

Keeping Casinos Clean: The Problem with Dirty Money and International Differences in Anti-Money Laundering Regulations for Casinos

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I. INTRODUCTION

Since the 1930s, America's youth has been told, "crime doesn't pay."¹ However, the fact of the matter is that crime *does* pay.² Handsomely, and in cash. The United Nations Office on Drugs and Crime has estimated that the gross revenue from illicit activity in 2009 was \$2.1 Trillion.³ It is estimated that \$1.6 Trillion of this \$2.1 Trillion was laundered, and therefore incorporated into the lawful economy and ultimately reinvested in the criminal enterprises.⁴

"Money laundering" is the generally accepted term used to describe the process by which people take proceeds of illegal activities, such as drug sales or gun running, and use them for a "legitimate," or lawful purpose, such as gambling in a legal gaming establishment. The illicit money subsequently becomes "clean," because the holder of the money can now conceal the

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¹ "Crime Doesn't Pay" — *Efforts of the 1930s Press*, FADED GLORY: DUSTY ROADS OF AN FBI ERA, <http://historicalgmen.squarespace.com/crime-doesnt-pay-efforts-of/> (last visited Jan. 23, 2014). Although originally used as something of a slogan by the FBI to discourage the glamorization of 1930s gangsters by young men, the concept caught on and wove its way into pop culture through comic strips such as Dick Tracy. Eventually, in the 1940s and 50s, "Crime Does Not Pay" was the name of a comic book series that depicted true crime stories, which was later used as a propaganda piece by pro-censorship advocates in the hopes of inflaming voters and legislatures. Heidi MacDonald, *Reprints in Review: The Lurid World of Pre-Code Crime*, COMICS BEAT (Mar. 27, 2012), <http://comicsbeat.com/reprints-in-review-the-lurid-world-of-pre-code-crime-column/>.

² This is not to suggest that every crime committed will yield a net profit, nor that each individual criminal will realize monetary gain from his crimes. In fact, economic data suggests that low-level criminals earn less than minimum wage. STEVEN D. LEVITT & STEPHEN J. DUBNER, *FREAKONOMICS: A ROGUE ECONOMIST EXPLORES THE HIDDEN SIDE OF EVERYTHING* 92-93 (2d ed. 2006) (breaking down the monthly drug dealing earnings of a Chicago street gang, and concluding that the "foot soldiers" earned roughly \$3.30 per hour). However, when looking at high-ranking persons in organized crime — including organizations like the Chicago street gang — there are much larger net gains and a much lower overall risk. *Id.* (stating that the leader of the Chicago street gang earned in excess of \$8,500 per month).

³ U.N. OFFICE ON DRUGS & CRIME (UNODC), *ESTIMATING ILLICIT FINANCIAL FLOWS RESULTING FROM DRUG TRAFFICKING AND OTHER TRANSNATIONAL ORGANIZED CRIMES: RESEARCH REPORT*, at 7, U.N. Sales No. E.11.IV.8 (2011) [hereinafter *UNODC Report*]. Unless otherwise specified, currency amounts listed are in USD.

⁴ *Id.* at 10.

true, unlawful origin of his funds.⁵ However, there are ramifications of money laundering far beyond a criminal getting a hefty paycheck. In addition to proceeds of illegal activities being reinvested in the criminal organization and activities that generated them or being used to fund terrorist groups, it is estimated that each \$1 billion that is laundered slows economic growth by roughly 0.05% — a statistic that, on its own, may seem insignificant but that becomes a massive economic impediment when considering that an estimated \$1.6 trillion (or 1,600 billions) of criminal money was laundered in 2009.⁶ Furthermore, injecting illicit funds into the lawful economic flow distorts appropriate prices and resource allocation, creates market volatility, and risks crowding out lawful businesses or investments.⁷

As businesses that deal almost exclusively in cash transactions, casinos are particularly vulnerable to money launderers. Accordingly, regulatory authorities in the U.S. and abroad have promulgated rules and reporting requirements in an attempt to track suspicious transactions and deter would-be money launderers from using casinos for their untoward ends.⁸ However, anti-money laundering regulations differ between countries, which can create problems for corporations operating casinos in multiple jurisdictions. Although there is an international group dedicated to the detection and prevention of money laundering—the Financial Action Task Force

⁵ See Laundering of Monetary Instruments, 18 U.S.C.A. § 1956 (West 2012).

⁶ *UNODC Report, supra* note 3, at 11 (taking into account decreased productivity in the workforce as a result of drug abuse, as well as costs of incarceration). It is important to note that money laundering on its own does not have a negative economic impact. Rather, because money laundering generally involves an influx of significant sums of money, the initial impact of money laundering is economically positive. However, the actual laundering of money and the underlying criminal activities that generated the funds in need of laundering cannot be divorced when looking on a global scale. Furthermore, the economic benefit to countries complicit in money laundering is unsustainable, so money laundering’s net economic impact is overwhelmingly negative. *Id.*, at 116-117.

⁷ *Id.* at 109 (describing, in detail, the ten main socioeconomic impacts of criminal money entering the legitimate system).

⁸ See generally Steven Mark Levy, *Exploiting Financial Institutions*, FED. MONEY LAUNDERING (CCH) § 2.04 (FMNYL 2013) (discussing various money laundering tactics and applicable regulations enacted to protect financial institutions from being exploited).

(“FATF”)⁹—there is not yet a uniform set of laws or enforcement of anti-money laundering regulations across borders.

This note will look at the different Anti-Money Laundering (“AML”) regulations affecting casinos around the world, with an emphasis on the reporting requirements enacted in the United States and Macau.¹⁰ Part II will provide a brief overview of federal U.S. legislation to prevent money laundering. Part III will briefly look at the regulatory compliance of U.S. gaming establishments located in other countries, focusing on the three Nevada-based companies currently operating casinos in Macau. Part IV will discuss the AML framework in Macau, addressing various challenges specific to Macanese casino operators and regulators. Part V will look to legislative AML efforts in other jurisdictions around the world, as well as the growing question of AML protocols with respect to online gambling. Finally, Part VI will propose a potential solution to the varied international policies and oversight of the gaming industry, and will suggest that an international legislative and regulatory authority would prevent criminals from exploiting the jurisdictional regulatory differences, and therefore could be the most effective way to combat money laundering in the world’s casinos.

II. THE UNITED STATES REGULATORY FRAMEWORK

In the United States, casinos (including any other establishments, such as Las Vegas taverns, that have annual gaming revenue in excess of \$1 million) are legally considered financial institutions.¹¹ This classification is in part because of casinos’ unique ability to provide

⁹ The FATF promotes Anti-Money Laundering (“AML”) policies as well as policies designed to Combat the Financing of Terrorism (“CFT”), and generally refers to its recommendations as “AML/CFT.” For more detailed information about the FATF, see *About Us*, FINANCIAL ACTION TASK FORCE, <http://www.fatf-gafi.org/pages/aboutus/> (last visited Jan. 19, 2014).

¹⁰ Macau can also be spelled “Macao.” In the interest of simplicity, Macau will be used throughout this article, save for when a citation uses the alternate spelling.

¹¹ Many other jurisdictions and oversight bodies classify casinos “Designate Non-Financial Business and Professions,” or “DNFBP.” However, many of the same AML regulations apply to financial institutions and DNFBPs alike. See generally FINANCIAL ACTION TASK FORCE (FATF)/ORGANIZATION FOR ECONOMIC CO-

customers with a wide variety of services similar to those provided by a bank, such as cashing checks, extending credit, and sending and receiving funds via wire transfer.¹² Therefore, as financial institutions, the U.S. government requires casinos within its regulatory jurisdiction to file Casino Suspicious Activity Reports (“SAR-Cs”) and Currency Transaction Reports (CTRs).¹³ Under current law, casinos must file CTRs whenever a customer gives or receives currency in excess of \$10,000.¹⁴ This \$10,000 threshold represents the aggregate of multiple transactions by the same customer during the same day, so if a customer went to three different roulette tables and bought in for \$3,500 each time, the aggregate amount of currency received by the casino from this customer would be \$10,500 and a CTR would have to subsequently be filed.¹⁵ The filing of an SAR-C, however, is not contingent on any specific amount of money changing hands,¹⁶ and must be filed when casino employees detect any suspicious activity.

In part because of these filing requirements, U.S. casinos are an invaluable source of information for the Financial Crimes Enforcement Network of the Department of Treasury (FinCEN), and provide vital assistance to FinCEN’s anti-money laundering efforts.¹⁷ However, even with AML safeguards in place, casinos be used as unwitting participants in money

OPERATION AND DEVELOPMENT (OECD) AND ASIA/PACIFIC GROUP ON MONEY LAUNDERING (APG), VULNERABILITIES OF CASINOS AND GAMING SECTOR, at 25 (Mar. 2009) [hereinafter FATF VULNERABILITIES REPORT].

¹² 31 U.S.C. § 5312(X); *see also Policies to Enforce the Bank Secrecy Act & Prevent Money Laundering in Money Services Bus. & the Gaming Industry: Hearing Before the Comm. on Banking, Hous., & Urban Aff.*, 108th Cong., at 63 (2004) [hereinafter *BSA Hearing*] (response to written questions of Senator Shelby from William J. Fox, Dir., Fin. Crimes Enforcement Network, U.S. Dept. of Treas.), available at <http://www.access.gpo.gov/congress/senate/senate05sh.html>.

¹³ Rules for Casinos and Card Clubs: Filing Obligations 31 C.F.R. § 1021.311 (2011); Reports by Casinos of Suspicious Transactions 31 C.F.R. § 1021.320 (2011).

