter the selection of criteria which determine the result of any game on which wagering is accepted;
- b. To engage or participate in cheating, as deemed in Section 68¹⁸ of the Gaming Act, 2014; or
- c. To misrepresent to any authority the tax liability of the licence holder.

2. For that reason signatures are required by all key and gaming employees in the execution of their duties.

3. Signatures shall –

- a. be, at a minimum, the signatory's first initial and last name
- b. be immediately adjacent to or above the clearly printed or pre-printed, title of the signer and his Certificate Number issued by the Board;

¹⁷The Gaming House Operator Regulations, 2014- Regulation 42(6)

¹⁸ Cheating and Cheating Devices

- c. indicate that the signatory has prepared forms, records, and documents, and/or authorized, observed, and/or participated in a transaction to a sufficient extent to attest to the accuracy of the information recorded thereon, in conformity with gaming regulations and the Licensees system of accounting and internal controls, and
 - d. indicate that if the signatory is required by the relevant regulations to count or observe the count of gaming chips that such count was made by breaking down stacks of chips to the extent necessary.
4. Signature records shall be prepared for each gaming and key employee required to sign or initial forms, records, and documents and shall include specimens of signatures, initials and titles of signatories. Such signature records shall be maintained on a dated signature card file, alphabetically by name, within a Department. The signature records shall be adjusted, on a timely basis to reflect changes of personnel. Signature records shall be securely stored in the Accounting Department.

7.4 Summary

1. The ICS is used by the Gaming Board to assess the procedures put in place by an operator prior to the operator being permitted to commence operations in order to comply with the legislation and also to evaluate the operator's ongoing performance with regard to these processes. An ICS should not be confused with a business risk assessment which is required specifically in relation to procedures relating to money laundering and the funding of terrorism.
2. The Gaming Board undertakes regular on-site inspections and off-site supervisory activities of the licensee's operations to assess whether the gaming licensee is conducting its business in a controlled manner, in conformity with law and regulation, and to assess the correct application of the procedures documented in the approved ICS, and whether the gaming licensee's current approved ICS remains relevant and appropriate to the business. The licensee must therefore ensure all operational changes are addressed in the ICS, and secure the Board's formal approval prior to amending or implementing any such change in policy, procedures, or standards as contained in an approved ICS¹⁹. Failure to comply with the approved ICSs may result in a penalty not exceeding five thousand dollars (\$5000.00)²⁰.

¹⁹Gaming Act, 2014- Section 83(2)

²⁰Gaming Act, 2014- Section 83(6)

8. CUSTOMER DUE DILIGENCE

8.1 Introduction

1. A key statutory requirement is to make checks on patrons, which can otherwise be described as Customer Due Diligence “CDD”. CDD information comprises the facts about a patron that would enable a casino or gaming house to assess the extent to which the patron exposes the gaming licensee to a range of risks; particularly those related to money laundering and terrorist financing.

2. Casino and Gaming House operators must apply CDD measures if they:

- Establish a business relationship
- Suspect money laundering or terrorist financing
- Doubt the veracity or adequacy of documents or information previously obtained for the purposes of identification or verification
- Carry out an occasional transaction that amounts to \$3000.00 (USD/BAH) or more, whether the transaction is executed in a single operation or in several operations which appear to be linked.

3. Nonetheless, whether or not a business relationship with a patron has been established or there is no suspicion of money laundering or terrorist financing; CDD measures should still be undertaken.

4. Casino and Gaming House operators must also apply CDD measures:

- At appropriate times to existing customers on a risk-based approach,
- When the operator becomes aware that the circumstances of an existing patron relevant to its risk assessment for that patron have changed.

5. As such, in determining when it is appropriate to apply CDD measures to existing patrons, Casino and Gaming House operators must take into account the following, among other things:

- Any indication that the identity of the patron has changed;
- Any transactions which are not reasonably consistent with the operator's knowledge of the customer;

- Any change in the purpose or intended nature of the operator's relationship with the patron;
- Any other matter which could affect the operator's assessment of the money laundering or terrorist financing risk in relation to the customer.

8.2 Customer Due Diligence Measures

1. CDD measures consist of:

- Identifying the customer, inclusive of beneficial owners of legal entities, unless the identity of the customer is known to, and has been verified by, the casino and gaming house operator;
- Verifying the customer's identity, inclusive of beneficial owners of legal entities, unless the customer's identity has already been verified by the casino and gaming house operator;
- Assessing and, where appropriate, obtaining information on the purpose and intended nature of the business relationship.

2. The ways in which a casino and gaming house operator meets the requirements for CDD and the extent of the measures it takes must reflect the risk assessment it has carried out, and its assessment of the level of risk arising in any particular case. This may differ from case to case.

3. In assessing the level of risk arising in a particular case, casino and gaming house operators must take account of factors including, among other things:

- The purpose of a patron account, transaction or business relationship
- The amount deposited by a patron or the size of the transactions undertaken by the patron
- The regularity and duration of the business relationship.

4. Additionally, casino and gaming house operators should satisfy themselves that the sources of information employed to carry out CDD checks are suitable to mitigate the full range of risks to which they might be exposed, and these would include money laundering and social responsibility risks, such as those related to problem gaming²¹. As such, casino and gaming house operators must be able to demonstrate to the Gaming Board that the extent of the CDD measures they take are appropriate in view of the risks of money laundering and terrorist

²¹The Gaming Regulations, 2014; Regulation 157-Identifying Patrons at Risk for Problem Gaming

financing, including risks identified by the casino and gaming house operator business risk assessment.

8.3 Identification And Verification

1. Notably, applying CDD measures involves several steps. The casino and gaming house operator is required to identify patrons and then verify their identities. Identification of a patron means being told or coming to know of the patron's identifying details, such as their name and address. Verification means obtaining some evidence which supports this claim of identity. The casino and gaming house operator identifies the patron by obtaining a range of information about the patron. The verification of the identity consists of the casino and gaming house operator verifying some of this information against documents, data or information obtained from a reliable and independent source.

8.3.1. Identification

1. Identification of patrons consists of a number of aspects, including retrieving relevant identifying information such as the patron's name, current and past addresses, date of birth, place of birth, physical appearance, employment and financial history, and family circumstances, and other like information. Also, it would be beneficial to casino and gaming house operators to obtain information on a patron's source of funds and level of legitimate income, for example their occupation. This information may assist a gaming licensee with their assessment about whether a patron's level of gambling is proportionate to their approximate income, or whether it is suspicious.

8.3.2. Verification

1. The Financial Transaction Reporting Regulations, 2018; outlines the procedure for verification; particularly the information that is required when verifying patron identification²². As such, information about a patron's identity must then be verified through documents, data and information which come from a reliable and independent source. In this regard, it is generally considered good practice to require either:

- A government document which verifies either name and address, or name and date of birth; or

²² The Financial Transactions Reporting Regulations, 2018 - Regulation 4

- A government document which verifies the patron's full name and another supporting document which verifies their name and either their address or date of birth.

2. Also, there are a number of processes detailed below which when used may increase the confidence that there is no money laundering or terrorist financing concern associated with the patron:

- Validation of patron documents - Certified copies of documents to validate name, address, date of birth and source of funds of the customer.
- Source of funds - Confirm the immediate source from which the funds have derived.
- Source of Wealth – corroborate sustainable wealth that matches the customer's gambling profile. This may also overlap with responsible gambling considerations. Accurately identifying a customer's source of funds and source of wealth can be a complex process and one in which approaching a patron directly for relevant evidence may be a last resort.

3. Nonetheless, no method of verification, either documentary or electronic, can conclusively prove that a patron is who one may claim to be. However, the Gaming Board expects casinos and gaming house operators to be reasonably satisfied, following appropriate inquiry, that patrons are who they claim to be.

4. Finally, patron verification is key in ensuring that casino and gaming house operators can be satisfied that patrons are who they say they are and are not acting on behalf of anyone else and that they do not feature on a PEP or Sanctions list. Patron co-operation is vital to ensure that the right information is provided and verified and one way in which this is achieved is by making the patron verification process as easy and user friendly as possible. Thus, patrons should be notified that they must undergo a standard verification process before they can begin to use the services of a gaming licensee.

