

Casino Money Laundering Reality:

Understanding How Illicit Proceeds are
Laundered and Regulatory
Expectations to Mitigate Associated Risks



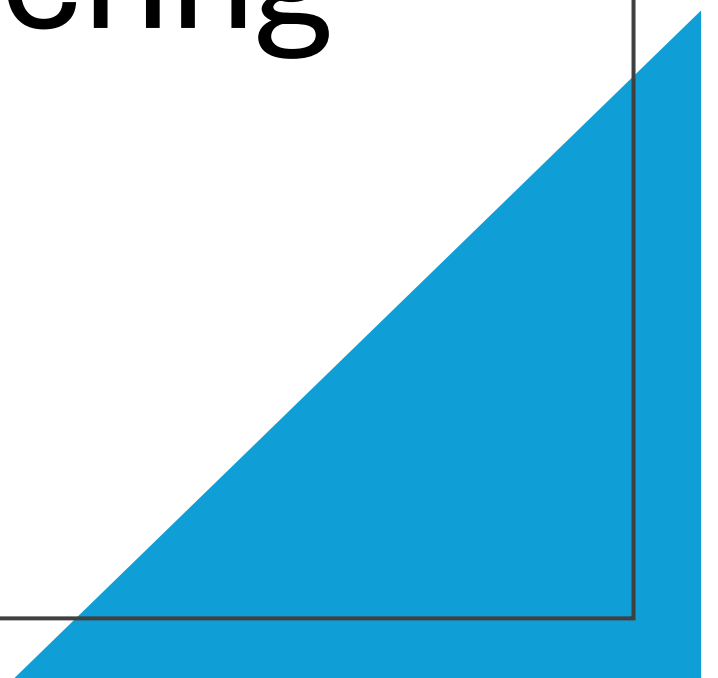
TOPICS

- Chinese Money Laundering Organizations
 - Casino enforcement actions
 - The unique money laundering risk
 - High risk situations
-

Topic 1

Chinese Money Laundering Organizations

The Costco of Money Laundering ?



CHINESE MONEY LAUNDERING ORGANIZATIONS: CMLOs





IF COSTCO DID OFFER MONEY LAUNDERING

CHINESE MONEY LAUNDERING ORGANIZATIONS (CMLOs)

- **Money laundering costs reduced from 10- 15% to 5-8%**
- **Increased Cartel ROI by 4%**
- **Allowing more fentanyl to get on the streets**
- **Fueling human trafficking, fraud, elder financial abuse**

THE WALL STREET JOURNAL.



The Quarter-Trillion-Dollar Rush to Get Money Out of China

Chinese residents, worried about growth, have been using everything from crypto to fine art to move their money overseas

THE WALL STREET JOURNAL.

- Moving fortunes out of China is hard:
- The country imposes strict capital controls that cap individual purchases of foreign exchange at \$50,000 a year.

**MONEY
LAUNDERING
DEMANDS**



**CARTEL
FRONT
BUSINESSES**



**CARTEL DIRTY
CURRENCY**



WEALTH IN CHINA

THE SCHEME

UNITED STATES

CHINA

CARTEL

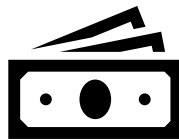
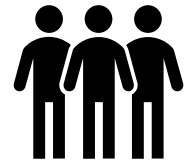
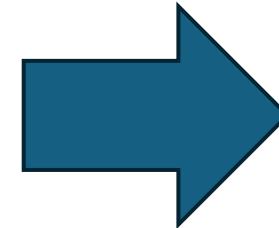
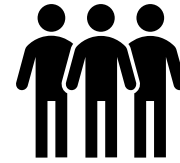
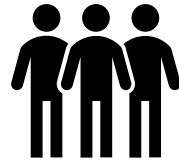
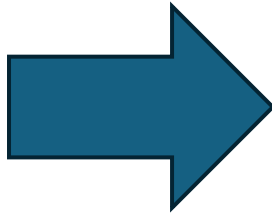
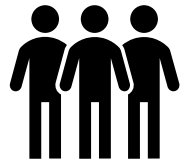
\$500,000
Currency

CMLO
MULES

CMLO
BANK ACCT

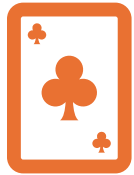
\$475,000
(5% fee)

CARTEL
FRONT ACCT



- TVs, cell phones, etc..
- Fentanyl

CMLOs sell the cash to those trying to get wealth out of China



Gamble



Real Estate



College



Invest

THE WALL STREET JOURNAL.