¹⁴ 31 C.F.R. § 1021.311.

¹⁵ *See* FINANCIAL CRIMES ENFORCEMENT NETWORK, THE SAR ACTIVITY REVIEW: TRENDS, TIPS & ISSUES — IN FOCUS: THE CASINO AND GAMING INDUSTRY, at 10 (May 2010) [hereinafter SAR ACTIVITY REVIEW]; Kathleen Gannon, *Goodbye 6A, Hello BSA*, NEV. GAMING LAWYER, Sept. 2007, at 6, 7.

¹⁶ *Macau and Hong Kong: Hearing Before the U.S.-China Econ. and Sec. Review Comm’n*, 113th Cong., at 51 [hereinafter *Macau Hearing*] (prepared statement of James H. Freis, Jr., Counsel, Cleary Gottlieb Steen & Hamilton LLP, Former Dir., U.S. Treasury Financial Crimes Enforcement Network) (2013), available at http://origin.www.uscc.gov/sites/default/files/transcripts/USCC_Hearing_Transcript_-_June_27_2013.pdf.

¹⁷ *See id.* at 54-55 (prepared statement of Frank J. Fahrenkopf, Jr., President and CEO, Amer. Gaming Ass’n.).

laundering schemes. Because casinos deal almost exclusively in cash, and provide patrons with cash services at all times, it is difficult to say whether or not money is laundered through casinos in the U.S., and if so, how much money is laundered on an annual basis.¹⁸

III. U.S. CASINO COMPLIANCE

Based on all available reports, it appears that casinos in the U.S. are actively attempting to combat money laundering and potential terrorist financing by adhering to anti-money laundering reporting requirements promulgated by FinCEN and the Nevada Gaming Commission. But what of the casinos operated by U.S. corporations overseas? Nevada Gaming Commissioner A. G. Burnett says that, due to statutory requirements imposed upon Nevada-licensed gaming establishments that operate casinos outside of Nevada, Nevada-licensed casino operators, “offer robust compliance with anti-money laundering protocols” in both their domestic and foreign properties.¹⁹ However, he also acknowledges that this “robust compliance” is not without limits.²⁰

There are three major U.S. gaming corporations who have acquired licenses to operate in Macau: the MGM Resorts International, the Las Vegas Sands Corporation, and Wynn Resorts Ltd.²¹ It is widely known that gaming in Macau has a long history of suspected ties to Asian Organized Crime (AOC, more commonly known as “triads”), and the triads’ presence is something that Macanese casino operators are still dealing with.²² U.S. gaming corporations operating casinos in Macau have a unique set of competing incentives: on the one hand,

¹⁸ *Id.* at 26 (statement of Frank J. Fahrenkopf, Jr.).

¹⁹ *Id.* at 41 (prepared statement of A. G. Burnett).

²⁰ *Id.* at 41-42.

²¹ Tony Batt, *Uncle Sam is Watching*, MACAUBUSINESS.COM (July 22, 2013, 5:30:56 PM), <http://www.macaubusiness.com/news/uncle-sam-is-watching.html>; *Macau Hearing*, *supra* note 16, at 36 (opening statement of A. G. Burnett, Chairman, Nev. Gaming Control Board).

²² *See generally Macau Hearing*, *supra* note 16 (discussing the suspected ties between Stanley Ho, the owner of a major casino conglomerate in Macau, and the triads, as well as the triads’ direct involvement with VIP rooms in Macanese casinos).

partnering with the triads to operate VIP rooms draws in high rollers who might otherwise choose to gamble at a different property; but on the other hand, failure to abide by the regulatory laws of the Nevada Gaming Commission might endanger these corporations’ licenses to operate in Las Vegas.²³

IV. MACAU

Macau is currently the largest gaming industry in the world, reaping approximately \$45 billion in casino revenue in 2013,²⁴ a roughly 17% increase from its \$38 billion casino revenue take in 2012.²⁵ For the sake of perspective, Macau’s 2012 gambling revenue was six times the amount of 2012 gambling revenue generated by Las Vegas,²⁶ and more than three times the amount of gaming revenue brought in by the entire state of Nevada.²⁷ Currently, analysts expect Macau to continue its double-digit growth rate and have predicted Macanese gaming revenue to reach \$77 billion by 2017.²⁸ Because there is so much money at stake, it is unsurprising that U.S. corporations — specifically the Sands, Wynn, and MGM — were eager to bid for gaming concessions from the Macanese government that allow these companies to operate casinos in Macau.²⁹ The Macanese tourist industry is focused primarily on gaming,³⁰ although the recent change in Chinese leadership has begun to spur change and an effort to make Macau more diverse and curb corruption.³¹

But why is corruption such a large problem in Macau to begin with?

²³ *Compare Macau Hearing*, *supra* note 16, at 42 (prepared statement of A. G. Burnett), with NEV. REV. STAT. § 463.720 (2012).

²⁴ Kate O’Keeffe, *Macau’s 2013 Gambling Revenue Rose 19% to \$45.2 Billion*, WALL ST. J., Jan. 2, 2014, available at <http://online.wsj.com/news/articles/SB10001424052702303640604579295884261629874>.

²⁵ *Macau Hearing*, *supra* note 16, at 1 (opening statement of Comm’r William Reinsch, hearing co-chair).

²⁶ *Id.*

²⁷ *Id.* at 40 (prepared statement of A. G. Burnett).

²⁸ O’Keeffe, *supra* note 24.

²⁹ *Macau Hearing*, *supra* note 16, at 39 (prepared statement of A. G. Burnett).

³⁰ *Id.* at 78 (testimony of A. G. Burnett).

³¹ Farah Master, *Less Sin, More Shrek in Macau as China Takes Aim in Corruption Fight*, REUTERS, Nov. 3, 2013, available at <http://www.reuters.com/article/2013/11/03/macau-corruption-idUSL3N0IL08820131103>.

To fully answer this question, it is necessary to understand the structure of traditional Macanese casino operation, how that structure evolved, and the challenges facing those who would change that structure to more effectively prevent money laundering.

A. HOW MACANESE CASINOS OPERATE

Casinos in Macau essentially operate two business models simultaneously: the traditional casino floor designed for casual tourists and low-rollers; and the VIP rooms reserved for patrons looking to gamble large sums of money.³² Although there is certainly the potential for games on the main casino floor to be used as a means of “cleaning” dirty money, the sums wagered in VIP rooms and the VIP rooms’ opaque operations make Macanese VIP rooms a more vulnerable target for money laundering transactions than the main floor. Generally, a patron cannot access a VIP room unless he has a gambling budget of more than \$64,500 USD.³³ In part due to this minimum monetary threshold, the VIP rooms generate roughly two-thirds of gaming revenue within Macanese casinos.³⁴ The latest data from 2013 shows that VIP gaming revenue increased by 13% from 2012, and accounted for nearly \$30 billion of Macau’s \$45 billion take.³⁵ Accordingly, VIP room operation is essential to the financial wellbeing of Macanese casinos and Macau as a whole.³⁶

B. VIP ROOMS AND JUNKET OPERATORS

The history of VIP room operation provides some insight as to why these rooms are the

³² Wuyi Wang & William R. Eadington, *The VIP-Room Contractual System and Macao’s Traditional Casino Industry*, 6 CHINA: AN INT’L J. 237, 238 (2008).

³³ *Id.* at 248.

³⁴ *Id.* at 256; see also *Quarterly Gaming Statistics*, GAMING INSPECTION AND COORDINATION BUREAU, MACAO SAR, <http://www.dicj.gov.mo/web/en/information/DadosEstat/2013/content.html#n1> (last visited Jan. 1, 2014).

³⁵ Michael Grimes, *Fast Action from VIP Baccarat, but Mass Faster*, MACAU BUSINESS DAILY, Jan. 17, 2013, available at <http://macaubusinessdaily.com/Gaming/Fast-action-VIP-baccarat-mass-faster>.

³⁶ The successful operation of VIP gaming rooms directly affects the overall economy of Macau because the Macanese government taxes gross gambling revenues at a rate of nearly 40%. Luis Pessanha, *Gaming Taxation in Macau*, 12 GAMING L. REV. & ECON. 344, 345 (2008). Furthermore, in 2011, money generated from gambling taxes accounted for 72% of the Macanese government’s revenue. *Macau Hearing*, *supra* note 16, at 49 (prepared statement of Mr. Freis).

keystones of Macanese casino operation. Macau has been the center of gambling in Asia since the late 1800s, when Great Britain gained control over Hong Kong and criminalized gambling.³⁷ As Macau’s population grew over the next century, so did its need for increased gaming revenue.³⁸ Rather than invest resources in attempting to attract more mass-market casual gamblers, the Macanese casino operator, Stanley Ho,³⁹ instead focused on cultivating a high-roller customer base.⁴⁰ In order to defray the costs of attracting new customers, and to curtail a sharp rise in scalping,⁴¹ Mr. Ho essentially subleased portions of his casinos to people who would bring in VIP customers.⁴²

Today, these sublessees are commonly known as “junket promoters” or “junket operators,”⁴³ and they operate in much the same way today as they did at their genesis. Junket operators essentially work for VIP room operators (often called “VIP promoters”) and solicit business from high rollers (or “whales”) such as wealthy businessmen and, occasionally, corrupt government officials.⁴⁴ Junket operators go to great lengths to form relationships with wealthy

³⁷ Wang & Eadington, *supra* note 32, at 239. Macau had previously been able to sustain itself economically as a trade hub, however, when Great Britain gained control of Hong Kong, Hong Kong became the central trading port for the region. *Id.*

³⁸ *Id.*

³⁹ Prior to 2002, Mr. Ho was the only licensed gaming operator in Macau. He held a monopoly for gaming from 1962 until 2002, and is still one of the most important and influential figures in Macanese gaming. *Macau Hearing*, *supra* note 16, at 36-37 (opening statement of A. G. Burnett).