8.4. Ongoing Monitoring

1. Casinos and Gaming House operators are statutorily required to conduct ongoing monitoring of their patron relationship so as to keep it updated²³. Casinos and gaming houses are expected to approach this requirement on a risk-sensitive basis. Essentially, regular players should be the subject of closer scrutiny and their level of play should be assessed with reference to the information already known about them, and where necessary, additional information must

²³The Gaming Regulations, 2014; Regulation 152 & The Gaming House Operator Regulations, 2014; Regulation 21

be collected and retained about the source of their funds. Thus ongoing monitoring of a patron relationship may include but are not limited to the following:

- Scrutiny of transactions undertaken throughout the course of the relationship (including, where necessary, the source of funds) to ensure that the transactions are consistent with the casino and gaming house operator's knowledge of the patron, the patron's business and risk profile; and
- Undertaking reviews of existing records and keeping the documents or information obtained for the purpose of applying CDD measures up-to-date.

8.5. Enhanced Customer Due Diligence And Enhanced Ongoing Monitoring

1. The aim of Enhanced Due Diligence is to obtain a level of confidence that the account is not funded by the proceeds of crime or used to finance terrorism. Therefore, casino and gaming house operators must apply enhanced customer due diligence measures and enhanced ongoing monitoring, in addition to the required CDD measures, to manage and mitigate the money laundering or terrorist financing risks arising in the following cases:

- In any case identified by a casino or gaming house operator or on information provided by the Gaming Board to a casino or gaming house operator as one where there is a high risk of money laundering or terrorist financing;
- In the case of casinos; in any business relationship or transaction with a patron situated in a high-risk country as identified by the FATF;
- In instances where the casino or gaming house operator has determined that a customer or potential customer is a PEP, or a family member or known close associate of a PEP;
- In any case where a casino or gaming house operator discovers that a patron has provided false or stolen identification documentation or information and the casino or gaming house operator proposes to continue to deal with the patron;
- In any case where a transaction is complex or unusually large, or there is an unusual pattern of transactions, and the transaction(s) have no apparent economic or legal purpose in any other case which, by its nature, can present a higher risk of money laundering or terrorist financing.

2. Also, when assessing whether there is a high risk of money laundering or terrorist financing in a particular situation, and the extent of the measures which should be taken to

manage and mitigate the risk, casino and gaming house operators must take account of the following risk factors, among other variables such as whether:

- The business relationship is conducted in unusual circumstances
- In the case of a casino, the customer is resident in a geographical area of high risk
- The product or transaction might favour anonymity
- The situation involves non-face-to-face business relationships or transactions (as in the case of gaming houses)
- Payments will be received from unknown or unassociated third parties of the patron
- New products and new business practices are involved, including new delivery mechanisms, and the use of new or developing technologies (such as virtual currencies) for both existing and new products
- In the case of casinos, the business relationship or transaction involves countries identified by credible sources (such as evaluations, detailed assessment reports or follow-up reports published by FATF, the International Monetary Fund, the World Bank, the organisation for Economic Cooperation and Development or other international bodies or non-governmental organisations) as not having effective systems to counter money laundering or terrorist financing or as not implementing requirements to counter money laundering and terrorist financing that are consistent with the FATF recommendations.

3. The Gaming Board recommends that casino and gaming house operators also consider the following factors when assessing whether there is a high risk of money laundering or terrorist financing:

- The patron transacts with significant amounts of cash;
- The patron provides false, forged or stolen identification documentation upon establishing a business relationship;
- The patron transacts with multiple gaming house operators;
- The product, service or transaction involves Ticket In/Ticket Out (TITO) or similar technology.

4. Notwithstanding the above mentioned factors, in assessing whether there is a high risk of money laundering or terrorist financing, casino and gaming operators must bear in mind that the presence of one or more of the risk factors listed above may not always indicate that there is a high risk in a particular situation.

8.6. Third Party Reliance

1. A casino or gaming house operator may rely on a third party to undertake CDD measures. However, a casino or gaming house operator may not rely on a third party where the third party is suspected of breach or an offence has been committed against any lawful measure or policy designed to minimize or eliminate the risks associated with corruption, cybercrime, human trafficking, money laundering, proliferation or financing of weapons of mass destruction, terrorism or financing of terrorism or any such other risk²⁴.

2. Casino and gaming house operators relying on a third party shall immediately obtain the necessary information from the third party relative to CDD measures, inclusive of the identity of each account holder and beneficial owner²⁵. Casino and gaming house operators must also take adequate steps to satisfy themselves that the third party will upon request, provide without delay copies of identification information and other relevant documents relating to CDD requirements; and that the third party is established in, or is subject to the laws of a foreign jurisdiction where it is subject to requirements equivalent to those specified in the Financial Transactions Reporting Act, 2018, and is regulated, supervised or monitored as to compliance equivalent to those specified in the said Act²⁶.

3. Notwithstanding a casino or gaming house operator's reliance on a third party to undertake CDD measures; the respective operators remain primarily responsible for compliance with the relevant legislations appurtenant to CDD and reporting requirements²⁷.

8.7. Cessation of Transactions/Termination of Relationship

1. Casino and gaming house operators must have clear policies in place on how they will manage situations where they are unable to apply CDD measures. The ICS will need to explain the measures that will be taken by the operator should this occur. In particular the ICS will need to detail the processes that will be taken not to register a prospective customer and to terminate the customer relationship where the failure relates to an existing customer.

²⁴The Financial Transactions Reporting Act, 2018- Section 9(1)

²⁵The Financial Transactions Reporting Act, 2018- Section 9(2)(a)

²⁶The Financial Transactions Reporting Act, 2018- Section 9(2)(b)

²⁷The Financial Transactions Reporting Act, 2018- Section 9(4)

2. Financial Institutions shall undertake CDD measures when opening an account²⁸. Where a casino or gaming house operator is unable to fulfill CDD requirements; the operator shall not open an account or establish a business relationship²⁹. However, there are instances where persons conduct an occasional transaction which does not necessitate the opening of an account. Thus, at the point where the transaction threshold is arrived at for occasional transaction which would thereby trigger the invocation of CDD measures; where such measures cannot be completed in relation to the existing customer; the casino or gaming house operator must not carry out the transaction; terminate the business relationship; and consider filing a suspicious transaction report³⁰.

²⁸The Financial Transactions Reporting Act, 2018- Section 6(1)

²⁹The Financial Transactions Reporting Act, 2018- Section 11(1)(a)

³⁰The Financial Transactions Reporting Act, 2018- Section 11(1)(b)(c)(d)

9. RECORD KEEPING AND RETENTION

9.1. Record Keeping

1. Casinos and Gaming Houses are required to retain records to ensure that there is readily available a full audit trail in respect of the gaming transactions made by patrons in the event that a financial or other investigation is undertaken by a law enforcement body or the Gaming Board for compliance purposes. Also, the retention of records particularly as it relates to gaming transactions greatly assists in investigations and ensures that criminal funds are kept out of the gaming industry, or if not, that they may be detected and confiscated by the appropriate authorities.
2. Holders of a licence under the Gaming Act, are required to keep such books³¹, accounts, and records and furnish such returns as may be prescribed or required by any rule made pursuant to **Section 82** of the **Gaming Act**. Also, casino and gaming house operators must have written controls which are to be implemented by the licensee to ensure that financial and other gaming related records are accurate and reliable³². Therefore, to ensure that the record keeping requirements of the Regulations are met, a licensee must have appropriate and effective policies, procedures and controls in place to require that records are prepared, kept for the stipulated period and are in retrievable form so as to be available on a timely basis.
3. In addition to the obligation placed on Casinos and Gaming Houses pursuant to the Financial Transactions Reporting Act where such entities are obligated to keep transaction records in relation to every transaction conducted through the said entities; particularly as it relates to keeping such records as are reasonably necessary to enable that transaction to be readily reconstructed by the Financial Intelligence Unit; the Gaming Regulations of the Bahamas explicitly expounds upon the record retention requirements. In this vein, as it relates to:

9.2. Casinos

1. Every casino operator and licensed junket operator shall keep, in relation to each patron of the casino to whom the casino operator or licensed junket operator grants credit, as the case may be —
 - (a) a copy of the signed credit agreement entered into with the patron and any supporting documentation, amendment or supplementary agreement thereto for not less than five (5) years after the expiry of the agreement;

³¹ The Gaming Act, 2014-Section 53

³² The Gaming Act, 2014-Section 83(1)(e)

- (b) a copy of any signed application for a cheque-cashing facility by the patron for not less than five (5) years after the expiry of the facility; and
- (c) the following records relating to the patron's credit account and, where applicable, cheque-cashing account for not less than five (5) years after the completion of the transaction to which the record relates —
 - (i) in the case of a casino operator, the records specified in the system of internal control standards approved by the Board under section 83 of the Act; and
 - (ii) in the case of a licensed junket operator —
 - (aa) the amount of each issuance of chips on credit to a patron or amount of credit given for a patron's deposit account, and the date of issuance of such chips or amount on credit; and
 - (bb) the amount of each repayment of chips on credit or credit given for the patron's deposit account, and the date of such repayment³³.

