



Izložu un azartspēļu uzraudzības inspekcija

APPROVED

By order No 30 issued by the head of
the Lotteries and Gambling
Supervisory Inspection
on 29 December 2022

Guidelines on Money Laundering and Terrorism and Proliferation Financing Risks and Management Thereof in the Gambling and Lottery Sector

1. These guidelines, which are binding for all gambling and lottery operators (hereinafter — Operators), lay down money laundering and terrorism and proliferation financing (hereinafter — MLTPF) risk indicators, which can cause suspicion that services provided by Operators are used for money laundering, terrorism funding and proliferation funding purposes, and describe the assessment, identification and management of such risks. The guidelines provide methodological instructions for the identification, management and prevention of MLTPF risks.
2. Operator's MLTPF risk management obligations:
 - 2.1. the Operator shall be aware of possible MLTPF risks (their effect and the possibility that the Operator or the operation of gambling and lotteries could be used for money laundering or terrorism or proliferation financing) within the gambling and lottery sector;
 - 2.2. the Operator shall evaluate and follow MLTPF prevention trends on a regular basis, develop policies and procedures for the identification and management of MLTPF risks while considering factors that effect MLTPF risk exposure (the risk the Operator is exposed to due to their customer range, the type and site of gambling and lotteries operations,

- the use of cash and non-cash transactions and their size, the traceability of cash flows, and other factors) influencing factors;
- 2.3. during the development, review or update of the assessment of risks inherent in their activities, the Operator shall take into account the following:
 - 2.3.1. the risks identified by the European Commission in its assessment of money laundering and terrorist financing risks in the European Union;
 - 2.3.2. the risks identified in the national MLTPF risk assessment report;
 - 2.4. the Operator shall apply a set of measures aimed at preventing or mitigating these risks through an analysis of MLTPF risks and the identification of risk indicators;
 - 2.5. the Operator shall document the MLTPF risk assessment and the risk prevention and mitigation procedures in the internal control system.
3. In accordance with the MLTPF risk assessment and depending on the site of gambling or lottery operations (physical location – land-based; interactive environment – on-line), a distinction is made between land-based and on-line gambling and lottery operations.
 4. MLTPF risk assessment shall be conducted for the following types of gambling and lotteries authorized in the Republic of Latvia and listed in the Law on Gambling and Lotteries¹:
 - 4.1. betting and wagers;
 - 4.2. casino games (card and dice games, roulette and card game tournaments);
 - 4.3. gaming machine games and bingo;
 - 4.4. games of chance via the telephone;
 - 4.5. numerical lotteries and instant lotteries;
 - 4.6. interactive gambling and lotteries.
 5. MLTPF risk indicators in **betting and wagering shops**:

¹ Sections 5, 58 and 59 of the Law on Gambling and Lotteries.

- 5.1. the customer often makes bets that have a low win rate (with a high probability of occurrence) where the probability of occurrence is high, or, upon collection of a prize, asks for documentary proof of the performed transaction;
- 5.2. the customer regularly bets on several outcomes (betting on both winning and losing), thus reducing the possibility of losing their deposit. When a prize is won, asks for documentary proof thereof;
- 5.3. the customer buys winning betting tickets from another person, collects the prize in their stead and asks for documentary proof of the prize;
- 5.4. the customer makes large bets at the last moment before the event, making a cash deposit;
- 5.5. the customer makes a big bet on an event the outcome of which is known in advance (match-fixing), thus guaranteeing a prize;
- 5.6. the customer, who wins a bet, asks for the prize to be transferred to another person's bank account (card);
- 5.7. several customers make the same bets on one or several events, while the prize is collected (by presenting tickets) by a single customer, who asks for documentary proof of the prize;
- 5.8. the customer is a politically exposed person, a family member of a politically exposed person, or a person closely related to a politically exposed person;
- 5.9. the customer is suspected in criminal corruption case or related to such person;
- 5.10. the customer is suspected in criminal case of corruption abroad or related to such person;
- 5.11. the customer, which is involved in bribery abroad, makes large cash contributions;
- 5.12. the customer does not collect the prize for a long period of time and then submits several winning tickets that cover a long period of time;
- 5.13. the customer regularly places bets in a way that would prevent the possible prize from exceeding the threshold of EUR 2,000;