⁴⁰ Wang & Eadington, *supra* note 32, at 240.

⁴¹ In the 1970s and 80s, the ferries that transported gamblers between Hong Kong and Macau could not keep up with demand. Subsequently, entrepreneurial Macanese citizens began buying large quantities of ferry tickets to resell at prices much higher than face value. Stanley Ho owned both the casinos and the ferry company, therefore, ending ferry ticket scalping was essential to the success of his enterprise. Accordingly, he enticed the ticket scalpers to stop interfering with the ferries by offering them the opportunity to conduct business in the casinos. *Id.* at 241.

⁴² Angela Veng Mei Leong, *The “Bate-Ficha” Business and Triads in Macau Casinos*, 2 QUEENSL. U. TECH. L. & JUST. J. 83, 84 (2002).

⁴³ “Junket Operator” and “Junket Promoter” are terms of art referring to the natural persons who develop relationships with high value gamblers and bring them to the casino. This is not to be confused with the term “VIP Promoter,” which refers to the entity—whether legal person or natural—who contracts with the casino to run the VIP room. For a more detailed discussion about the different terms used in conjunction with Macanese VIP gaming, see Wang & Eadington, *supra* note 32, at 246-250. To avoid unnecessary confusion between the two terms, this note will use the phrase “junket operator(s)” when referring to the person responsible for recruiting the gambler.

⁴⁴ Jorge Godinho, *The Prevention of Money Laundering in Macau Casinos*, 17 GAMING L. REV. & ECON. 262, 264 (2013); Master, *supra* note 31.

gamblers, and assume the risks of all costs associated with the formation of the relationship—including paying the transportation costs of getting the gambler to Macau.⁴⁵

The cultural differences between China and westernized regions are vast, especially when it comes to forming business relationships. While Western marketers utilize an array of psychologically-based techniques to woo wealthy customers,⁴⁶ the Chinese place an emphasis on personal relationships as a basis for business transactions.⁴⁷ Accordingly, junket operators invest a significant amount of time and resources into each gambler they seek to recruit. The process of VIP recruitment is sometimes referred to as “friend making,” because the junket operators recognize the importance of developing a strong interpersonal relationship with the gambler.⁴⁸

C. FUNDING VIP GAMBLERS

Chinese law restricts anyone from Mainland China from taking more than 20,000 Yuan (roughly \$3,150) in cash out of the Mainland, which is the main feeder of gamblers to Macau.⁴⁹ However, in 2004, Macau passed a law — Law 5/2004 — that permitted junket operators, as well as the casinos themselves, to extend credit to gamblers.⁵⁰ Accordingly, the junket operators may lawfully advance an interest-free loan to the VIP gambler in any amount they wish, which — similar to a traditional “marker” issued by U.S. casinos — the gambler can immediately repay from his winnings, or pay back after leaving Macau if his gambling is unsuccessful.⁵¹ This

⁴⁵ Wang & Eadington, *supra* note 32, at 247-48.

⁴⁶ See generally MaryLou Costa, *Reaching wealthy consumers demands classic luxury marketing techniques*, MARKETINGWEEK (Feb. 1, 2012), available at www.marketingweek.co.uk/reaching-wealthy-consumers-demands-classic-luxury-marketing-techniques/3033733.article (discussing the most effective tactics for attracting business from wealthy customers, especially delayed gratification and perceived exclusivity).

⁴⁷ *Macau Hearing*, *supra* note 16, at 79 (testimony of Prof. I. Nelson Rose, Professor of Law, Whittier Law School and the University of Macau).

⁴⁸ For detailed information about the “friend making” process, see Wang & Eadington, *supra* note 32, at 247-48.

⁴⁹ *Macau Hearing*, *supra* note 16, at 60 (prepared statement of Prof. Rose).

⁵⁰ Jorge Godinho, *Credit for Gaming in Macau*, 10 GAMING L. REV. 363, 363 (2006); See also Jorge Godinho, *Should Credit Agreements Between Casinos and Patrons Be Subject to Prior Government Approval? A Note on Wynn Resorts (Macau) S.A. v. Mong Henry*, 14 GAMING L. REV. & ECON. 541 (2010) (discussing Law 5/2004 in further detail).

⁵¹ Leong, *supra* note 42, at 84-85.

allows the gambler to wager large sums in Macau without having to transport physical currency out of the Mainland.

Although this may seem innocuous, and indeed may be used by gamblers and VIP rooms dealing only with legitimate funds, the potential for laundering money through the Macanese VIP rooms is high. Ordinarily, if a gambler seeks to make a transaction involving a large amount of money, casinos are required to create and maintain records of a gambler’s identity and the source of the gambler’s funds; this information gathering process is called Customer Due Diligence, and is standard operating procedure for any business subject to AML regulation.⁵² However, the VIP rooms are not subject to the same scrutiny as the main casino floor, thereby allowing players to wager huge sums of money without creating a paper trail.⁵³ Rather than risking conviction for violating the Chinese currency restrictions, or risk triggering the need to create and file due diligence reports, a gambler from Mainland China can work with a Macanese junket operator to wash huge sums of illicit money under the cover of the VIP room.⁵⁴

It is also difficult to know what, exactly, the Macanese anti-money laundering protocols are because the instructions and regulations promulgated by the Macanese Gaming Inspection and Coordination Bureau (“DICJ”⁵⁵) are generally not made public.⁵⁶ There are many duties of confidentiality under the laws of Macau, most notably the Macanese Privacy Act 8/2005 that effectively prevents businesses from disclosing information about individuals to entities in

⁵² FINANCIAL ACTION TASK FORCE, INT’L STDS. ON COMBATING MONEY LAUNDERING AND THE FINANCING OF TERRORISM & PROLIFERATION: THE FATF RECOMMENDATIONS, recommendation 22, at 19 (Feb. 2012) [hereinafter FATF, 40 RECOMMENDATIONS] (incorporating recommendation 10, which outlines procedures for customer due diligence, against casinos), available at http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf.

⁵³ See generally FATF VULNERABILITIES REPORT, *supra* note 11, at 49-50.

⁵⁴ *Id.*

⁵⁵ The official name of the DICJ is the “Direcção de Inspeção e Coordenação de Jogos.”

⁵⁶ Godinho, *supra* note 44, at 268.

another country.⁵⁷ The strict privacy laws of Macau also prevent the divulgence of documents produced as part of a contractual relationship unless there is an express authorization from the affected party permitting the disclosure.⁵⁸ These privacy laws essentially create a veil under which VIP junket operators and VIP patrons can operate with impunity, because it is difficult — if not impossible — for outside regulatory bodies to know what goes on in VIP rooms.

None of this is to suggest that Macau does not have Anti-Money Laundering laws and protocols in place. Similar to casinos in the U.S., the DICJ requires Macanese casinos to file Suspicious Activity Reports and Currency Transaction Reports.⁵⁹ However, the Macanese regulations are facially less stringent than their equivalent U.S. requirements, to wit: the amount of currency necessary to trigger a CTR in Macau is \$62,500,⁶⁰ more than six times the amount that triggers a CTR in the United States.⁶¹ Furthermore, it appears that the Macanese privacy laws create a shroud of secrecy around the VIP rooms, under which the operators and gamblers can sidestep the AML regulations with low risk of consequence. In the face of such massive revenue generated by the VIP gamblers that the junket operators recruit, it is easy to understand why Macanese casinos do not seem to be rushing to implement more stringent oversight over VIP room operations. As noted earlier, VIP Baccarat play accounted for nearly \$30 billion in 2013 alone.⁶² It would be foolhardy to expect casinos to risk their market share of this hefty sum by cracking down on junket operators and VIP rooms whose practices may not comport with AML regulations.

D. VIP ROOM OPERATORS

⁵⁷ *Macau Hearing*, *supra* note 16, at 43 (prepared statement of A. G. Burnett).

⁵⁸ Godinho, *supra* note 44, at n.47.

⁵⁹ *Macau Hearing*, *supra* note 16, at 54 (Prepared statement of Mr. Fries).

⁶⁰ *Id.*

⁶¹ The U.S. threshold is \$10,000. *See supra* note 14, and accompanying text.

⁶² Grimes, *supra* note 35 (stating that VIP revenue for 2013 was 238.52 billion MOP, which is equivalent to \$29.85 billion USD).

Until now, the focus of this note has been on the players and junket operators, however the actual entities in control of the VIP rooms are a likely channel through which money can be laundered. Take, for example, the Ioa Kun Group — a sizeable holding company whose subsidiaries operate numerous VIP rooms⁶³ — which is traded on the NASDAQ stock exchange under the symbol IKGH.⁶⁴ IKGH must have a significant amount of capital to invest in its VIP rooms because operating a VIP room requires the room owner to place a large deposit with the casino.⁶⁵ This capital has to come from somewhere, and presents a perfect opportunity to launder illicit money through a seemingly legitimate investment.

If a criminal wanted to launder money through a Macanese VIP room, he could make a large investment using illegitimate funds and become a shareholder. Like other money laundering schemes, once he makes his initial investment, a criminal would be able to attribute money earned from his illegitimate business to the legitimate funds generated by the VIP room. This scenario assumes that the VIP promoter is not complicit in the money-laundering scheme. If, however, the VIP promoter is a party to the criminal activity, the potential for laundering illicit funds becomes exponentially greater.