9.3. Gaming Houses

1. In addition to any other record required by statute, gaming house operators shall maintain complete and accurate records of all matters related to interactive gaming activities, including without limitation the following—

- (a) the identity of all current and prior registered players;
- (b) all information used to register a patron;
- (c) a record of any changes made to a patron account;
- (d) a record and summary of all person-to-person contact, by telephone or otherwise, with a registered player;
- (e) all deposits into and withdrawals from a patron account;
- (f) a complete game history for every game played including the identification of all registered players who participate in a game, the date and time a game begins and ends, the outcome of every game, the amounts wagered, and the amounts won or lost by each registered player; and

³³The Gaming Regulations, 2014-Regulation 61

(g) disputes arising.

2. An operator shall preserve the records required by this regulation for at least five (5) years after they are made. Such records may be stored by electronic means, but must be maintained on the premises of the licence holder or must otherwise be immediately available for inspection³⁴.

9.4. General Requirements

1. As a general summary, of the records casinos and gaming house operators must retain are inclusive of but not limited to the following information –

- **Transactional Documents:** Such as records of transaction carried out by patrons which, as at a minimum, identifies the patron, the nature and date of the transaction and the type and amount of the currency involved and the identifying number of any account involved in the transaction.
- **Customer Due Diligence Information:** In relation to the evidence of a customer's identity, casino and gaming house operators must keep a copy of any documents or information obtained to satisfy the CDD measures required under the Regulations. A casino operator may often hold additional information beyond identity in respect of a customer for the purposes of wider CDD. As a matter of best practice, this information and any relevant documents should also be retained. There is a separate requirement in the Regulations to ensure that documents, data or information held by casinos and gaming houses are kept up to date. A trigger event for refreshing and extending CDD may be if a customer returns to a casino or gaming house after a period of non-attendance. Refreshing information about existing customers will ensure that matters such as change of address, or a customer being appointed into a role which attracts PEP status, will be picked up. Any findings relating to unusual or suspicious transactions (including the background and purpose of any such transactions); should also be retained.
- **Training:** Casinos and Gaming Houses should retain records of any training undertaken in relation to AML/CFT matters

Essentially, the Gaming Board expects casino and gaming house operators to use reasonable endeavours to create and keep supporting records and to make it clear in their policies,

³⁴ The Gaming House Operator Regulations, 2014 - Regulation 45

procedures and controls what records will be created in light of the known spending patterns and the assessed money laundering and terrorist financing risks at each premises.

9.5. Retention Periods

1. The Regulations set out retention periods for documents and information. Records of identification and verification of customers must be kept for a period of five (5) years after the business relationship with the customer has ended, for example where the customer closes his gambling account with the operator or ceases to visit or use the casino or gaming house. Supporting documents relative thereto should also be retained for the relevant five (5) year period. Further, transaction documents, or a copy thereof, must be kept for five (5) years from the date of the transaction or the date of completion of any related transaction. Whilst, records of internal and external reports on suspicious activity should be retained for five (5) years from the date the report was made.

10. POLITICALLY EXPOSED PERSONS

1. A Politically Exposed Person (“PEP”) is defined as:
 - (a) a person who has, or has had at any time, a prominent public function or who has been elected or appointed to such a function in a country or territory other than The Bahamas, including, without limitation —
 - (i) heads of state or heads of government;
 - (ii) senior politicians and other important officials of political parties,
 - (iii) senior government officials;
 - (iv) senior members of the judiciary;
 - (v) senior military officers; and
 - (vi) senior executives of state owned body corporates;
 - (b) an immediate family member of such a person including, without limitation, a spouse, partner, child, sibling, parent-in-law or grandchild of such a person and, for the purposes of this definition, “partner” means a person who is considered by the law of the country or territory in which the relevant public function is held as being equivalent to a spouse; or
 - (c) a close associate of such a person, including, without limitation —
 - (i) a person who is widely known to maintain a close business or professional relationship with such a person; or
 - (ii) a person who is in a position to conduct substantial financial transactions on behalf of such a person³⁵.

2. The fact that a person is a PEP does not automatically mean that they are involved in money laundering or terrorist financing. However, due to their position and influence, it is recognized that many PEPs are in positions that potentially can be abused for the purpose of committing money laundering offences and related predicate offences, including corruption and bribery, as well as conducting activity related to terrorist financing. Also, once a person is considered to be a PEP, it results in an alteration to that person’s risk profile and provides justification for enhanced customer due diligence measures, which enhanced monitoring is justified due to the associated risks. Further, there is a real risk of PEPs registering and playing without the appropriate levels of senior management approval and customer due diligence taking

³⁵ The Gaming Regulations, 2014 - Regulation 138 & The Gaming House Operator Regulations, 2014 - Regulation 5

place. This is why systems must be in place to manage such risk. As such gaming licensees are required to carry out enhanced CDD on customers who are PEP's and in order to do so a licensee must first ascertain whether a customer is a PEP; being guided by the statutory definition of a PEP.

3. Casinos and Gaming Houses Operators must describe the processes employed to screen for and identify PEPs, both amongst existing customers and new customers. Casinos and Gaming House Operators must consider how they will identify a new patron as being a PEP and how they will screen for such people on an ongoing basis. If a PEP is to be accepted as, or is to continue as a patron there must be approval from senior management and the gaming licensee must therefore define how such approvals will be sanctioned, the measures that will be taken to establish the source of wealth and funds of the individual and how the patron relationship will be monitored on an ongoing basis. Casinos and Gaming Houses must also explain what steps they will take to identify PEPs during the registration process. There must be systems in place to ensure that a PEP is not allowed to become a customer on an automatic basis. This area does pose a significant risk for operators.

10.1. Risk-based approach to PEPs

1. The nature and scope of a particular casino or gaming house business will help to determine the likelihood of PEPs in the licensee's patron base, and whether the casino or gaming house operator needs to consider screening all customers for this purpose.

2. New and existing patrons may not initially meet the statutory definition of a PEP, but that position may change over time. Equally, individuals who are initially identified as PEPs may cease to be PEPs, for example, twelve (12) months after they change their job or retire. The casino and gaming house operator should, as far as practicable, be alert to public information relating to possible changes in the status of its patrons with regard to political exposure. Casino and Gaming House operators should be alert to situations which suggest that the patron is a PEP. These situations include:

- receiving funds from a government account;
- correspondence on an official letterhead from the patron or a related person;
- general conversation with the customer or related person linking the person to a PEP;
- news reports suggesting that the customer is a PEP or is linked to one.

3. Casino and Gaming House operators are encouraged to apply a risk-based approach in determining whether or when they should cease carrying out appropriately enhanced monitoring

of transactions on patrons who cease to be regarded as PEP due to changes in political office. In many cases, a longer period might be appropriate, in order to ensure that the higher risks associated with the individual's previous position have adequately abated.

4. Casino and gaming house operators are required, on a risk-sensitive basis, to:

- have in place appropriate risk management systems and procedures to determine whether a customer (or the beneficial owner of a customer) is a PEP, or a family member or known close associate of a PEP;
- have approval from its senior management for establishing or continuing a business relationship with such persons ;
- take adequate measures to establish the source of wealth and source of funds which are involved in the proposed business relationship or transaction with such persons;
- where a business relationship is entered into, conduct enhanced ongoing monitoring of the business relationship with such persons³⁶.

5. The appropriateness of the risk management systems and procedures adopted must take account of:

- the money laundering and terrorist financing risk assessment that the casino and gaming house operator has conducted;
- the level of risk of money laundering or terrorist financing inherent in the operator's business;
- the extent to which that risk would be increased by a business relationship with a PEP, or a family member or known close associate of a PEP;
- any relevant information made available by the Gaming Board.

6. A casino or gaming house operator who proposes to have, or to continue, a business relationship with a PEP, or a family member or known close associate of a PEP must, in addition to the enhanced customer due diligence :

- have approval from its senior management for establishing or continuing the business relationship with that person

³⁶ The Financial Transactions Reporting Act, 2018- Section 14

- take adequate measures to establish the source of wealth and source of funds which are involved in the proposed business relationship or transactions with that person
- where the business relationship is entered into, conduct enhanced ongoing monitoring of the business relationship with that person.

