



**Money Laundering & Terrorist Financing Risk
Assessment**



1 RISK ASSESSMENT PURPOSE

The purpose of this document is to establish a separate Money Laundering and Terrorist Financing (“ML TF”) risk assessment for Chongie Entertainment Limited (“CEL”). This risk assessment will be implemented to ensure that sufficient focus is given to ML TF risk. It is noted that in section 17 of the Proceeds of Crime and Anti-Money Laundering policy, reference is made to ML risk assessment, and this document is intended to be read in conjunction with the Proceeds of Crime and Anti-Money Laundering policy whilst operating as a standalone document.

2 GUIDANCE DOCUMENTS: DUTIES & RESPONSIBILITIES UNDER THE PROCEEDS OF CRIME ACT

An addendum to this document is the Gambling Commission guidance advice to operators dated November 2020 ‘Duties and Responsibilities under the Proceeds of Crime Act 2002’. All gambling staff at CEL will be trained on this document, and its importance in terms of applying the ML TF risk assessment. A risk based approach will be adopted by CEL, as set out at section 18 of the guidance document, and a number of steps will be established to assess the most proportionate way to manage and mitigate the money laundering risks faced by CEL.

The possibility of gambling facilities being used by criminals to assist in money laundering poses many risks for operators. These include criminal and regulatory sanctions for operators and their employees, civil action against the operator and damage to the reputation of the operator leading to a potential loss of business.

All gambling staff must continually identify, assess and manage these risks, assess the level of risk in the context of how their business is structured and operated, and put in place controls to minimise the risk posed to businesses by money launderers.

This money laundering risk assessment is based on methodology and sets out attempts to identify, analyse and understand money laundering risks. It serves as the first step in addressing the risks, and involves making judgements about threats, vulnerability and consequences.

This document will be reviewed every 12 months during an audit of policies, procedures and all internal documents, or as a result of any changes in circumstances, including for example operational changes or changes to the LCCP.

3 IDENTIFYING AND ASSESSING THE RISKS

This section of the document sets out potential risks and the assessment of the risk posed to this particular business.

The risk assessment is conducted by identifying the potential risk (denoted below as ‘Risk’) and then an analysis of the potential risk to the operator and an evaluation of how any potential risk will be dealt with (denoted below as ‘Assessment’).

The operator carries the following risk profile which has been considered for each of the below risks identified:



- The operator has a non-remote Adult Gaming Centre operating licence issued by the UK Gambling Commission
- The operator contracts directly with customers and has a number of customer facing staff
- The operator utilises experienced individuals in the industry to advise on their operations, particularly for regulatory and compliance matters

As a consequence of the above profile this risk assessment is appropriate to the nature of the operator's business.

Operator Control

Risk: Operators failing to comply with prevention of money laundering and terrorist financing legislation and guidance

Assessment: CEL has a robust set of policies and procedures based on the legislation and guidance which are continuously monitored and updated by senior management. Staff training occurs on induction and at a minimum of 12 monthly intervals. The risk of non-compliance with policies is low.

Risk: Arcade businesses being acquired by organised crime to launder criminal proceeds

Assessment: CEL is approved and regulated by the UK Gambling Commission. Any change in ownership would require a Change of Corporate Control.

Risk: Lack of competency of key personnel and licence holders which can then be exploited by criminals seeking to launder the proceeds of crime

Assessment: CEL is careful to train staff on induction and at regular intervals. It engages the services of an experienced individual within the industry to advise on its regulatory and compliance matters as well as regularly works with a specialist law firm on a variety of matters. Key personnel are all PML holders.

Customers

Risk: What risk is posed by the business profile and the profile of customers using the gambling facilities? Is there a risk of anonymous customers laundering proceeds of crime through gaming machines?

Assessment: CEL's premises generally attract less than 10 individuals at any one time, any more than 8 people at a time would be classed as busy. The customer profile is normally evenly split between male and female and tends to be middle aged. The staff are trained to interact with all customers entering the premises and the risk of anonymous customers is low- medium.

Risk: Is the business local with regular and generally well-known customers? Is there any concerns relating to country/geographical risk?

Assessment: CEL operates small shops in specific localities. The staff in each venue get to know their regular customers. Staff do not sit behind a screen or a desk, but walk the shop floor and interact with every customer who enters the shop. There are no concerns relating to country of geographical risk,



in any venues with a high proportion of non-English speakers signage (including Terms and Conditions and GamCare) will be in the most commonly used languages.

Risk: Is the business high volume consisting of many low spending consumers? Is the business low volume with high spending consumers?

Assessment: CEL operates Adult Gaming Centres which tend to be low stake high volume. There are usually machines in the venue with stakes ranging 10p to a maximum of £2, with jackpots of upto £500. Customers tend to spend short periods of time in the venue.

Risk: Is the business a mixed portfolio? That is, consumers are a mix of high spenders and lower spenders and/or a mix of regular and occasional consumers?

Assessment: CEL generally has customers who are low spenders due to the nature of the machines.

Products

Risk: Are automated ticket redemption (ATR) machines used to facilitate the laundering of criminally derived funds?