E. LICENSING, REGULATION, AND OBSTACLES

Unlike their foreign counterparts, the Nevada-based casino operators — Wynn, Sands, and MGM — are required to comply with Nevada gaming regulations, regardless of where their casino is located.⁶⁶ Under Nevada law, a casino’s Nevada gaming license can be revoked if they

⁶³ “IKGH is a holding company which operates through its subsidiaries and related promoter companies that act as VIP room gaming promoters, and is entitled to receive all of the profits of the VIP gaming promoters from VIP gaming rooms.” *Investor Relations*, IAO KUN GROUP HOLDING CO., LTD., <http://ir.aerlf.com/index.cfm> (last visited Jan. 18, 2014).

⁶⁴ *Id.* IKGH was formerly called “Asia Entertainment & Resources, Ltd.,” and had been traded under the symbol “AERL.” *Macau Hearing*, *supra* note 16, at 62 (prepared statement of Prof. Rose).

⁶⁵ *See* Wang & Eadington, *supra* note 32, at 254 (detailing and diagramming the numerous transactions among the casino, the VIP room operator, the junket operator, and the VIP gambler).

⁶⁶ NEV. REV. STAT. § 463.720; *supra* Part III.

“knowingly . . . [f]ail to conduct the [foreign gaming] operation in accordance with the standards of honesty and integrity required for gaming in [Nevada].”⁶⁷ Accordingly, if any of the three U.S.-based companies failed to report high-value currency transactions or suspicious activity occurring in their Macanese properties, they would be placing their license to operate their Las Vegas properties in jeopardy.⁶⁸ However, the VIP room structure gives U.S.-based gaming corporations the potential to comply with the letter of the Nevada law, while sidestepping compliance with the law’s spirit and intent: the Nevada licensee can only be held responsible for its own transactions, and can therefore avoid liability for insufficient AML procedures implemented by the VIP room operators.⁶⁹ In fact, the Nevada Gaming Commission acknowledges that its authority to regulate Nevada licensees operating in Macau extends only to the entrance of the VIP room; the VIP room operator assumes control and responsibility for all transactions occurring inside the VIP room itself.⁷⁰ As long as the Nevada licensee takes appropriate precautions, follows all applicable due diligence and reporting requirements, and properly conducts its transactions with the VIP room operator, the licensee is not risking his Nevada license.⁷¹

The very nature of VIP rooms and junket operators contradict tradition notions of AML procedures; a significant portion of AML regulations involve “know your customer” protocols, which involve verifying the identity of patrons as well as taking steps to reasonably ensure the source of their funds is legitimate. However, since many VIP gamblers are brought to Macau after developing a relationship with a junket operator,⁷² it would seem unnecessary and

⁶⁷ NEV. REV. STAT. § 463.720(2).

⁶⁸ See *Macau Hearing*, *supra* note 16, at 72 (testimony of A. G. Burnett) (stating that foreign properties of NV licensees must comply with NV regulations, FinCEN and IRS requirements, as well as all local laws).

⁶⁹ *Id.* at 40-41 (prepared statement of A. G. Burnett).

⁷⁰ *Id.* at 41.

⁷¹ *Id.*

⁷² *Supra* note 43, and accompanying text.

redundant for the VIP room operator and the host casino to vet the gambler upon his arrival. Unfortunately, foregoing customer and fund identification procedures assumes that the junket operator has performed appropriate customer due diligence before recruiting the VIP gambler, an assumption that — given the amount of commission money at stake⁷³ — may be woefully inaccurate.

Starting in 2002, and coinciding with the end of Stanley Ho’s casino monopoly, the Macanese government began implementing procedures to regulate and license junket operators and VIP promoters.⁷⁴ These licensing procedures — collectively referred to as the “Junket Operator Regulation” — require a junket operator seeking licensure to divulge significant amounts of personal information to the DICJ.⁷⁵ However, the regulation contains no information about how this information will be used to determine an applicant’s qualifications, and there is no express criteria requiring a background check or fingerprinting.⁷⁶

Since opening Macau’s gaming market to foreign entities, Macanese lawmakers have passed more regulations governing junket operators and VIP promoters, and appear to have enacted stricter procedures for the prevention of money laundering.⁷⁷ Although these laws and regulations are promising signs of increased AML procedures for Macanese casinos, it is impossible to know how well these regulations are working, or how strictly they are being enforced. The Nevada Gaming Commission periodically audits the Macanese properties of the

⁷³ The IKGH 6-K filing reported a “commission to agents” payout of more than \$45 million for the three-month period ending in Sept. 2013. Ioa Kun Group Holding Co., Ltd., Report of Foreign Issuer (Form 6-K) (Nov. 14, 2013). The use of IKGH’s 6-K filing is in no way meant to insinuate that they are in any way involved with illegal money laundering operations. Rather, the information contained in IKGH’s 6-K is merely meant to quantitatively illustrate how vulnerable VIP rooms are to laundering schemes.

⁷⁴ Ricardo C. S. Siu, *Formal Rules, Informal Constraints, and Industrial Evolution — The Case of the Junket Operator Regulation and the Transition of Macao’s Casino Business*, 11 UNLV GAMING RESEARCH & REV. J. 49, 53 (2007).

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ See generally *id.*; *Macau Hearing*, *supra* note 16 (discussing the AML procedures enacted shortly before 2006).

three Nevada-licensees to ensure compliance with Nevada and U.S. federal regulations, however they have no authority to investigate the VIP promoters or junket operators, or casinos that have no ties to Nevada.⁷⁸ Therefore, it appears that Macau has created legislation and policies to more effectively regulate casinos, junket operators, and VIP promoters, the veil of secrecy surrounding the VIP rooms still leaves Macanese casinos vulnerable to money laundering activities.

V. REGULATIONS IN OTHER REGIONS

Currently, there is no international body governing the creation of, or adherence to, Anti-Money Laundering regulations. The closest thing to an international oversight and enforcement agency is the Financial Action Task Force (“FATF”): an inter-governmental agency created by the United Nations, that promulgates recommendations for AML measures in the hopes of eventually creating a universal standard for AML procedures for both financial institutions and designated non-financial businesses and professions (“DNFBPs”).⁷⁹ The FATF is comprised of 36 members and 8 FATF-Style Regional Bodies (“FSRBs”), which aggregately represent a significant portion of the world.⁸⁰ The FATF conducts thorough investigations of businesses around the world and publishes its findings in a document called a “Mutual Evaluation Report.” Mutual Evaluation Reports examine both “technical compliance” with the FATF Anti-Money Laundering Recommendations, and the “effectiveness” of a country’s implementation of AML legislation and procedures.⁸¹

When Macau’s last Mutual Evaluation Report was conducted in 2006, evaluators were unable to determine if Macanese AML laws were being enforced effectively, because many of

⁷⁸ See *supra* Part III.

⁷⁹ *About Us*, FINANCIAL ACTION TASK FORCE, *supra* note 9.

⁸⁰ For a detailed list of countries represented in the 36 FATF members, as well as information about the 8 FSRBs, see *Countries*, FINANCIAL ACTION TASK FORCE, <http://www.fatf-gafi.org/countries/> (last visited Jan. 19, 2014).

⁸¹ *Procedures for the FATF Fourth Round of AML/CFT Mutual Evaluations*, FINANCIAL ACTION TASK FORCE, <http://www.fatf-gafi.org/topics/mutualevaluations/documents/4th-round-procedures.html> (last updated Dec. 9, 2013).

the regulations had been newly enacted.⁸² Although this report indicated that Macau was actively moving towards a more comprehensive AML framework, it also identified major deficiencies in the gaming sector, especially the need to lower the threshold for triggering a currency transaction report, and the need to implement compliance reviews of the casinos.⁸³ The next Mutual Evaluation Report of Macau is scheduled to take place at the end of 2016, and will be able to offer more extensive analysis of the AML regulations in the gaming sector.⁸⁴

Although the Mutual Evaluation Reports and the FATF AML Regulations are instrumental tools in the fight against money laundering, the FATF has no authority to implement AML regulations, nor does it have the authority to sanction or otherwise penalize non-compliant entities or jurisdictions.⁸⁵ Simply put, the FATF is beholden to the political will of individual countries, and can do little more than disseminate information about which jurisdictions are more compliant with FATF recommendations than others.⁸⁶ This list of “High Risk and Non-Cooperative Jurisdictions” serves to dissuade legitimate businesses and governmental bodies from conducting transactions with jurisdictions listed as non-compliant. However, this list also creates the possibility of alerting criminals to areas that will not be hostile

⁸² ASIA/PACIFIC GROUP ON MONEY LAUNDERING & OFFSHORE GROUP OF BANKING SUPERVISORS (OGBS), APG/OGBS MUTUAL EVALUATION REPORT ON MACAO, CHINA AGAINST THE FATF 40 RECOMMENDATIONS (2003) AND 9 SPECIAL RECOMMENDATIONS, at 8 (adopted July 24, 2007) [hereinafter 2006 REPORT], *available at* <http://www.apgml.org/documents/Default.aspx?pcPage=11> (“In respect of the oversight and regulatory responsibilities delegated to the DICJ, the implementation of recently issued guidelines and instructions cannot be assessed at this time. In addition, no comprehensive risk assessment seems to have been undertaken within the casino sector specifically to assess the risk of [money laundering] or [the financing of terrorism].”).