- 5.14. the customer is a citizen of a high-risk country²;
 - 5.15. the customer is identified as being included in the list of international sanctions;
 - 5.16. the customer tries to make the deposit using the bank card of a capital company, particular attention should be paid to bank cards of capital companies that have links with state administration bodies or local government;
 - 5.17. there is a discrepancy between the amount of game participation means purchased by the customer and the customer's profile (the customer's appearance, occupation, etc.).
6. MLTPF risks in **casino games** (card and dice games, roulette and card game tournaments):
- 6.1. the customer buys casino tokens (possibly in several low-value purchases) and later exchange them for money, claiming them as a gambling prize and asking for documentary proof of the prize;
 - 6.2. another person buys casino tokens (several low-value purchases) on behalf of the customer and transfers them to the customer who then exchanges them for money, pretending to have won a prize through gambling and asks for a documentary proof of the prize;
 - 6.3. two connected customers make opposing bets at the roulette table (one on red and one on black), thus reducing the possibility of loss;
 - 6.4. the customer buys tokens at the gaming table and later exchanges them for money at the casino cash desk, stating that they have won a prize and asking for a documentary proof of the prize;
 - 6.5. the customer buys casino tokens, participates in a game of poker (*cash game*) and deliberately loses money to an accomplice (for example, by folding a stronger combination), who exchanges them for money and asks for a documentary proof of the prize;
 - 6.6. the customer takes tokens outside the casino premises;

² The list adopted on 13 February 2019 by the European Commission of 23 high-risk third countries with strategic deficiencies in their AML and CTF systems. In accordance with Directives (EU) 2015/849 (4th AML directive) and (EU) 2018/843 (5th AML directive) of the European Parliament and of the Council the European Commission is empowered to carry out an autonomous assessment in order to identify high-risk third countries. The list includes 12 countries that have been identified by the FATF and 11 other jurisdictions. Available at: http://europa.eu/rapid/press-release_MEMO-19-782_lv.pdf

- 6.7. the customer starts a game immediately after arriving at the casino, using tokens they brought with them;
 - 6.8. the customer exchanges tokens for money at the casino cash desk immediately after arriving at the casino;
 - 6.9. the customer is a politically exposed person, a family member of a politically exposed person, or a person closely related to a politically exposed person;
 - 6.10. the customer is suspected in criminal corruption case or related to such person;
 - 6.11. the customer is suspected in criminal case of corruption abroad or related to such person;
 - 6.12. the customer, which is involved in bribery abroad, makes large cash contributions;
 - 6.13. the customer is a citizen of a high-risk country²;
 - 6.14. the customer is identified as being included in the list of international sanctions;
 - 6.15. the customer tries to make the deposit using the bank card of a capital company, particular attention should be paid to bank cards of capital companies that have links with state administration bodies or local government;
 - 6.16. there is a discrepancy between the amount of game participation means purchased by the customer and the customer's profile (the customer's appearance, occupation, etc.);
 - 6.17. the customer buys means for participation in the game, using large amounts of cash the origin of which cannot be ascertained.
7. MLTPF risks in **gambling and bingo halls**:
- 7.1. the customer makes a deposit in a gaming machine and requests a payout without gambling or after gambling with only a small amount of the deposit, and asks for documentary proof of a prize;
 - 7.2. the customer plays electronic roulette, making a bet on both red and black, as well as a low bet on '0', thus guaranteeing a prize;
 - 7.3. the customer makes a deposit in a gaming machine and prints the ticket, using the gaming machine's ticket-in, ticket-out (*TITO*)

printing system, and on the next or some other day the same person or another person exchanges the ticket for money, asking for documentary proof of a prize;

- 7.4. the absence of technical requirements for a jackpot system presents risks that the Operator's employees could influence the likelihood of a prize;
- 7.5. the customer buys winning bingo cards from another person at a higher price in order to later exchange them for a prize, asking for documentary proof of the prize;
- 7.6. the customer regularly places bets in a way that would prevent the possible prize from exceeding the threshold of EUR 2,000;
- 7.7. the customer is a politically exposed person, a family member of a politically exposed person, or a person closely related to a politically exposed person;
- 7.8. the customer is suspected in criminal corruption case or related to such person;
- 7.9. the customer is suspected in criminal case of corruption abroad or related to such person;
- 7.10. the customer, which is involved in bribery abroad, makes large cash contributions;
- 7.11. the customer is a citizen of a high-risk country²;
- 7.12. the customer is identified as being included in the list of international sanctions;
- 7.13. the customer tries to make the deposit using the bank card of a capital company particular attention should be paid to bank cards of capital companies that have links with state administration bodies or local government;
- 7.14. there is a discrepancy between the amount of game participation means purchased by the customer and the customer's profile (the customer's appearance, occupation, etc.).