7. Where an individual who was a PEP is no longer entrusted with a prominent public function, casino operators must continue to apply the requirements for PEPs:

- for a period of at least twelve (12) months after the date on which the individual ceased to be entrusted with a public function;
- or for a longer period that the casino operator considers appropriate to address the risks of money laundering or terrorist financing in relation to that individual.

11. SUSPICIOUS TRANSACTIONS REPORTING

11.1. Suspicious Gaming Activities/Transactions

1. The Gaming Regulations³⁷ define suspicious gaming activities/transactions as:

“a wager/bet which an operator knows or which, in the reasonable judgment of it or its directors, officers, employees or agents thereof is being attempted or was placed in violation of or as part of a plan to violate or evade any applicable law or these Regulations; or has no business or apparent lawful purpose or is not the sort of wager which the particular authorised player would normally be expected to place, and the operator knows of no reasonable explanation for the wager after examining the available facts, including the background of the wager”.

2. As such, reporting of suspicious transactions include instances where they know, where they suspect, or where they have reasonable grounds for knowing or suspecting that a person is engaged in money laundering or terrorist financing. The afore-mentioned three (3) instances are referred to in these guidelines as “grounds for knowledge or suspicion”.

3. Suspicion may be founded on a transaction or activity which is inconsistent with a patron's normal known activity. As such, it is important that casino and gaming house operators know sufficient information about a patron relationship or pattern of gambling activity to recognise that a transaction or activity is unusual. Such knowledge would principally arise from complying with CDD and ongoing monitoring requirements.

11.2. Suspicious Transaction Reporting

1. It is a legal obligation that those who work for a gaming licensee know that they are under a duty to report suspicious transactions.

11.3. Financial Intelligence Unit

1. In accordance with the FTRA³⁸, where any person conducts or seeks to conduct any transaction by, through or with a financial institution³⁹ (whether or not the transaction or

³⁷The Gaming Regulations, 2014-Regulation 125 & The Gaming House Operator Regulations, 2014-Regulation 44

³⁸The Financial Transactions Reporting Act, 2018- Section 25

³⁹Section 3(1)(d) of the FTRA indicates that for the purposes of this Act, “Financial Institution” means the holder of a gaming licence, proxy gaming licence, mobile gaming licence, restrictive interactive gaming licence and gaming house operator licence under the Gaming Act (No. 40 of 2014)

proposed transaction involves cash); and the financial institution knows, suspects or has reasonable grounds to suspect that the transaction or proposed transaction:

- (i) involves the proceeds of criminal conduct as defined in the Proceeds of Crime Act;
- (ii) is related to an offence under the Proceeds of Crime Act;
- (iii) is an attempt to avoid the enforcement of any provision of the Proceeds of Crime Act; or
- (iv) is an identified risk, the financial institution shall, as soon as practicable after forming that suspicion, report the transaction or proposed transaction to the Financial Intelligence Unit.

2. The submission of a STR must be forwarded to the FIU in writing by way of facsimile transaction; or by such other means (including, without limitation, electronic mail or other similar means of communication) as may be agreed from time to time with the financial institution concerned.⁴⁰ However, a report may be made to the FIU orally where the urgency of the situation requires. Nonetheless, in any such case the financial institution shall, as soon as practicable, forward to the FIU a STR that complies with the requirements for the report to be written and inclusive of specified details⁴¹.

3. The FTRA further provides that a STR shall be in the prescribed form (if any); containing specified details which includes a statement of the grounds on which the financial institution holds the suspicion⁴². The details⁴³ to be included in a STR are as follows:

1. The name, address, date of birth, and occupation (or, where appropriate, business or principal activity) of each person conducting the transaction (if known to the person making the report).
2. The name, address, date of birth, and occupation (or, where appropriate, business or principal activity) of any person on whose behalf the transaction is conducted (if known to the person making the report).
3. Where an account with a financial institution is involved in the transaction —
 - (a) the type and identifying number of the account;
 - (b) the name of the person in whose name the account is operated;

⁴⁰The Financial Transactions Reporting Act, 2018- Section 25(2)(d)

⁴¹The Financial Transactions Reporting Act, 2018- Section 25(3)

⁴²The Financial Transactions Reporting Act, 2018- Section 25(2)(a)-(c)

⁴³The Financial Transactions Reporting Act, 2018- First Schedule

- (c) the names of the signatories to the account.
- 4. The nature of the transaction.
- 5. The amount involved in the transaction.
- 6. The type of currency involved in the transaction.
- 7. The date of the transaction.
- 8. In relation to the financial institution through which the transaction was conducted, the name of the officer, employee, or agent of that financial institution who handled the transaction.
- 9. The name of the person who prepared the report.

11.4. Gaming Board

1. Further, a casino or gaming house operator shall file a report with the Board of any suspicious gaming activity, regardless of the amount thereof, if the operator believes it pertains to the possible violation of any law or regulation⁴⁴. This report shall be filed no later than seven (7) calendar days after the initial detection by the operator of facts that may constitute a basis for filing such a report⁴⁵. If no suspect was identified on the date of the detection of the incident requiring the filing of a report referred to in this regulation, a casino or gaming house operator may delay filing a report for an additional seven (7) calendar days to identify a suspect; provided that in no case shall reporting be delayed more than fourteen (14) calendar days after the date of initial detection of a reportable transaction; and provided further that in situations involving violations requiring immediate attention, the casino or gaming house operator shall immediately notify the Board or an authorised officer thereof, in person or by telephone, in addition to the timeous filing of a report⁴⁶. In this regard, it is essential for casino and gaming house operators to note that neither the operator, its directors, officers, employees or agents who file a report pursuant to the gaming regulations shall not notify any person involved in the transaction that the transaction has been reported⁴⁷.

⁴⁴The Gaming Regulations, 2014-Regulation 125(2)& The Gaming House Operator Regulations, 2014-Regulation 44(2)

⁴⁵The Gaming Regulations, 2014-Regulation 125(3)& The Gaming House Operator Regulations, 2014-Regulation 44(3)

⁴⁶The Gaming Regulations, 2014-Regulation 125(4)& The Gaming House Operator Regulations, 2014-Regulation 44(4) &(5)

⁴⁷The Gaming Regulations, 2014-Regulation 125(4)& The Gaming House Operator Regulations, 2014-Regulation 44(6) &(7)

Casino and Gaming House operators shall maintain a copy of any report filed and the original or business record equivalent of any supporting documentation for a period of five years from the date of filing the report; provided that supporting documentation shall be identified, and maintained by the operator as such; shall be deemed to have been filed with the report; and shall be made available to the Board upon request⁴⁸.

11.5. The Money Laundering Reporting Officer

1. All Casino and gaming house operators are statutorily required to appoint a MLRO as a point of contact with the FIU⁴⁹. The MLRO must be registered with the FIU. Therefore, casinos and gaming house operators should note that any changes to the post of the MLRO should be communicated forthwith to the FIU and the Gaming Board. Casinos and gaming houses have the discretion to appoint an individual to serve as a MLRO. However, the gaming licencees must be satisfied prior to appointment that the individual possess at least the below mentioned core competencies namely:

- have a sound understanding of the money laundering and terrorist financing risks of his financial institution;
- have a basic knowledge of the Bahamian AML/CFT laws and rules;
- be given sufficient authority and independence to perform one's duties;
- to the extent possible, be a Senior Officer within the institution; and
- be exposed to AML/CFT training at least twelve (12) hours or more annually.

2. The MLRO must consider each report made to determine whether it gives rise to knowledge or reasonable grounds for suspicion. In making this judgment, the MLRO should consider all other relevant information available within the casino or gaming house concerning the patron to whom the initial report relates. This may include a review of other transaction patterns and volumes through the accounting, the patron's name, the length of the business relationship, and referral to identification records held. Where such suspicion is determined, a suspicious transaction report must be filed in compliance with the Gaming laws of the Bahamas in addition to the relevant legislations⁵⁰ as defined thereunder.

⁴⁸The Gaming Regulations, 2014-Regulation 125(4)& The Gaming House Operator Regulations, 2014-Regulation 44(5) &(6)

⁴⁹The Financial Intelligence(Transactions Reporting) Regulations-Regulation 5(a)

⁵⁰“Relevant Legislation” means the Financial Transactions Reporting Act, the Financial Transactions Reporting Regulations, the Financial Intelligence Unit Act, the Financial Intelligence (Transactions Reporting) Regulations, and the Proceeds of Crime Act and any other legislation in force in The Bahamas for the prevention and detection of money-laundering and counter-terrorist financing.