⁸³ *Id.* at 155; *see also Macau Hearing, supra* note 16, at 10 (opening statement of Mr. Daniel Glaser, Asst. Secretary for Terrorist Financing, Office of Terrorism & Financial Intelligence, Treas. Dept.).

⁸⁴ FINANCIAL ACTION TASK FORCE, GLOBAL ASSESSMENTS’ CALENDAR, at 2, *available at* <http://www.fatf-gafi.org/media/fatf/documents/assessments/Global-Assessments-Calendar.pdf>.

⁸⁵ *About Us*, FINANCIAL ACTION TASK FORCE, *supra* note 9.

⁸⁶ When the FATF determines that a jurisdiction has insufficiently instituted AML procedures, it will seek a commitment from high-level political officials to work with the FATF and increase AML precautions. The FATF maintains and periodically releases a list of jurisdictions identified as having “strategic AML/CFT deficiencies.” FINANCIAL ACTION TASK FORCE, IMPROVING GLOBAL AML/CFT COMPLIANCE: ON-GOING PROCESS — HIGH-RISK AND NON-COOPERATIVE JURISDICTIONS, Oct. 18, 2013 [hereinafter FATF HIGH-RISK JURISDICTIONS] *available at* <http://www.fatf-gafi.org/media/fatf/documents/statements/Compliance-18-October-2013.pdf>.

towards their money laundering efforts.

A. WELL-REGULATED GAMING SECTORS

The European Union has one of the most comprehensive sets of AML requirements for financial institutions and DNFBP in the world.⁸⁷ Directive 2005/60/EC requires that casinos verify the identity of patrons buying or redeeming chips worth EUR 2,000 or more, or otherwise “register, identify and verify the identity of their customers immediately on or before entry.”⁸⁸

The Member States of the EU have individual AML regulations and oversight bodies. For example, the United Kingdom incorporated the provisions of Directive 2005/60/EC into their legislation through the Money Laundering Regulations of 2007.⁸⁹ The Money Laundering Regulations vests authority for casino supervision in the Gambling Commission.⁹⁰ The Gambling Commission is allowed to enter and inspect casino premises without a warrant, interrogate any person on premises, take anything reasonably believed to be used in connection with money laundering, and conduct undercover “test purchases” to ensure that casinos: (a) have adequate AML protocols in place, and (b) employees — especially those involved with currency transactions — are properly complying with the applicable AML procedures.⁹¹ If there is sufficient reason to suspect that money is being laundered through a casino, the Gambling Commission will submit a report to the National Crime Agency, who, in turn, can bring criminal

⁸⁷ See Directive 2005/60/EC of the European Parliament and of the Council of 26 Oct. 2005 on the Prevention of the Use of the Financial System for the Purpose of Money Laundering and Terrorist Financing, 2005 O.J. (L 309) 15, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:309:0015:0036:en:PDF>.

⁸⁸ *Id.*, art. 10, at 24. This monetary threshold is, in some respects, more stringent than that imposed upon U.S. casinos that must follow AML reporting procedures for transactions involving more than \$10,000 USD, which is equivalent to approximately EUR 7,400. At the time of this writing, the exchange rate was 1 USD = 0.7401 EUR. *USD to EUR Conversion Chart*, BLOOMBERG, <http://www.bloomberg.com/quote/USDEUR:CUR/chart> (last updated Jan. 20, 2014, 8:17:12 PM EST).

⁸⁹ *The Money Laundering Regulations 2007*, THE NATIONAL ARCHIVES OF THE UNITED KINGDOM 48, available at <http://www.legislation.gov.uk/uksi/2007/2157/made/data.pdf>.

⁹⁰ *Id.* at ¶ 23(1)(e).

⁹¹ *Id.* at ¶ 38; GAMBLING COMMISSION, *Anti-Money Laundering — Approach to Supervision* 6, April 2013 [hereinafter *Approach to Supervision*] available at http://www.gamblingcommission.gov.uk/PDF/Prevention_of_money_laundering_and_combating_the_financing_of_terrorism_-_July_2013.pdf.

charges against those involved in the money laundering operation.⁹² Imbuing the Gambling Commission with such broad authority has been instrumental in the United Kingdom’s ability to effectively combat money laundering, and is reflective of similar oversight schemes across the European Union Member States.⁹³

Australian casinos, like those in the U.S. and European Union, are subject to strict reporting requirements, governed by the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (“AML/CTF Act”).⁹⁴ Under the AML/CTF Act, casinos are required to submit a Threshold Transaction Report to AUSTRAC⁹⁵ and positively identify customers who gamble or win AUD 10,000 or more, as well as submit reports of suspicious transactions, regardless of the value of the transaction.⁹⁶ Similar to the regulatory structures found in the U.S. and the EU, although AUSTRAC is the Financial Intelligence Unit for Australia as a whole, each state and territory within Australia has its own casino licensing and regulatory bodies.⁹⁷

Australia has also enacted specific procedures to regulate and license junket operators.⁹⁸ Therefore, Australia’s licensing procedures require that junket operators function differently than do those in Macau. This provides a robust defense to money laundering because the role of

⁹² The National Crime Agency, formerly known as the Serious Organised [sic] Crime Agency (“SOCA”), is a “non-ministerial government department . . . subject to rigorous external and independent scrutiny.” *How We Are Run*, NATIONAL CRIME AGENCY, <http://www.nationalcrimeagency.gov.uk/about-us/how-we-are-run> (last visited Jan 23, 2014); see also *Approach to Supervision*, *supra* note 99, at 1.

⁹³ See generally *Final Study on the Application of the Anti-Money Laundering Directive*, DELOITTE & THE EUROPEAN COMM’N 135-139.

⁹⁴ *The Anti-Money Laundering and Counter-Terrorism Financing Act 2006*, AUSTRALIAN TRANSACTION REPORTS AND ANALYSIS CENTRE, http://www.austrac.gov.au/aml_ctf.html (last visited Jan. 20, 2014) [hereinafter *AML/CTF Act*]. Anti-Money Laundering requirements were initially set forth in the Financial Transaction Reports Act 1988 (“FTR Act”), however the majority of the FTR Act’s obligations were incorporated into the AML/CTF Act. See *Legislation*, AUSTRAC E-LEARNING, http://www.austrac.gov.au/elearning/intro_amlctf_legislation.html (last visited Jan. 20, 2014).

⁹⁵ AUSTRAC stands for “Australian Transaction Reports and Analysis Centre,” and is Australia’s anti-money laundering regulator and financial intelligence unit. For more complete information about AUSTRAC, see *Service Charter*, AUSTRAC, http://www.austrac.gov.au/service_charter.html (last visited Jan. 20, 2014).

⁹⁶ *AML/CTF Act*, *supra* note 102.

⁹⁷ FATF VULNERABILITIES REPORT, *supra* note 11, at 16.

⁹⁸ FATF VULNERABILITIES REPORT, *supra* note 11, at 49.

Australian junket operators is more akin to travel agents, who organize gambling holidays that comply with the extensive requirements of the AML/CTF Act, rather than recruiting wealthy VIP gamblers with the lure of almost total anonymity.⁹⁹

In addition to Australian-based AML protocols, one of Australia’s largest gaming companies — Crown Resorts Limited (“Crown”) — adheres to the regulations of the Nevada Gaming Commission because of Crown’s ties to Las Vegas casinos and casino operators.¹⁰⁰ Recently, the Nevada Gaming Commission approved a number of Crown’s “Applications for Findings of Suitability as Managers and Directors,” further cementing Crown’s need to comport with Nevada AML regulations.¹⁰¹ Currently, Crown operates hotel/casinos in Australia, Macau, and London, and has plans to expand into Sri Lanka.¹⁰² In order to keep its affiliation with Nevada-based casinos intact, Crown and its officers have to abide by the Nevada regulations as well as Australian AML laws and any requirements of the jurisdictions in which their casinos are physically located.¹⁰³

Even after considering all of this, it is important to keep in mind that jurisdictions with strong AML frameworks are still susceptible to money laundering. Casinos can still be vulnerable to money laundering activities even when they are subject to, and complying with, numerous AML requirements from various jurisdictions. However, the presence of strong AML

⁹⁹ See generally *AML/CTF Act*, *supra* note 102.

¹⁰⁰ *Crown Ltd. Annual Report 2013*, CROWN RESORTS LTD. 40-43 available at <http://www.crownresorts.com.au/CrownResorts/files/fl/f1cfa710-8bea-4a2b-86b6-a3fa55277614.pdf> (“The gaming industry in Nevada is highly regulated and Crown Limited (Crown) must maintain relevant licences [sic] to continue its investments in entities with gaming operations in Nevada Because Crown is involved in gaming ventures outside of Nevada Crown is also required to comply with certain reporting requirements imposed by the Nevada [Gaming Control] Act.”).

¹⁰¹ NEV. GAMING COMM’N, NGC DEC. 19, 2013 DISPOSITION, Dec. 19, 2013, available at gaming.nv.gov/modules/showdocument.aspx?documentid=8513.

¹⁰² *Our Resorts*, CROWN RESORTS, <http://www.crownresorts.com.au/our-resorts> (last visited Jan 23, 2014).