Chinese bank to bank transfers via phone application.



How the patron buys currency:



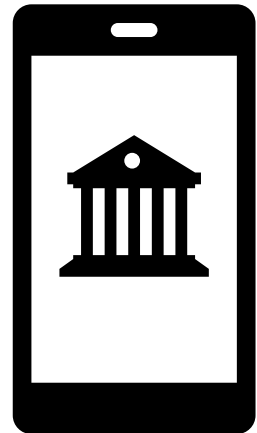
BROKER



\$100,000

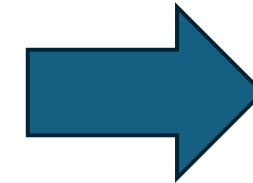


PATRON



CHINA

**Patron
Chinese
Bank
Account**



**CMLO
Bank
account**



\$110,000



Poly-crime organizations

Bank Fraud

text message
fraud
schemes

Mass
marketing
schemes

Human
Trafficking

illegal
cannabis

Large network of Money Mules

Pick up cash cartel/ fraud victims

A light orange downward-pointing arrow indicating the flow from the first step to the second.

Set up front businesses

A light green downward-pointing arrow indicating the flow from the second step to the third.

False Chinese passports

The Covid shutdown case study



Nail Salons



Mall Kiosks

**TD Bank pleads guilty to money laundering.
Will pay \$3.6 billion**



“By making its services
convenient for criminals, TD
Bank became one”

Attorney General

How convenient?



SOURCE:

**CONSENT ORDER
IMPOSING CIVIL MONEY
PENALTY**

Da Ying Sze



CMLO

PRESS RELEASE

Queens Man Admits Orchestrating \$653 Million Money Laundering Conspiracy, Operating Unlicensed Money Transmitting Business, and Bribing Bank Employees

Tipped them with gift cards

TD BANK

Failed to
address
Incongruity

Clothing/ Textile industry

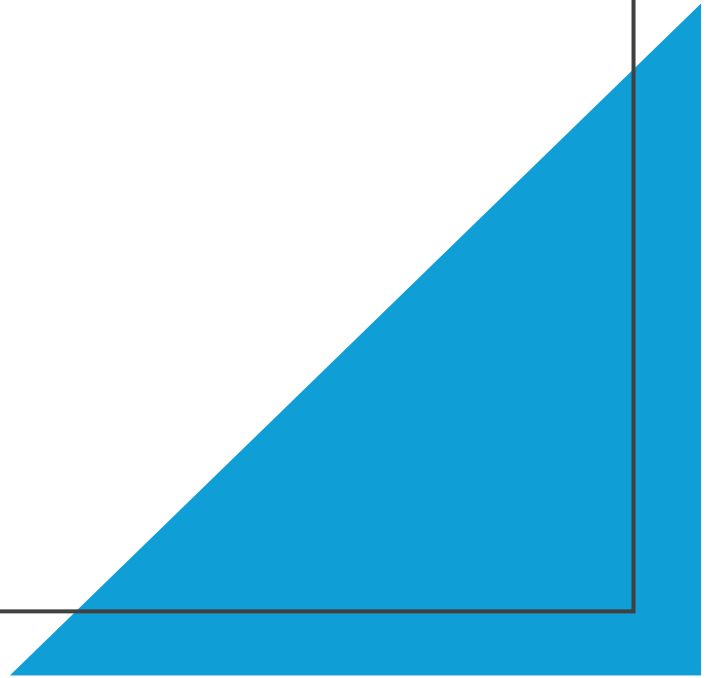
Not known as a cash
intensive business

Most activity during
COVID pandemic

How often do we see
incongruities?