8. MLTPF risks in **numerical and instant lotteries**:

- 8.1. the customer buys winning lottery tickets from another person (for a price higher than the prize) in order to later exchange them for the prize, asking for documentary proof of the prize;
 - 8.2. the customer is a politically exposed person, a family member of a politically exposed person, or a person closely related to a politically exposed person;
 - 8.3. the customer is suspected in criminal corruption case or related to such person;
 - 8.4. the customer is suspected in criminal case of corruption abroad or related to such person;
 - 8.5. the customer tries to make the deposit using the bank card of a capital company particular attention should be paid to bank cards of capital companies that have links with state administration bodies or local government;
 - 8.6. the customer is a citizen of a high-risk country²;
 - 8.7. the customer is identified as being included in the list of international sanctions.
9. MLTPF risks in **interactive gambling and lotteries**:
- 9.1. the customer deposits funds in the game account and later requests a pay-out, even though there has been no gambling activity or gambling with a very small part of the deposit;
 - 9.2. the customer deposits funds in the game account and intentionally loses them at a card game tournament to another player (an accomplice), who might be registered with another gambling operator, including a foreign one;
 - 9.3. the customer could use persons who are betting against each other, using the proceeds of crime, where the winner receives a prize, thus laundering the proceeds of crime;
 - 9.4. the person buys up interactive gambling or lottery accounts from their actual owners (at a higher price than the money they contain);
 - 9.5. the customer regularly deposits funds in their gaming account and later performs a pay-out without taking part in any gambling or lotteries;

- 9.6. the customer stores funds on their gaming account for a long time with little or no participation in gambling and performs pay-outs to a bank account;
 - 9.7. the customer is a politically exposed person, a family member of a politically exposed person, or a person closely related to a politically exposed person;
 - 9.8. the customer is suspected in criminal corruption case or related to such person;
 - 9.9. the customer is suspected in criminal case of corruption abroad or related to such person;
 - 9.10. the customer tries to create several accounts using the identification data of the same person;
 - 9.11. the registered card or bank account information does not match the registration data of the customer;
 - 9.12. the deposit in the game account is made by a third party;
 - 9.13. the customer is a citizen of a high-risk country²;
 - 9.14. the customer is identified as being included in the list of international sanctions;
 - 9.15. the customer tries to make the deposit using the bank card of a capital company particular attention should be paid to bank cards of capital companies that have links with state administration bodies or local government;
 - 9.16. the customer performs several prize pay-outs from their gambling account that are below the threshold of *EUR* 2,000 within one day;
 - 9.17. the amounts deposited by the customer are uncharacteristically big for their gambling habits, and the origin of these funds cannot be ascertained.
10. MLTPF risk management in **betting and wagering shops**:
- 10.1. if any MLTPF risk is detected in betting and wagering shops, the Operator shall take the necessary steps to identify the customer even if the transaction amount is lower than *EUR* 2,000. In the event that the customer refuses to identify themselves or provides false

information, the Operator shall take a decision to terminate the transaction;