¹⁰³ NEV. REV. STAT. § 463.720 (“A licensee shall not, in a foreign gaming operation, knowingly: (1) Violate a foreign, tribal, state, county, city or township law, regulation, ordinance or role, or any equivalent thereof, concerning the conduct of gaming.”).

laws¹⁰⁴ can serve as a significant deterrent because criminals and money launderers face a heightened risk of detection, which increases the cost of money laundering services.¹⁰⁵

B. GAMING SECTORS WITH INADEQUATE AML REGULATIONS

There are numerous jurisdictions throughout the world that encourage money laundering either tacitly, by having lax AML regulations and/or not enforcing the regulations they do have, or expressly, by refusing to criminalize money laundering.¹⁰⁶

The countries most likely to encourage money laundering are fairly small nations with developing economies because, for them, the costs of crime are often far lower than the benefits reaped from doing business with criminals.¹⁰⁷ In fact, scholars have suggested that nearly half of the money laundered worldwide is laundered through developing nations partially because these are the countries with the most tenuous infrastructures and, more cynically, with political figures who are more concerned with making money through any means necessary than with international AML cooperation.¹⁰⁸

It should be unsurprising then, that these jurisdictions have little or no regulation of the

¹⁰⁴ This statement assumes that the governing bodies in these jurisdictions are actually enforcing the applicable AML regulations.

¹⁰⁵ The heightened risk of detection translates into a higher cost associated with laundering money, allowing the launderer to charge a premium for their services and subsequently lower profits for the criminals. Because money laundering is the only way for a criminal to actually use his illicit gains, and because effective money laundering reduces the likelihood that the criminal will ultimately be detected, the premium paid to money launderers is economically worthwhile. However, as businessmen and women, criminals realize that they can lower their costs by laundering their money in jurisdictions where the AML regulations are either facially inadequate or are simply not stringently enforced. Hinnerk Gnutzmann, et al., *Dancing with the Devil: Country Size and the Incentive to Tolerate Money Laundering*, 30 INT’L REV. OF L. & ECON. 244, 247. Additionally, economists who study money laundering have long accepted an equation for determining the “attractiveness” of a country or jurisdiction to money launderers. This formula, known as “the Walker equation,” essentially totals numeric representations of a country’s AML policies and then subtracts from that total the numeric representations of that country’s level of corruption and conflict. For an in-depth discussion of the economic models used in money laundering research, see Joras Ferwerda, et al, *Gravity Models of Trade-Based Money Laundering*, 45 APPLIED ECON., 3170, 3172.

¹⁰⁶ There have even been uncommon occurrences when a government will essentially invite money launderers to use their banks in an attempt to stimulate the local economies. Gnutzmann, et al., *supra* note 114, at 244 (describing when the Seychelles publically announced that it would not prosecute anyone for money laundering).

¹⁰⁷ *Id.* at 250.

¹⁰⁸ *Id.*

gaming sector.¹⁰⁹ Due to the international shift towards legalizing gambling, the insufficient AML regulations in these developing nations pose a greater risk of creating money-laundering havens than ever before.¹¹⁰ The legalization of gambling in emerging markets poses two main threats: (1) that land-based casinos in these jurisdictions will be used to launder money; and (2) that independent online casinos and poker rooms will incorporate within these jurisdictions, and will therefore not be subject to the stricter regulations¹¹¹ faced by online gaming operators who incorporate in other countries.¹¹²

A number of countries that have legal land-based casinos are currently on the FATF’s most recent list of high-risk and non-cooperative jurisdictions.¹¹³ Many problems that the FATF cites regarding these high-risk jurisdictions are inadequate laws criminalizing money laundering.¹¹⁴ This necessarily lowers the costs associated with money laundering, making these gaming sectors more vulnerable to laundering illicit funds than jurisdictions with stricter regulations.¹¹⁵

However, not all vulnerable gaming sectors appear on the FATF’s list of high-risk and non-cooperative jurisdictions. Take, for example, the Seychelles.¹¹⁶ The Seychelles is not named on the FATF high-risk jurisdiction list; however, the most recent mutual evaluation report

¹⁰⁹ See generally FATF VULNERABILITIES REPORT, *supra* note 11, 14-21.

¹¹⁰ *Id.* at 20.

¹¹¹ The most common, and some would argue essential, AML requirements are those pertaining to information gathering and sharing. These regulations — which are generally called Customer Due Diligence or Know Your Customer practices — require that a business verify a customer’s identity and take steps to identify the source of the customer’s funds. See *Macau Hearing*, *supra* note 16, at 45-46 (opening statement of Mr. Freis).

¹¹² See *infra* Part V(C).

¹¹³ See FATF HIGH-RISK JURISDICTIONS, *supra* note 134 (providing names and details of countries assessed by the FATF to have insufficient AML regulations); FATF VULNERABILITIES REPORT, *supra* note 11, at 14-21 (detailing the countries that have legalized gambling, and the number of land-based casinos in each).

¹¹⁴ See generally FATF HIGH-RISK JURISDICTIONS, *supra* note 94.

¹¹⁵ See *supra* note 114.

¹¹⁶ The Republic of Seychelles is an African archipelago located off the coast of Madagascar. It is a fairly young nation, having only achieved independence from the United Kingdom in mid-1976. For more detailed information about the Seychelles, see *The World Factbook: Seychelles*, THE CENTRAL INTELLIGENCE AGENCY, <https://www.cia.gov/library/publications/the-world-factbook/geos/se.html> (last visited Jan. 25, 2014).

of the Seychelles found it to be “non-compliant” with the FATF 40 Recommendations.¹¹⁷ The mutual evaluation report highlighted some key AML deficiencies relating to the gaming sector, finding that identity verification and other components of Customer Due Diligence were not practiced.¹¹⁸ These deficiencies may be partially because the primary legislation imposing Customer Due Diligence requirements on financial institutions and DSFBPs — the Anti-Money Laundering Act of 2006 — had been enacted not long before the mutual evaluation took place. The mutual evaluation noted that although a Financial Intelligence Unit had been established to ensure implementation of the provisions of the ALM Act, “no supervision was being undertaken at the time of the onsite visit and compliance with the provisions of the AML Act is not effective.”¹¹⁹ However, the FATF also reported in 2009 that AML procedures in the gaming sector were poorly regulated, indicating that it was not merely the novelty of the AML Act that made Customer Due Diligence requirements non-existent.¹²⁰

Further frustrating global money laundering prevention efforts is the fact that casinos with inadequate AML regulation and enforcement — along with those in high-risk jurisdictions — have no apparent ties to Nevada, placing them outside the regulatory oversight of the Nevada Gaming Commission.¹²¹ Unlike the Nevada-affiliated casinos in Macau, casinos in these high-risk jurisdictions are not jeopardizing their ability to operate Las Vegas casinos when they choose to ignore the information gathering and reporting requirements of the Bank Secrecy Act

¹¹⁷ See E. & SO. AFR. ANTI-MONEY LAUNDERING GROUP, MUTUAL EVALUATION REPORT, ANTI-MONEY LAUNDERING & COMBATTING THE FINANCING OF TERRORISM: THE REPUBLIC OF SEYCHELLES 176, August 2008, [hereinafter SEYCHELLES EVALUATION] available at http://www.esaamlg.org/userfiles/Seychelles_Mutual_Evaluation_Report.pdf. For more information about the mutual evaluation process, see *supra* note 89.

¹¹⁸ *Id.* at 133.

¹¹⁹ *Id.* at 18.

¹²⁰ FATF VULNERABILITIES REPORT, *supra* note 11, at 14.

¹²¹ See *supra* note 110, and accompanying text.

and other AML regulations.¹²² The lack of accountability to agencies like the Nevada Gaming Commission creates something of a regulatory vacuum for casinos and their local governments, allowing the individual casinos to profit from money laundering by skirting international AML standards, and also allowing that country’s government to benefit from an economy that attracts gamblers seeking anonymity. The other main economic benefit to countries with lax AML regulations and oversight is that they are a haven for proprietors of online casinos looking for a base of operations.

C. ONLINE GAMING

One of the most recent money laundering threats comes from the rise of online gambling. The availability of online gambling opportunities has skyrocketed in the past decade, with roughly 85 nations having legalized e-gaming.¹²³

The legality of online gambling in the United States was unclear in the 1990s and early 2000s. However, it all but disappeared in 2006 with the passage of the Unlawful Internet Gambling Enforcement Act (“UIGEA”).¹²⁴ The UIGEA criminalized the “acceptance of any payment instrument for unlawful Internet gambling,” but did not define what constituted “unlawful Internet gambling.”¹²⁵ The passage of the UIGEA and its aftermath left Internet gambling in a legal gray area, scaring players offline and companies overseas.¹²⁶ Although the

¹²² See generally NEV. REV. STAT. § 463.720.

¹²³ David O. Stewart, *Online Gambling Five Years After the UIGEA*, AMERICAN GAMING ASS’N WHITE PAPER 1, May 18, 2011 [hereinafter “AGA WHITE PAPER”], available at http://www.americangaming.org/sites/default/files/uploads/docs/final_online_gambling_white_paper_5-18-11.pdf.

¹²⁴ Not a distinct piece of legislation itself, the UIGEA is the name for Title VIII of the Safety and Accountability for Every Port Act (“SAFE Port Act,” 109 P.L. 347, 120 Stat. 1884) (2006) [hereinafter “UIGEA”].

¹²⁵ For a more thorough discussion of the UIGEA, its passage, and its contents, see Prof. I. Nelson Rose, *Implementation of the Unlawful Internet Gambling Enforcement Act*, GAMBLING & THE LAW, <http://www.gamblingandthelaw.com/index.php/articles/255-implementation-of-the-unlawful-internet-gambling-enforcement-act> (last visited Jan. 28, 2014).