3. In order to provide a framework within which suspicious transaction reports may be raised and considered, each casino and gaming house operator must implement procedures for prompt investigations and reporting by any employee to the gaming licensee's MLRO or any other nominated officer where they have grounds for knowledge or suspicion that a person or patron is engaged in money laundering or terrorist financing. For clarification purposes, a nominated officer is defined as a person who is responsible for receiving disclosures from employees⁵¹. Thus, the casino and gaming house operator must firstly ensure that employees are appropriately trained in their obligations, and in the requirements for making reports to their MLRO or nominated officer; and secondly the MLRO or nominated officer must consider each such report, and determine whether it gives grounds for knowledge or suspicion. Thirdly, the gaming licensee shall provide the MLRO with the necessary access to systems and records to fulfill investigative requirements prior to making a determination. Fourthly, provided the MLRO or nominated officer determines that a report does give rise to grounds for knowledge or suspicion, the said officer must report the matter to the national agency responsible for receiving STR's namely the Financial Intelligence Unit in addition to the Gaming Board. MLRO's are expected to act honestly and reasonably and to make determinations in good faith.

11.6. Examples Of Suspicious Transactions

1. There are numerous instances that can result in a gaming employee either knowing or suspecting that one is dealing with the proceeds of crime. Resultantly, below is a list that is not exhaustive of examples of how suspicions may be raised.

1. An individual is convicted of dealing in drugs, recently released from prison and immediately starts gambling large amounts of money. The individual is known to be out of work and other patrons inform employees that the individual has resumed supplying drugs. This will give rise to the suspicion that the individual is spending the proceeds of his criminal activity.
2. A patron exhibits unusual gambling patterns with an almost guaranteed return or very little financial risk, in some instances across multiple gaming operators. It is accepted that some patrons prefer to gamble in this way; however, such actions may raise suspicion because they are different from the patron's normal gambling practices.
3. Money is deposited by a patron or held over a period and withdrawn by the patron without being used for gambling. For instance, suspicions should be raised by any large amounts deposited in gaming machines or gambling accounts that are then cashed or withdrawn after very little game play or gambling.

⁵¹Proceeds of Crime Act, 2018-Section 2

4. Stakes wagered by a patron become unusually high or out of the ordinary and the patron is believed to be spending beyond his or her known means. This requires some knowledge of the patron, particularly where there is no known source of income for the patron. Despite the absence of a set amount which dictates when an STR should be filed; much will depend on what is known, or suspected, about the patron.
 5. A patron displays gambling patterns where spend is high but the risk is low, for example gambling on red and black in roulette. The patron could possibly be laundering money in a way that guarantees minimal loss.
 6. A patron's spend increases over a period of time, thereby masking high spend and potential money laundering.
 7. A patron spends little, but often, and the patron's annual aggregate spend is high and out of character with the patron's expected spend. This could indicate potential money laundering.
 8. Instances of high spend by patrons that lead to significant commercial risk for the gaming licensee may also indicate suspicious activity.
2. It is important to note that, once knowledge or suspicion of criminal spend is linked to a patron in one area of the gaming establishment (for example, table games), it is good practice to monitor the patron's activity in other areas of the gaming establishment (for example, gaming machine play).

12. FINANCING OF TERRORISM AND WEAPONS OF MASS DESTRUCTION

1. Casinos and Gaming House Operators shall ensure that their gaming businesses are not utilized in the facilitating of Terrorist Financing or the financing of the proliferation of weapons of mass destruction. In this vein, pursuant to the Bahamas' Anti-Terrorism Act, it is an offence for an individual or a financial institution to finance terrorism or the proliferation of weapons of mass destruction.

12.1. Financing of proliferation of weapons of mass destruction

1. The ATA indicates that any person who by any means, directly or indirectly, wilfully provides or collects funds, provides financial services or makes such services available to persons, or attempts to do so, with the intention or in the knowledge that such funds are to be used in whole or in part:

- a. to manufacture, develop, produces or participates in the development or production of a nuclear, biological, or chemical weapon for use in terrorists acts;
- b. to distribute, or supply a nuclear, biological or chemical weapon to carry out a terrorist act;
- c. to train persons or groups of persons to develop or produce or participate in the development or production of a nuclear, biological or chemical weapon for use, by a terrorist or by a terrorist organisation for any purpose;
- d. to conduct or constitutes an offence under or defined in any of the Treaties listed in the Schedule; or
- e. to carry out any other act —
 - (i) that has the purpose by its nature or context, to intimidate the public or to compel a government or an international organization to do or to refrain from doing any act; and
 - (ii) that is intended to cause — (aa) death or serious bodily harm to a civilian or in a situation of armed conflict, to any person not taking an active part in the hostilities; (bb) the risk, damage, interference or disruption of the kind mentioned in sub-paragraph (bb), (cc) or (dd) of section 13 (1) as the case may be;

commits the offence of financing of proliferation of weapons of mass destruction⁵².

2. Casino and Gaming House operators should note that an offence under subsection (1) is committed irrespective of whether —
 - a. the funds are actually used to manufacture, develop or produce nuclear, biological or chemical weapons to commit or attempt to commit a terrorist act;
 - b. the funds are actually used to distribute or supply a nuclear, biological or chemical weapon to carry out a terrorist act; or
 - c. the person alleged to have committed the offence is in the same country or a different country from the one in which the nuclear, biological or chemical terrorist act occurred or will occur⁵³.

12.2. Financing of Terrorism

1. Casinos and Gaming House Operators should note that the offence of financing of terrorism is committed where:
2. Any person who by any means, directly or indirectly, wilfully provides or collects funds, provides financial services or makes such services available to persons, or attempts to do so, with the intention or in the knowledge that such funds are to be used in whole or in part -
 - a. in order to carry out a terrorist act;
 - b. by a terrorist or by a terrorist organisation for any purpose;
 - c. conducts and or constitutes an offence under or defined in any of the Treaties listed in the Schedule;
 - d. in order to facilitate travel by an individual to a foreign State for the purpose of —
 - i. carrying out a terrorist act; or
 - ii. participating in, or provide instruction or training to carry out a terrorist act;
 - e. by a listed entity;
 - f. by an entity owned or controlled, directly or indirectly by a listed entity;

⁵² The Anti-Terrorism Act, 2018-Section 9

⁵³ The Anti-Terrorism Act, 2018- Section 9(2)

- g. by a person or entity acting on behalf of, or at the direction of, a designated person or listed entity;
- h. to facilitate the travel or activities of a foreign terrorist fighter; or (i) to carry out any other act —
 - (i) that has the purpose by its nature or context, to intimidate the public or to compel a government or an international organization to do or to refrain from doing any act; and
 - (ii) that is intended to cause —
 - (aa) death or serious bodily harm to a civilian or in a situation of armed conflict, to any person not taking an active part in the hostilities;
 - (bb) the risk, damage, interference or disruption of the kind mentioned in sub-paragraph (bb), (cc) or (dd) of section 14 (1) as the case may be,

commits the offence of financing of terrorism⁵⁴.

3. Furthermore, casinos and gaming house operators are to note that an offence of the financing of terrorism is committed irrespective of whether:

- (a) the funds are actually used to commit or attempt to commit a terrorist act;
- (b) the funds are linked to a terrorist act; or
- (c) the person alleged to have committed the offence is in the same country or a different country from the one in which the terrorist or terrorist organisation is located or the terrorist act occurred or will occur⁵⁵.

12.3. Casinos and Gaming House Operators Reporting Requirements Under the ATA

1. Casinos and gaming house operators are required to report to the FIU where the casino or gaming house has knowledge or reasonable grounds to suspect that the funds being held on behalf of a patron or utilized by a patron are being used in the financing of terrorism or in the financing of the proliferation of weapons of mass destruction. In this regard, the ATA specifically indicates that: “Where a financial institution knows or has reasonable grounds to suspect that funds within the financial institution belong to an individual or a legal entity who —

⁵⁴ The Anti-Terrorism Act, 2018- Section 15

⁵⁵ The Anti-Terrorism Act, 2018- Section 15(2)

- (a) commits terrorist acts or participates in or facilitates the commission of terrorist acts or the financing of terrorism; or
- (b) is a designated entity,
- (c) is a listed entity,

the financial institution shall report the existence of such funds to the Financial Intelligence Unit⁵⁶.

2. Further, where a casino or gaming house operator knows or has reasonable grounds to suspect that funds are linked or related to, or to be used for terrorism, terrorist acts or by terrorist organisations or those who finance terrorism, the casino or gaming house operator shall make a suspicious transaction, or a suspicious activity report to the FIU⁵⁷.