Assessment: ATR machines are used and staff are carefully trained on the specific risks of these machines and monitor their use to minimise the risk of them being abused.

Risk: What risk is posed by the products generally on offer to the customers?

Assessment: Generally low risk, the products on offer are low stakes. The stake and prize limits of machines are strictly regulated through the Gambling Act 2005 and subsequent regulations. At least 80% of the machines in AGCs have the same stake and prize limits as pub fruit machines, with 20% having the same limits as high street bingo premises. The maximum stake is £2.

Risk: Are gaming machines, particularly category B3, being used to launder criminally derived funds?

Assessment: The premises are all designed to ensure staff, and CCTV, have full view of the premises. The staff also walk the floor continuously and are not sat behind screens, meaning they interact with all customers. The risk is therefore low.

Risk: Are Privacy booths available?

Assessment: No, CEL does not have any privacy booths. The premises are designed to ensure there are no blind spots.

Risk: Ticket-in-ticket-out (TITO) facilities used to launder funds when used in conjunction with ATR machines

Assessment: Staff are trained on the risks of TITO machines and they are careful to monitor any use of them. The Local Area Risk Assessment also deal with any such risks, particular in terms of the physical design of the premises and the CCTV layout.



Means of Payment

Risk: Are there likely to be situations where the source of funds cannot easily be established or explained by the customer?

Assessment: The customers of CEL are individuals who walk into the shop and CEL has a Customer Due Diligence/KYC policy and Operations Manual to ensure they know everyone who uses their products. The risk of anonymous customers is low-medium.

Risk: Are there a large proportion of over-seas consumers using foreign currency or over-seas based bank cheques or debit cards?

Assessment: This does not tend to be the case in CEL premises. Low risk.

Risk: Are consumers likely to be engaged in a business which involves significant amounts of cash?

Assessment: This will vary from customer to customer and premises to premises, as to what their consumer base will look like. CEL will risk assess each customer individually and will operate a risk based approach.

Other Risks

Risk: Inadequate/lack of due diligence checks on any third party providers (e.g., machine providers).

Assessment: CEL will carry out due diligence checks on any third party providers of gambling product, and only those licensed by the UK Gambling Commission will be used to provide facilities for gambling. Low risk.

Risk: Are procedures in place to monitor consumer transactions across outlets, products and platforms to mitigate any money laundering potential? Is there a potential transaction risk?

Assessment: CEL does not operate remotely, it only operates Adult Gaming Centres. They are monitored by central management as well as venue managers and floor staff. All staff are regularly trained and continuously supported. There is a Customer Due Diligence/KYC policy in place which ensures all staff know how to communicate with customers, minimising any potential transaction risk. TiTo tickets cannot be redeemed across venues, they must always be redeemed in the venue from which they have been issued.

4 CUSTOMER RISK

The following are categories of potential CEL customers whose activities may indicate a higher risk:

- Unknown or anonymous customers
- High spending customers
- Disproportionate spenders
- Casual customers
- Regular customers with changing or unusual spending patterns



In assessing the risk of the above posed to this particular business, the main risk would appear to be unknown or anonymous customers or casual customers. However, CEL operates a Social Responsibility and Customer Due Diligence/KYC policy which all staff are trained on and implement. This helps to minimise this risk.

5 TRANSACTION RISKS

The following are potential transaction risks:

- Proceeds of crime
- Cash
- Transfers between customers/in particular customers borrowing money from other customers

CEL does not operate account based play and staff are trained to identify and manage any such transactional risks, as well as adherence to the relevant policies and procedures which are updated as necessary with the relevance of any transactional risks to the products it operates.

There are also risks surrounding dyed notes within Adult Gaming Centres and staff are trained to look out for any such occurrences and are aware of the SAR procedure.

6 PRODUCT RISK

Product risks particularly relate to the potential for a money launderer to place funds anonymously such as by using third parties.

Staff at CEL are trained to look out for warning signs of any fraudulent activity taking place in its premises, for example money lending.

These risks have been considered as part of the assessment and have not been identified as being present risks. They are also analysed and monitored as part of the Local Area Risk Assessments carried out for each individual premises.

A potential emerging risk for Adult Gaming Centres is 'Bring Your Own Devices'. CEL's Customer Due Diligence/KYC policy is designed to minimise any such risks due to the presence of and communication with staff.



7 SUMMARY OF ASSESSMENT OF RISK AT CEL

The AML risks of CEL are limited to the customers visiting its premises. CEL keeps a set of robust and viable policies and procedures which are designed to support and guide its staff in dealing with any potential situations which may arise. This includes any situation which may involve money laundering or terrorist financing.

The overall risk rating to money laundering and terrorist financing is low-medium.

This is corroborated by the Gambling Commission money laundering and terrorist financing risks within the British gambling industry which states Adult Gaming Centres are medium risk.

Document review:

Date Reviewed	Reviewed by
21.02.2022	Woods Whur/Dobromir Baltadzhiev
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31.03.2023	Dobromir Baltadzhiev
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