¹²⁶ Nate Silver, *After “Black Friday,” American Poker Faces Cloudy Future*, NYTIMES.COM, http://fivethirtyeight.blogs.nytimes.com/2011/04/20/after-black-friday-american-poker-faces-cloudy-future/?_php=true&_type=blogs&_r=0 (Apr. 20, 2011). The “Black Friday” that Mr. Silver refers to is not to be confused with the post-Thanksgiving retail extravaganza. Rather, Mr. Silver is referencing April 15, 2011 when a

United States has not yet legalized online gambling at the federal level, individual states have begun issuing licenses allowing virtual poker rooms and casinos to operate, so long as there are safeguards in place to ensure that no one under the age of 21, or outside the state’s boundaries, can access the online gaming.¹²⁷ The ability for companies to operate these online casinos and poker rooms is the result of a Department of Justice (“DOJ”) opinion which determined that the Wire Act only applied to internet sports betting, thereby removing licensed online gaming from the ill-defined category of “unlawful Internet gambling,” and putting it outside the purview of the UIGEA.¹²⁸ Furthermore, by construing the Wire Act narrowly, so that it only applies to sports wagering, the DOJ has allowed certain forms of Internet gambling to come under the regulatory authority of state gaming commissions.¹²⁹

But what of Americans who live in states where online gambling is illegal? Are they stuck with play-money websites or forced to travel to brick-and-mortar casinos?

Unfortunately not. There are millions of dollars to be culled from American gamblers looking to play online, and those dollars are not about to be left on the table. The American Gaming Association has estimated that Americans gamble approximately \$4 billion online every

52-page indictment led to the three largest online poker companies that serviced U.S. players — Pokerstars, Full Tilt Poker, and Absolute Poker/Ultimate Bet — getting shut down. Eleven people affiliated with these sites were arrested for violating the UIGEA, among other things, even though they were headquartered in jurisdictions where Internet gambling is legal. Matt Richtel, *Authorities Crack Down on 3 Poker Sites*, THE N. Y. TIMES, B1 (Apr. 16, 2011).

¹²⁷ Seth McLaughlin, *Billionaires Push in Their Chips in National Online Gambling Debate*, THE WASH. TIMES, A1 (Jan. 20, 2014). The ability for companies to operate these online casinos and poker rooms is the result of a Department of Justice opinion that determined that the Wire Act only applied to Internet sports betting.

¹²⁸ Whether Proposals by Ill. & N.Y. to Use the Internet & Out-Of-State Transaction Processors to Sell Lottery Tickets to In-State Adults Violate The Wire Act, Mem. Op. Asst. Att’y Gen., Sept. 20, 2011, available at <http://www.justice.gov/olc/2011/state-lotteries-opinion.pdf> (concluding that the Wire Act only applied to online sports betting); see also *Online Gambling*, AMERICAN GAMING ASS’N, <http://www.americangaming.org/government-affairs/key-issues/online-gambling> (last visited Jan. 24, 2014).

¹²⁹ Although the UIGEA expressly provided that “unlawful Internet gambling” did not apply to intrastate transactions, it also required that the “method” of placing the bet be “expressly authorized by” State law. Until the DOJ interpreted the Wire Act to only prohibit online sports betting, States seemed reluctant to legalize intrastate online gambling. See UIGEA, *supra* note 133; Andrew Doughman, *Only the Big Fish Allowed to Swim in Nevada’s Online Gambling Pool*, LAS VEGAS SUN (Mar. 3, 2013), available at <http://www.lasvegassun.com/news/2013/mar/03/only-big-fish-allowed-swim-nevadas-online-gambling/>.

year,¹³⁰ and although it is unclear what impact the recent legalization of online gaming in certain States will have on that figure, even a small percentage of that \$4 billion estimate is worth competing for. However, the reputable and well-regulated companies who left after the UIGEA enactment have not yet returned to the American marketplace. This has made the American Internet gambling population vulnerable to gambling websites that have poor regulation and oversight, if any.

In order to court American gamblers, some of these websites — which are often based in offshore jurisdictions with poor Anti-Money Laundering infrastructures¹³¹ — promise anonymity to their customers.¹³² The promise of anonymity is important to American gamblers who wish to circumvent the online gambling prohibition of the United States, but also creates an opportunity for these websites to be used, knowingly or unwittingly, as a way around basic AML protocol, namely Customer Due Diligence.¹³³

One of the more ingenious and troubling exploitations of legal gray-area has come from the recently announced gambling website: CoinBet.¹³⁴ In order to set up an account on CoinBet, all a gambler needs is an email address, a password, and an e-wallet full of Bitcoins.¹³⁵ In order to get Bitcoins, all a gambler — or launderer — needs is an e-wallet.¹³⁶ And in order to get an e-wallet, all anyone needs is an email address, mobile phone number, an IP address, and a two-

¹³⁰ AGA WHITE PAPER, *supra* note 132, at 1.

¹³¹ *Id.* at 4, 8.

¹³² One of the more conspicuous websites offering total anonymity to U.S. gamblers is called CoinBet, and will be discussed later in this section.

¹³³ *Supra*, note 52, and accompanying text.

¹³⁴ *CoinBet® Launches a “Game Changing” Bitcoin Processing Online Casino, SportsBook, & Poker Site*, PR NEWSWIRE, <http://www.prnewswire.com/news-releases/coinbet-launches-a-game-changing-bitcoin-processing-online-casino-sportsbook--poker-site-241475051.html>, Jan. 22, 2014.

¹³⁵ *FAQ*, COINBET, <http://www.coinbet.cc/pages/faq#.UuQXzfbTnR0> (last visited Jan. 28, 2014).

¹³⁶ *Choose Your Wallet*, BITCOIN.ORG, <http://bitcoin.org/en/choose-your-wallet> (last visited Jan. 28, 2013).

factor identification token.¹³⁷ No personal information is necessary to obtain any of those things. Accordingly, CoinBet touts itself as the “1st fully licensed gaming operator to bring legal online gambling back for U.S. residents,” and offers an “anonymous registration option, which requires only an email and password!”¹³⁸ CoinBet accepts Bitcoins, which is a type of decentralized virtual currency that is not yet recognized by any country as legal tender.¹³⁹ Accepting Bitcoins is what allows CoinBet to offer its customers full anonymity because Bitcoins themselves are generally anonymous and untraceable.¹⁴⁰

This degree of anonymity is only permissible for a company like CoinBet because its gaming licenses have been issued by Costa Rica. Costa Rica has notoriously lax AML regulations, and does not have a regulatory or oversight system for online casinos.¹⁴¹ Unlike the poker websites shut down on Black Friday, the anonymity of CoinBet’s customers, along with the unknowable source of the Bitcoins funding a CoinBet gambler’s account, may well place an online casino like CoinBet just outside of the reach the U.S. Department of Justice and other

¹³⁷ *Block Explorer API*, BLOCKCHAIN.INFO, <https://blockchain.info/privacy> (last visited Jan. 28, 2014). “Two-factor authentication is a strong authentication method where the user provides two types of identification. Two-factor authentication combines something you know (a PIN or a password) with something you have (a physical device like a YubiKey).” *Frequently Asked Questions*, YUBICO.COM, <http://www.yubico.com/support/faq/> (last visited Jan. 28, 2014).

¹³⁸ *CoinBet*®, *supra* note 143.

¹³⁹ It is unclear whether or not CoinBet has truly found a legal loophole to the UIGEA, since they admittedly convert a gambler’s Bitcoins into USD (or other local currency) upon its deposit, and turn currency winnings back into Bitcoins when the gambler wants to cash out. Since Bitcoins can be traded and exchanged for legal tender, they may well be considered “something of value” under the language of the UIGEA’s definition of “bet or wager.” See UIGEA, *supra* note 133. However, that question — as well as a thorough explanation of what Bitcoins are and how they work — is far beyond the scope of this article. For a primer on Bitcoins, see Andrew Byrne & Will Hallatt, *Bitcoin or Bitcon?*, 18 No. 8 Cyberspace Law. 13.

¹⁴⁰ See generally Dr. Robert Stokes, *Anti-Money Laundering Regulation and Emerging Payment Technologies*, 32 BANKING & FIN. SERVICES POLICY REP. 1, 1 (May 2013) (looking at the role that Bitcoins and other virtual currency play in the international AML effort). Although Dr. Stokes gives a wonderfully comprehensive overview of Bitcoins and the AML efforts that would generally occur when Bitcoins are part of a generally regulated transaction, he does not take into account a business transaction using Bitcoins that is purposefully unregulated, as appears to be the case with CoinBet.

¹⁴¹ U.S. DEPT. OF STATE, BUREAU FOR INT’L NARCOTICS & LAW ENFORCEMENT, *Countries/Jurisdictions of Primary Concern* 108-110, June, 2013, available at <http://www.state.gov/documents/organization/211396.pdf> (“The unregulated online gaming and casino industries pose significant risks for money laundering. The legislature rejected proposed provisions to create a regulatory body when it passed a recent gaming bill”); AGA WHITE PAPER, *supra* note 132, at 4.

forms of traditional AML regulation.

Although some scholars suggest that online poker and online gambling does not pose a significant risk of money laundering, the information on which those conclusions are based come from well-regulated casinos in jurisdictions that have implemented, and actively enforce, AML legislation that is in line with the FATF 40 Recommendations.¹⁴² However, the FATF has yet to promulgate recommendations specific to online gambling, and does not appear to consider such regulation, or lack thereof, when determining a jurisdiction’s level of compliance in its mutual evaluation reports.¹⁴³

VI. THE NEED FOR UNIFORMITY

In the last few years, there has been a push to legalize gaming in markets that were once thought to be out of reach for casino operators.¹⁴⁴ Additionally, there has been significant movement towards legalizing online gambling in numerous jurisdictions.¹⁴⁵ However, the gaming sector remains vulnerable to money laundering operations because, like the criminals looking to launder money, casinos deal almost exclusively in cash; or, in the case of unregulated online casinos: virtual currency, like Bitcoins.