⁵⁶ The Anti-Terrorism Act, 2018- Section 49(1)

⁵⁷ The Anti-Terrorism Act, 2018- Section 49(4)

13. EMPLOYEE SCREENING AND TRAINING

13.1 Employee Screening

1. It is imperative that licencees screen their employees in an effort to ensure that employees are of a high standard of probity. A licencee should have policies, procedures and controls as are appropriate and effective for the purposes of forestalling, preventing and detecting money laundering and terrorist financing, including information about the licence holder's screening practices when recruiting relevant employees⁵⁸. This process of employee screening can include:

- Verification of Name and Residential Address
- Check if the individual should be considered as a PEP
- Check individual against sanctions lists
- Check for any negative press against the individual
- Confirm Employment History and References
- Request Details of Regulatory Action taken against the individual
- Request Details of any Criminal Conviction
- Check Individual's Financial Solvency

2. Employees who are dishonest can pose a fraud and business risk to licencees.

13.2 Training

1. Gaming licencees are to develop internal control policies that would provide for ongoing employee training programs⁵⁹. Employees who are untrained or in the alternative poorly trained can pose a business risk to licencees. As such, relevant employees should receive comprehensive ongoing training in a number of areas. Thus, all licencees at a minimum shall ensure that relevant employees receive training pertaining to:

⁵⁸Gaming House Operator Regulations, 2014 – Regulation 6(3)(c) and Gaming Regulations 2014, Regulation 139(3)(c)

⁵⁹ Gaming House Operator Regulations, 2014 – Regulation 6(3)(d) and Gaming Regulations 2014, Regulation 139(3)(d)

- Relevant Legislations such as the Gaming Laws of the Bahamas, The Proceeds of Crime Act, The Financial Transactions Reporting Act and its Regulations; and the relevant guidance issued by the Gaming Board which relates to AML/CFT;
- The implications of employee non-compliance with guidance issued by the Gaming Board;
- The licencees' policies, procedures and controls for the purposes of forestalling, preventing and detecting money laundering and terrorist financing;
- The detection of unusual or suspicious transactions;
- The principle vulnerabilities of the products and services offered by the licencee;
- New developments including information on current money laundering and terrorist financing techniques, methods, trends and typologies.

2. Licensees could address the requirement for ongoing employee training through the utilization of training plans or schedules. Essentially, training must be provided to all new employees prior to their being actively involved in day to day operations. Thereafter the frequency of training should be determined in line with a risk based approach which would enable licencees to tailor training to the functions being undertaken by employees and the likelihood of their encountering suspicious activities. Nevertheless, employees with responsibility for the handling of customer relationships or transactions should receive more frequent training.

3. Additionally, training materials should be updated regularly and records must be kept of all training given to employees together with confirmation that they have reached the necessary level of understanding and competence. Employees should be made aware that they have personal responsibilities in the area of reporting.

4. For the purposes of this section of the Guidelines, the term “relevant employee” can include but are not limited to:

- Employees who organise or effect gambling transactions. Therefore those employees who have direct contact with customers or those handling or being responsible for the handling of customer relationships or financial or gambling transactions;
- Relevant employees also include any member of the licensee's management or Board of Directors. It follows that the management and Board of Directors should receive comprehensive training in the areas identified above.

14. New Technologies

14.1 Introduction

1. The Gaming industry in The Bahamas is constantly evolving as products and systems are subjected to continual technological advancements. However, in the midst of such advancements; the Board is statutorily charged with ensuring that ML/TF risks associated with the use of new or developing technologies for both new and pre-existing products are minimal to non-existent. As such, the Board requires a casino or gaming house operator to conduct a risk assessment prior to the launch of new products, business practices or the use of new or developing technologies.

14.2. Information Technology Department

1. All casino and gaming house operators must have a department dedicated to the management of systems information. The Management Information System Department (M.I.S.) can serve as a core department as it can be likened to being the heart of casino and gaming house operations due to the advancement of technology. As technology changes, which is almost daily, this department will require constant expansion. The systems which are managed by this department shall include but not be limited to the systems which are used to monitor, record, and track licencees revenue and that of player tracking data. These systems shall also be able to produce reports so as to enable the licensee and the Board to appropriate analysis and evaluate patrons gaming behaviors. Therefore; the security and data integrity of these systems are of the utmost importance, particularly where it concerns persons permitted to logically access data especially at an “administrator” level.

2. Technical Standards as it pertains to system security and functionality inclusive of permitted users and permissions of individuals accessing these systems should be included in each casino and gaming house operator ICS to ensure the maintenance of Jurisdictional Integrity.

14.3. Slot Machines

1. The procedures described in this section shall apply to the importation of Slot Machines. A “Slot Machine” means any mechanical, electrical or other device, contrivance or machine which upon insertion of a coin or token is available to play or operate, and may deliver or entitle the person playing or operating the machine to receive cash, whether the pay-off is made

automatically from the machine or any other manner⁶⁰. This segment governs the Board's procedures relative to importation, installation, and upgrading of slot machines, so as to ensure that such devices are not used to facilitate ML/TF.

14.4. Importation of Slot Machines

1. Prior to transporting or shipping of any slot machines, the casino operator must provide written notice to the Board informing of their intention of the same. The mentioned notice must contain the following information:

- a. Full name and address of the person shipping the machine;
- b. The method of shipment or movement and the name of the carrier(s);
- c. The full name and address of the person or entity to whom the machines are being sent and the destination of said machines if different from such address;
- d. The quantity of machines being shipped and the serial number of each machine;
- e. The expected date and time of shipment of the machines from their point of origin;
- f. The expected date and time of arrival of the machines at their destination within the Bahamas; and
- g. The port of entry of the said slot machines.

2. All Slot machines entering the Bahamas shall meet the minimum requirement of not less than seventy five percent payout⁶¹ and prior to importation all Gaming machines and devices must be registered.⁶²

14.5. Overseas Inspection of Slot Machines

1. Slot machines shall be tested and inspected prior to importation to the Bahamas. There are constant technological changes relative to slot machines. As such, the Gaming Board performs inspections in accordance with approved manufacturer documentation, in an effort to ensure at a minimum the requirements of the gaming laws are met. The Board also requires Laboratory certification of gaming devices. Laboratory certification can be attained through

⁶⁰ The Gaming Act, 2014-Section 2

⁶¹ The Gaming Regulations, 2014- Regulation 63(1)(a)

⁶² The Gaming Regulations, 2014- Regulation 51

testing performed by Gaming Laboratories International with regard to slot machines in the following manner:

- a. GLI-11, version 2.1 (Gaming devices)
 - b. GLI-12, version 2.1 (Progressive)
 - c. GLI-17, version 2.1 (Bonusing System)
 - d. GLI-18, version 2.1 (Promotional Systems)
 - e. GLI- 19, version 1.0 (Interactive Gaming System- Operators)
 - f. GLI- 19, version 1.0 (Interactive Gaming Systems- Suppliers)
 - g. GLI-19, version 1.0 (Interactive Gaming Systems – Operators)⁶³;
2. The aforementioned GLI versions, speaks to the various areas denoted and aspects of testing that are conducted before being certified in a specified area. The casino operator seeking permission to import any slot machines within the Bahamas Jurisdiction shall submit to the Board in writing all relevant information prior to importation. Relevant information consists of all information relative to the system testing undertaken, which information would include but are not limited to:
1. Details and Specifications of each slot machine;
 2. Program Software Testing; and
 3. Hardware Associated with the respective slot machine.
3. All inspections are to be performed at the manufacturer from which the slot machines are to be imported.
4. Notwithstanding slot technology evolution, each slot machine shall have such devices, equipment, features and capabilities as may be required by the Board for that particular model of slot machine. These equipment⁶⁴ shall include but are not limited to:
- a. Meters: Coin In, Drop, Jackpot, Win, Credit, Total Games Played and Credit Meter;
 - b. Bill Validator;
 - c. Electrical Programmable Read Only Memory (EPROM);