- 10.2. when the pay-out of a prize is made to the customer's bank account, the Operator shall verify that the account holder is the same person as the person requesting the pay-out of a prize;
- 10.3. before accepting payment cards, the Operator shall ensure that it has at its disposal an effective method of verifying whether the owner of the bank card is a legal or natural person, or they shall, in cooperation with the financial institution they use, implement technical means that block payments from cards belonging to a legal person;
- 10.4. in cases where a customer asks for documentary proof of every transaction, the Operator shall initiate customer due diligence as stipulated in the Law on the Prevention of MLTPF;
- 10.5. in cases where transactions involve a group of persons, the Operator shall take steps to identify all involved parties and initiate customer due diligence;
- 10.6. the Operator's internal procedure regulations shall provide for the recording of bets made by the customer;
- 10.7. the Operator shall through their internal control system procedures establish limits on the size of bets and prizes, based on event risk;
- 10.8. the Operator shall provide for the monitoring and recording of customer transactions in their internal control system procedures;
- 10.9. the Operator shall use the public information of the State Revenue Service database on politically exposed persons, as well as third party databases, in order to identify politically exposed persons, family members of politically exposed persons or persons closely associated with politically exposed persons;
- 10.10. the Operator shall examine information of a negative nature regarding the mass communication of clients in the media;
- 10.11. the Operator shall conduct enhanced customer due diligence regarding a customer from a high-risk country;
- 10.12. before starting a transaction, the Operator shall verify customer data against a list of international sanctions. No transactions shall be executed with a customer that is included in sanctions lists;

- 10.13. the Operator shall terminate any business relationship with a customer that is unable to justify the origin of funds used in the transaction.
11. MLTPF risk management in **casino games** (card and dice games, roulette and card game tournaments):
- 11.1. the Operator shall take steps to determine whether the person exchanging tokens for money has actually participated in gambling and won a prize, especially in cases where the person requests documentary proof of the transaction;
 - 11.2. in cases where customers gamble against each other and the Operator concludes that the player has deliberately lost tokens to the other player, the Operator shall take a decision to terminate the transaction;
 - 11.3. when the pay-out of a prize is made to the customer's bank account, the Operator shall verify that the account holder is the same person as the person requesting the pay-out of a prize;
 - 11.4. in cases where a customer asks for documentary proof of every transaction, the Operator shall initiate customer due diligence as stipulated in the Law on the Prevention of MLTPF;
 - 11.5. before accepting payment cards, the Operator shall ensure that it has at its disposal an effective method of verifying whether the owner of the bank card is a legal or natural person, or they shall, in cooperation with the financial institution they use, implement technical means that block payments from cards belonging to a legal person;
 - 11.6. the Operator shall develop internal control mechanisms to prevent the involvement of casino staff in MLTPF;
 - 11.7. the Operator shall establish and apply internal control system procedures to supervise and record customer transactions;
 - 11.8. the Operator shall adopt an internal control system procedure aimed at controlling the movement of tokens;
 - 11.9. the Operator shall use the public information of the State Revenue Service database on politically exposed persons, as well as third party databases, in order to identify politically exposed persons, family members of politically exposed persons or persons closely associated with politically exposed persons;

- 11.10. the Operator shall examine information of a negative nature regarding the mass communication of clients in the media;
 - 11.11. the Operator shall conduct enhanced customer due diligence regarding a customer from a high-risk country;
 - 11.12. before starting a transaction, the Operator shall verify customer data against a list of international sanctions. No transactions shall be executed with a customer that is included in sanctions lists;
 - 11.13. the Operator shall terminate any business relationship with a customer that is unable to justify the origin of funds used in the transaction.
12. MLTPF risk management in **gambling and bingo halls**:
- 12.1. the Operator shall take steps to determine whether a person requesting a prize in a gambling or bingo hall has actually participated in gambling. Before issuing documentary proof of a prize, the Operator shall verify that the person has won the prize through gambling. If the Operator is unable to verify that the prize was obtained in accordance with the game software algorithm, it shall refuse to provide documentary proof of the prize;
 - 12.2. when the pay-out of a prize is made to the customer's bank account, the Operator shall verify that the account holder is the same person as the person requesting the pay-out of a prize;
 - 12.3. the Operator shall develop internal control mechanisms to prevent the involvement of gambling and bingo hall staff in MLTPF by issuing documentary proof of a prize to persons that have not won a prize;
 - 12.4. the Operator shall take steps to prevent the accumulation of ticket-in, ticket-out (*TITO*) slips over a long period of time or from several gaming machines during a single visit and their exchange for money in a single transaction;
 - 12.5. the Operator shall ensure that the cash pay-out from gaming machines without the Operator's presence is limited to amounts below EUR 2,000;
 - 12.6. for the purpose of determining and controlling the cash flow, the operator shall use the single gaming machine control and monitoring system (GCMS);