As detailed above, certain jurisdictions scrutinize gaming establishments to ensure

¹⁴² Friedrich Schneider, *Money Laundering and Online Poker: How Relevant?*, 17 GAMING L. REV. & ECON. 714, 724 (2013) (looking only at the German model of state-monopolized gambling, and concluding that online gambling is not an efficient way to launder money); Michael Levi, *E-Gaming & Money Laundering Risks: A European Overview*, 10 ERA FORUM 533, 545 (2009) (concluding that e-gaming in Europe posed a “modest” risk of being used for money laundering).

¹⁴³ Presently, it does not appear that the FATF has any regulations or guidance regarding virtual currencies like Bitcoins, and national regulatory agencies have only recently begun issuing guidance on this issue. See FIN. CRIMES ENFORCEMENT NETWORK, U.S. DEP’T OF THE TREAS., APPLICATION OF FINCEN’S REGULATIONS TO PERSONS ADMINISTERING, EXCHANGING, OR USING VIRTUAL CURRENCIES, FIN-2013-G001 (Mar. 18, 2013), available at http://www.fincen.gov/statutes_regs/guidance/pdf/FIN-2013-G001.pdf.

¹⁴⁴ See generally Takashi Hirokawa & Yuki Yamaguchi, *Japan’s LDP Lawmakers Submit Parliament Bill to Legalize Casinos*, BLOOMBERG, Dec. 5, 2013, available at <http://www.bloomberg.com/news/2013-12-05/japan-s-ldp-legislators-submit-bill-in-diet-to-legalize-casinos.html>; Ralph Jennings, *First Taiwan Casino Open By 2019, Government Says*, FORBES, Jan. 1, 2014, available at <http://www.forbes.com/sites/ralphjennings/2014/01/01/first-taiwan-casino-open-by-2019-government-says>.

¹⁴⁵ See *supra* Part V(C).

compliance with strict AML procedures.¹⁴⁶ A prime example of this can be found by looking at the Macanese casinos of Nevada gaming licensees: because of the Nevada Gaming Commission’s strict oversight and broad authority to revoke Las Vegas gaming licenses for conduct occurring overseas, the Nevada licensees’ casinos offer some of the most robust compliance with AML regulations in Macau.¹⁴⁷

However, this is clearly not enough. Nevada gaming authorities acknowledge their oversight of Nevada licensees’ oversea properties is limited: although Nevada licensees’ are discouraged from being complicit to criminal activities, the Nevada Gaming Commission only has the authority to revoke a Nevada gaming license.¹⁴⁸ Given the enormous profitability of Macanese casinos, specifically the VIP rooms within Macanese casinos, and the stagnant gaming market in Las Vegas, it is possible that the threat of losing one’s Nevada gaming license may not always be a sufficient crime deterrent. Furthermore, Macanese casinos without ties to Nevada are not subject to the same scrutiny and need for AML compliance.¹⁴⁹ The difference in regulation requirements and enforcement between Macau and Nevada creates potential economic incentives for individual casinos to be complicit or active participants in money laundering schemes.¹⁵⁰

The schism between Nevadan and Macanese AML regulations, although wide, is nothing compared to the divide between casinos in well-regulated jurisdictions, such as the United States,

¹⁴⁶ See *supra* Part II, Part VI(A).

¹⁴⁷ *Macau Hearing*, *supra* note 16, at 41 (prepared statement of A. G. Burnett).

¹⁴⁸ *Id.* at 42-43.

¹⁴⁹ The largest of these casino operators is SJM Holdings (which stands for “Sociedade de Jogos de Macau, S.A.”). SJM is owned and run by Stanley Ho, the former gaming monopoly holder, who is alleged to have significant ties to triads and known triad members. *Id.* at 39; See generally Anne Milgram & John Lichtblau, *Special Report of the Division of Gaming Enforcement to the Casino Control Comm’n on its Investigation of MGM Mirage’s Joint Venture with Pansy Ho in Macau*, *Special Admin. Region, People’s Republic of China*, STATE OF NEW JERSEY DEP’T OF LAW AND PUBLIC SAFETY, May 18, 2009, available at http://www.state.nj.us/casinos/home/info/docs/MGM/dge_%20report_redacted.pdf (finding Pansy Ho “unsuitable” because of Stanley Ho’s alleged connections to organized crime).

¹⁵⁰ For a general discussion of economic incentives for institutional cooperation with money launderers, see generally Gnutzmann, et al., *supra* note 114, at 249-252.

Australia, or the European Union, and the unregulated land- and Internet-based casinos in offshore havens like the Seychelles and Costa Rica.¹⁵¹ Although the FATF can promulgate recommendations, encourage compliance with a basic level of AML regulations, and conduct mutual evaluations of member states every few years, they have no enforcement authority and do not restrict their focus to the gaming industry.

In order to maintain — or increase — the integrity and reputation of the gaming industry on a global scale, it seems necessary to have a multi-national gaming oversight board with both regulatory and enforcement capabilities. This is the only way that the AML standards in casinos around the world could be made uniform. Uniformity would provide two major benefits to the industry and casino operators alike: (1) having a uniform set of AML protocols, with one regulatory agency charged with enforcing these protocols, would make the entire gaming sector less vulnerable to money laundering operations; and (2) by enacting and enforcing identical AML regulations on all casinos and gaming establishments, casinos operators would be protected from losing revenues to less-scrupulous competitors.

In terms of making the gaming sector less vulnerable to accepting and laundering illicit funds, one need only look at the fallout from the UIGEA to see the impact that discordant regulatory schemes have on the gaming industry. Banning, rather than regulating, Internet gambling merely drove it offshore to jurisdictions that had no AML legislation. This, in turn, has created unique opportunities for criminals seeking anonymity to find conduits through which they can launder the proceeds of their crimes. Imposing a uniform set of laws, with a uniform set of consequences, would eliminate the possibility of the gaming equivalent of forum shopping. Persons and companies would no longer be able to exploit the weaknesses in the international AML structure as it relates to gaming, and they would not be able to avoid the costs associated

¹⁵¹ *Supra* Part V(B).

with performing Customer Due Diligence checks and filing Currency Transaction or Suspicious Activity Reports.

Furthermore, creating an intergovernmental gaming oversight agency, similar to FATF, would take a significant burden off of local and national governments. This, in turn, would permit the local and national governments to allocate their AML/CFT resources away from the gaming sector while simultaneously increasing the efficacy of detecting money-laundering operations within the gaming industry itself. An international oversight body would also allow for a list of excluded persons, so that known cheaters and criminals could not, after being discovered in one jurisdiction or property, exploit unaffiliated casinos and jurisdictions.¹⁵²

A uniform set of regulations would also remove the disincentive for casinos to comply with AML protocols. Looking at the Macanese VIP rooms in particular, it currently may be of great economic value for a casino operator to be willfully ignorant of what transpires between the junket operators and VIP patrons. Even for a Nevada licensee operating in Macau, the lure of hundreds of millions of VIP Baccarat revenue is a strong incentive to not attempt to pierce the shroud of secrecy surrounding the VIP rooms and players. Although there is no evidence to suggest that Nevada licensees in Macau shirk any AML reporting requirements on the main, mass-market casino floor, there is little evidence that any Macanese casinos are attempting to totally dismantle the VIP rooms or the strict privacy laws that guard them. This is, in part, because Nevada regulators cannot hold the Nevada licensee responsible for what transpires in the VIP rooms, because those rooms are generally subcontracted out to the VIP promoters. As such, the Nevada Gaming Commission has no authority to enter or inspect the transactions within the VIP rooms. If, however, there was one international gaming oversight board, those regulators

¹⁵² This could also potentially protect anyone who self-excludes from one property or jurisdiction in response to a gambling addiction by automatically disseminating that information among brick-and-mortar and online casinos worldwide.

would enjoy unfettered access to all aspects of gaming establishments, regardless of the physical location in which it was located.

VII. CONCLUSION

When considering the idea of multi-national cooperative gaming regulation and enforcement, it is essential to keep in mind that money laundering is a crime that has a global impact. The proceeds of a crime in one jurisdiction can be laundered in another, and the laundered money can be used to fund crime or terrorism in yet another distinct jurisdiction. Money laundering keeps illicit international trade alive by keeping the trafficking of any commodity — be it drugs, guns, or humans — profitable. Certainly, creating a singular entity for AML regulation in the gaming industry would not eliminate money laundering as a whole, nor will it be a panacea for crime. However, such an oversight body could greatly reduce the amount of money being laundered, both wittingly and unwittingly, through gaming operations.

As borderless, virtual currencies develop, the AML regulations of the gaming industry must too. As the technology of the world develops, the world grows smaller, and the need for international cooperation becomes more essential. As more and more jurisdictions legalize gambling, both on land and online, there become more opportunities for money launderers to exploit developing nations that have shaky infrastructures and few, if any, AML regulations. Although the gaming industry can create great revenue and employment opportunities in nations like these, these revenues must not be generated at the expense of the international community, or the gaming industry’s reputation. With so much money at stake from mass-market gaming floors in Las Vegas, to VIP Rooms in Macau, and thousands of websites in between, raising the bar of AML regulatory compliance, and creating a multinational cooperative gaming oversight committee may be the only way to level the competitive playing field.