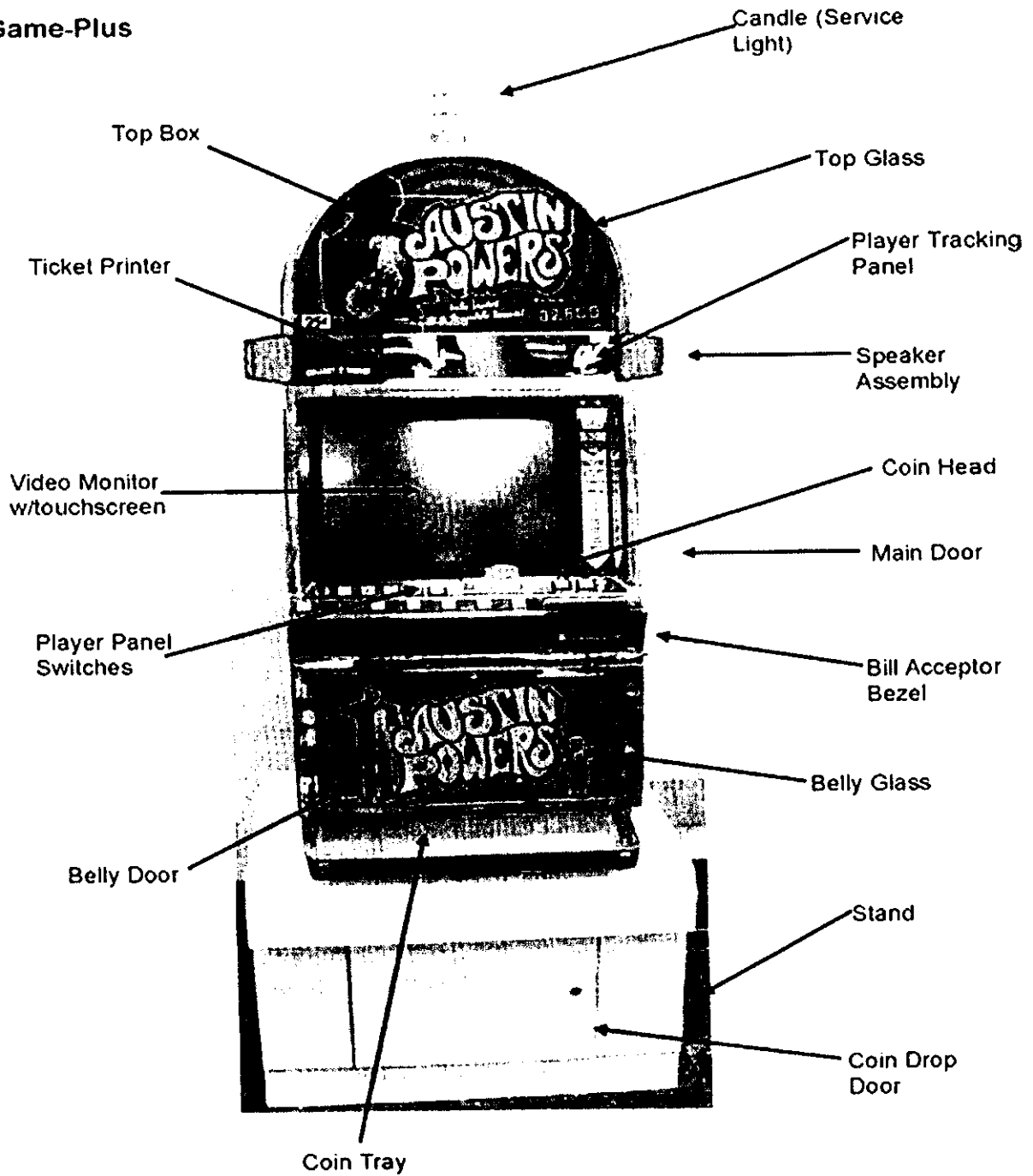
⁶³The Gaming Regulations, 2014- Regulation 40

⁶⁴The Gaming Regulations, 2014- Regulation 83

- d. Random Access Memory (RAM);
 - e. Read Only Memory chips (ROM);
 - f. Top Glass;
 - g. Belly;
 - h. Glass;
 - i. Tray;
 - j. Hopper; and
 - k. Three Tier Candle; among other requisite equipment dependent upon the manufacturer.
5. Also, slot machines must have the following identifying features⁶⁵:
1. Manufacturer Serial Number which is permanently imprinted, impressed, affixed or engraved on the outside cabinet of the machine.
 2. A Casino number at least two (2) inches in height permanently imprinted, affixed or impressed on the outside of the slot machine.
 3. A display located conspicuously on the front of the slot machine that automatically illuminates when a player has won a Jackpot that is not fully paid by the machine.
 4. A display on the front of the slot machine that clearly represents its rule of play, reel character combinations requiring payouts and the amount of the related payouts.
 5. A mechanical, electronic or electrical device that automatically precludes a player from operating the slot machine after Jackpot requiring a manual payout and requires an attendant to reactivate the machine.
6. Casino operators must resist illegal entry of slot machines through a failure to adhere to the Board's recommended procedures. It is also emphasized that outside of the relevant licensed premises; that no person shall have, keep or possess within the Bahamas any slot machine or device in the nature of a slot machine which may be used for playing with money or any valuable item.

⁶⁵The Gaming Regulations, 2014- Regulation 85

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14.6. Arrival of Slot Machines After Overseas Inspection

1. Upon arrival of the slot machines at the port of entry the casino operator must notify the Board thereof and the following procedures shall be followed:
 - a. The Casino Licensee shall ensure that the trailer in which the machines are contained should remain sealed with the original customs seal and transported to the specified licensed premises.
 - b. The Casino Licensee must ensure that the trailer upon arrival to the specified Licensed Premises shall be opened in the presence of a Gaming Board Representative, Bahamas Customs Officer, Casino Security and the Slot Manager/Supervisor.
 - c. The Casino Licensee shall obtain all relevant documentation pertaining to the contents of such trailer from the representative of the Bahamas Customs Department and the Gaming Board Inspector shall be furnished with copy of such documentation.
 - d. Signatures attesting to the contents of the trailer in accordance with the relevant shipment invoices after verification of the same should be recorded by all parties concerned.

14.7 Slot Machine System Upgrades

1. Prior to a casino operator undertaking any system upgrade as it relates to a slot machine such as a percentage change, denomination change, or a bill validator upgrade; the casino operator shall furnish the Board with all details surrounding the upgrade. All afore-mentioned upgrades have the capacity to affect player tracking data. Therefore, the casino operator shall ensure that the integrity of data remains intact and that there is no loss of data as a result of the upgrades. Essentially, all machines shall remain connected to the casino management system and the slot monitoring system during the upgrades.
2. **NB: Please note that the same requirements extend to the Gaming House Operators with regard to any new programs, platform modifications, importation of any new machines, and upgrades to any programs. Also, these previously mentioned requirements are not limited to those stated.**

15. TOURNAMENTS & PROMOTIONS

15.1 Tournaments

1. A tournament is offered to gaming customers where they can compete against the license holder on games like video slots, slots, blackjack, roulette, and poker, or against other players for a guaranteed prize.

- In the game of blackjack you are competing against your fellow players rather than the casino dealer. Nevertheless, it's the goal of every tournament player to want to finish "in the money," meaning making it to the final table or the final round of play. Each round consists of a set number of hands and players begin the round with an equal amount of chips. At the end of the round, the player or players with the highest bankroll advances to the next round for the win.
- In the game of *Poker*, various incentives are offered to boost play, such as a "guaranteed prize pool" which is when a *tournament* organizer guarantees that a *tournament* will have a minimum prize pool of a certain amount. Guaranteeing a prize pool is done to increase attendance, as players will know that they will be playing for a minimum amount of money. In addition to "*buy-in's*" which is also offered and typically represents the amount of money designated for the prize pool followed by the amount of money paid as compensation to the *tournament* organizers. For example, \$100 + \$10 would mean a buy-in of \$110.00, with \$100.00 going to prizes and \$10.00 going to the organizers.

15.2 Promotions

1. A promotion is generally a marketing incentive in the form of sweepstakes, or awards and additional prizes that a player can be gifted or can win during play. These promotions are utilized to enhance revenues or to increase client base. Promotions are generally introduced during special calendar events (eg. Valentine's Day, Christmas, Mother's Day, Super Bowl, Horse Racing Events, etc.), and are offered to gaming patrons through different means such as advertisements and direct mail.

15.3 Guidelines

1. A Gaming Operator shall submit all rules and controls in respect of gaming related promotions and tournaments to the Board at least three (3) weeks prior to its anticipated start

date for the Board's review, consideration and or approval or denial. The Gaming Operator shall not advertise or promote a proposed promotion or tournament outside of having received the Board's final approval. It is imperative that gaming operators adhere to the Board's policies particularly as it relates to the promotions approval process as failure to do so will result in the imposition of administrative penalties.