- 12.7. before accepting payment cards, the Operator shall ensure that it has at its disposal an effective method of verifying whether the owner of the bank card is a legal or natural person, or they shall, in cooperation with the financial institution they use, implement technical means that block payments from cards belonging to a legal person;
- 12.8. the Operator shall use the public information of the State Revenue Service database on politically exposed persons, as well as third party databases, in order to identify politically exposed persons, family members of politically exposed persons or persons closely associated with politically exposed persons;
- 12.9. the Operator shall examine information of a negative nature regarding the mass communication of clients in the media;
- 12.10. the Operator shall conduct enhanced customer due diligence regarding a customer from a high-risk country;
- 12.11. before starting a transaction, the Operator shall verify customer data against a list of international sanctions. No transactions shall be executed with a customer that is included in sanctions lists;
- 12.12. the Operator shall terminate any business relationship with a customer that is unable to justify the origin of funds used in the transaction.

13. MLTPF risk management in **numerical and instant lotteries**:

- 13.1. the Operator shall take steps to ensure that the winning person has actually participated in the lottery, taking into account the MLTPF risk where the winning tickets are bought from another person (the actual winner);
- 13.2. the Operator shall use the public information of the State Revenue Service database on politically exposed persons, as well as third party databases, in order to identify politically exposed persons, family members of politically exposed persons or persons closely associated with politically exposed persons;
- 13.3. the Operator shall conduct enhanced customer due diligence regarding a customer from a high-risk country;
- 13.4. before starting a transaction, the Operator shall verify customer data against a list of international sanctions. No transactions shall be executed with a customer that is included in sanctions lists;

- 13.5. the Operator shall terminate any business relationship with a customer that is unable to justify the origin of funds used in the transaction;
- 13.6. before accepting payment cards, the Operator shall ensure that it has at its disposal an effective method of verifying whether the owner of the bank card is a legal or natural person, or they shall, in cooperation with the financial institution they use, implement technical means that block payments from cards belonging to a legal person.

14. MLTPF risk management in **interactive gambling and lotteries**:

- 14.1. before the pay-out of a prize to a person's bank account, the Operator shall check the customer's gambling and lottery history and verify that the customer is allowed to participate in gambling or lotteries;
- 14.2. before accepting payment cards, the Operator shall ensure that it has at its disposal an effective method of verifying whether the card is associated with the player's registered bank account, or they shall, in cooperation with the financial institution they use, implement technical means that block payments from cards belonging to a legal person;
- 14.3. when the pay-out is made to the customer's bank account, the Operator shall verify that the account holder is the same person as the person requesting the pay-out of a prize;
- 14.4. the Operator shall only transfer money pay-outs to the account from which a bet was made to participate in gambling or lottery;
- 14.5. in cases where persons play a card game against each other and the Operator concludes that the player has deliberately lost tokens to the other player, the Operator shall take a decision to terminate the transaction;
- 14.6. if the Operator has doubts about transactions or the identity of a person, they are entitled to require additional information from the customer and to ask them to come to the Operator's office in person;

- 14.7. the Operator shall use secure remote methods to identify the customer to the extent and in accordance with the procedures stipulated by the Cabinet of Ministers³;
 - 14.8. the Operator shall use the public information of the State Revenue Service database on politically exposed persons, as well as third party databases, in order to identify politically exposed persons, family members of politically exposed persons or persons closely associated with politically exposed persons;
 - 14.9. the Operator shall examine information of a negative nature regarding the mass communication of clients in the media;
 - 14.10. the Operator shall conduct enhanced customer due diligence regarding a customer from a high-risk country;
 - 14.11. before starting a transaction, the Operator shall verify customer data against a list of international sanctions. No transactions shall be executed with a customer that is included in sanctions lists;
 - 14.12. the Operator shall initiate customer due diligence as stipulated in the Law on the Prevention of MLTPF when a customer performs several prize pay-outs from the gambling account that are below the threshold of EUR 2,000 within one day, or when there are other factors the Operator considers to be suspicious;
 - 14.13. the Operator shall terminate any business relationship with a customer that is unable to justify the origin of funds deposited in their player account.
15. The guidelines entered into force on 30 December 2022.

³ Cabinet Regulation No. 392 adopted on 3 July 2018 "Procedures by which the Subject of the Law on the Prevention of Money Laundering and Terrorism Financing Performs the Remote Identification of a Customer"