15.4 The AML Risks Posed By Tournaments and Promotions

1. Tournaments and Promotions can pose AML risks to gaming operators. As it relates to casinos, the risk of money laundering activity will increase as casinos begin to host high dollar player-to-player tournaments. Further, a central AML issue on the horizon involving social, skill-based games is the risk of player collusion. Resultantly, casinos should assess their AML policies to mitigate the risk of player collusion in competitive skill-based games. In accordance with existing "know your customer" (KYC) requirements, casinos also should ensure that every patron who uses a skill-based machine or enters a skill-based gaming tournament first presents identification so that the casino can verify the patron's identity. Casinos also should run existing KYC processes against skill-based gaming patrons, including running identification against certain watch and sanctions lists.

2. Further, casinos should consider AML "red flags" for collusion specific to skill-based games that would trigger the need to conduct enhanced due diligence, or even file a STR, on a patron. For example, casinos should consider monitoring for:

- Suspicious win/loss rates or pattern of losses to same group of players. If a tournament player appears to "almost always win" or "almost always lose" a multiplayer game, after a certain number of rounds of play, this could be a sign that players are colluding to throw the game for or against that player. This is particularly so if a player has a pattern of losing to the same group of players.
- In a Poker tournament, the casino sets the minimum bet at \$1,000.00, with four players competing against one another for the pot of \$4,000.00 (and potentially even more if the casino retained the potential for a higher payoff dependent on a random-number generator), minus the house rake of 10%. In this scenario, three players could deliberately lose their \$900.00, allowing the players to move \$2,700.00 in dirty money to the winner.

3. The above mentioned "red flags" could potentially be signs of ML activity which requires additional review.

4. Overall, skill-based competitive games have the potential to bring new players and novel AML challenges into the casino environment. The Gaming Board expects casinos to increase their AML capacity to mitigate against existing and emerging risks posed by skill-based games.

16. Sanctions

1. Financial sanctions are provisional measures imposed on individuals or entities in an effort to change undesirable behavior and curtail their activities, limit opportunities for undesirable behaviour and to exert pressure and influence in an effort to prevent and suppress criminal activities in relation to money laundering and terrorist financing. To this end, the Gaming Board is statutorily empowered to impose such sanctions pursuant to applicable legislations; where licencees have been found to be operating outside the parameters of approved procedures through a failure to comply with statutory and regulatory requirements.

2. On the other hand, Casino and Gaming House operators are precluded from engaging in any form of business with persons who are included on relevant international sanctions lists. While the purpose for sanctions in the international community is extensive, the ultimate goal of any sanctions is to reduce risk and comply with government mandates designed to combat money laundering and the financing of terrorism. In this regard, the Gaming Board requires licence holders to take steps to access such listings as a part of their enhanced due diligence process. Therefore, both residency and nationality shall be established to ensure that a patron is not from a country that is subject to sanctions by international organizations or an official governmental body. Licencees can refer to the below list of website which comprises information relative to sanctions statuses:

- <http://www.fco.gov.uk>
- <http://www.un.org/en>
- <https://www.fbi.gov/>
- <https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets>
- http://eeas.europa.eu/cfsp/sanctions/consol-list/index_en.htm

17. Surveillance Department

The purpose of the Casino and Gaming House Surveillance Systems is to ensure the safeguarding of casino and gaming house operators assets, detecting criminal acts, and maintaining public confidence and trust that licensed gaming is conducted honestly and free of criminal elements and activity. The Gaming Regulations, Chapter 23 provides relevant regulations appurtenant to surveillance and security. Resultantly, the procedures in this section apply to the Closed Circuit Television System “CCTV”; installed in the Casino and Gaming House Operator Surveillance Department.

17.1 Closed Circuit Television System “CCTV” Requirements

1. Each casino and gaming house operator should have installed in its establishment a “CCTV” system that complies with the casino and gaming house operator submissions approved by the Board, which shall include at a minimum the installation, maintenance and operation of casino and gaming house operator surveillance systems.
2. Each casino and gaming house operator should have a contingency plan, to be included in their approved internal control submissions, to be utilized whenever there is an equipment failure that affects the casino or gaming house operator’s Surveillance Room or “CCTV” system operations.
3. The “CCTV” room should not be visible from the casino floor or public areas of gaming house operators, and access to the said room should be limited to surveillance personnel approved by the Board.
4. The Surveillance Department must be attended at all times.
5. The surveillance system and associated equipment should include at a minimum:

Casinos

- a) Light sensitive cameras, with lenses of sufficient magnification to allow the operator to read information on gaming chips, playing cards, dice, slot machine reel symbols and slot machine credit meters, and with 360 degree pan, tilt and zoom capabilities to effectively and clandestinely monitor in detail and from various vantage points, the following:
 - i. The gaming conducted at each gaming table in the casino;
 - ii. The gaming conducted at the slot machines in the casino;
 - iii. The operations conducted at and in the cashiers' cage, any satellite booths redemption kiosks;

- iv. The operations conducted in the Race and Sports Book;
- v. The count processes conducted in the count rooms;
- vi. The movement of cash, gaming chips and plaques, drop boxes, slot cash storage boxes, slot drop boxes and slot drop buckets;
- vii. The entrances and exits to the casino;
- viii. The entrance to the Information Technology Room and any server connected to a gaming system;
- ix. Such other areas as the Board designates.

Gaming Houses

- b) Light sensitive cameras, with lenses of sufficient magnification to allow the gaming house operator to read information on computer screens, and with 360 degree pan, tilt and zoom capabilities to effectively and clandestinely monitor in detail and from various vantage points, the following:
 - i. The gaming conducted at each computer station in the gaming house;
 - ii. The entrances and exits to the gaming houses;
 - iii. The entrance to the Information Technology room and any server connected to a gaming system;
 - iv. The operations conducted at and in the cashiers' cage, any satellite booths redemption kiosks;
 - v. The count processes conducted in the count room; and
 - vi. Such other areas as the Board designates.

Casinos and Gaming Houses

- c) Video recording equipment, which, at a minimum, shall:
 - i. Permit the preservation and viewing of a clear copy of the transmission produced by any camera connected to the "CCTV" system;
 - ii. Must have date and time generators which possess the capability to display the date and time of recorded events on each video recordings.
 - iii. All "CCTV" system recordings shall be retained for a minimum of thirty days and shall be made available for review upon request by the Board.

6. All areas, including gaming tables and pits, where “CCTV” system camera coverage is required by the Board shall contain continuous lighting that is of sufficient quality to produce clear video recordings and still picture reproductions.
7. Audio capability in the soft/hard count rooms
8. An emergency power system that can be used to operate the “CCTV” system in the event of a power failure, such power system to be tested at quarterly intervals subject to more frequent re-testing upon failure of a test or failure during a power failure.
9. A preventive maintenance program should be implemented which ensures that the entire “CCTV” system is maintained in proper working order and that transparent covers over “CCTV” system cameras are cleaned in accordance with a routine maintenance schedule.
10. Each casino and gaming house operator licensee shall maintain a surveillance log of all surveillance activities in the monitoring room. The surveillance log shall be available for inspection at any time by the Board. At a minimum, the following information shall be recorded in a surveillance log:
 - i. Date and time each surveillance commenced;
 - ii. The name of each person who initiates performs or supervises the surveillance;
 - iii. Reason for surveillance, the activity/transaction and description of the activity/transaction being monitored. If a person is being monitored; the name, if known, alias or description of each individual being monitored, and a brief description of the activity in which the person being monitored is engaging;
 - iv. The times at which each video or audio recording is commenced and;
 - v. Summary of the results of the surveillance.
11. The casino and gaming house operator Surveillance Department should maintain a Room Entry Log which should be signed by individuals who have the Board’s permission to enter the restricted area who are not Surveillance Department personnel. This should include at a minimum:
 - i. A book with bound numbered pages that cannot be readily removed signed by each person who enters the room with the exception of Licensed Surveillance Department personnel.
 - ii. Each entry containing, at a minimum, the following information:
 - The date and time of entering into the monitoring room
 - The entering person’s name and his or her department or affiliation;

- The reason for entering the monitoring room;
- The date and time of exiting the monitoring room or designated area.

12. The Surveillance Department Entry Log should be made available for inspection by the Board at all times.

13. At a minimum, weekly inspections of the Surveillance System and associated equipment should be performed by the casino and gaming house operator to ensure Regulatory Compliance as originally approved.

Casino and Gaming House Operators are to note that Surveillance Room Equipment must have total override capability over any other satellite “CCTV” surveillance systems located in other areas or offices.

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Regulated Surveillance Protocol