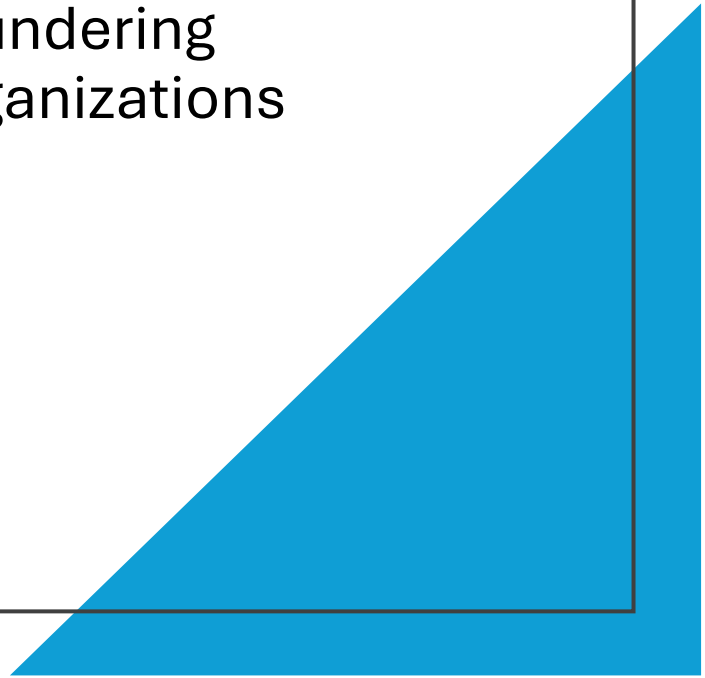


The Venetian,
Ye Gon and
TD Bank



NATIONAL SECURITY CONCERNS

Chinese Money
Laundering
Organizations





Topic 2

Casino Enforcement Actions



THE WYNN

\$130
MILLION
NPA

Admitted: Allowed agents to
obtain markers and pass chips
to patrons- proxy betting

Admitted: Failed to file Suspicious
Activity Reports on patrons
associated with criminal history
and negative news

Admitted: Did not prevent Chinese
Money Laundering Organizations
to fund patron's gambling



RESORTS WORLD

NEVADA GAMING
COMMISSION
COMPLIANT

Allowed bookies to play

“deleted the word “bookie” in patron
case file

Team members did not tell the compliance department that patron was a known bookie

Did not validate the source of
funds on large front money
deposits

Disregarded criminal history and
reputation in vetting whether a
patron should be allowed to
gamble

A lesson on managing reputation risk?



SPORTS BETTING ▾

SOCIAL CASINOS ▾

ONLINE CASINOS ▾

ONLINE POKER

LOTTERY

TAX CALCULATOR

NEWS

Fitch: 'Reputational Risk' Of Resorts World Name Could Affect NY Casino License Aspirations

News

Written By [Grant Lucas](#) on October 7, 2024





ENFORCEMENT ACTION THEMES

(regulator
expectation)

- Source of funds
- Source of currency
- Friction



FRICITION

- Source of funds questionnaire
- Currency transaction questionnaire
- Get clarification from patron
- Provide documentation
- Limit play

DOJ, law enforcement approach

- Casino cases start with bad guy investigation.
- Bad guys go to casino/ no SARs
- Question: is the casino complicit?
- Open investigation on casino

IT ONLY TAKES ONE BIG BAD GUY

To get on law
enforcement
radar


To initiate an
investigation
on a casino



Topic 3

A Casino's Unique Risk

Banks don't have patrons that will commit a crime
to be their customers



Most common way
illicit funds enters a
casino:

Enjoyment

- Wynn
- Resorts World
- MGM
- Venetian

TWO TYPES OF CRIMINALS

Thieves that gamble

Gamblers that steal



Gambler that steals

Prosecutors claim Caleb Rogers, 35, carried out three robberies over a span of four months (Image: AP)

NEWS

POLITICS

FOOTBALL

CELEBS

TV

CHOICE

ROYALS

Las Vegas cop 'stole \$165,000 in three brazen casino heists due to gambling habit debts'

Prosecutors claim Las Vegas police officer Caleb Rogers carried out three robberies over a span of four months while armed with a weapon issued by the police department as he was a debt-ridden gambling addict

Gambler that steals





NCPG

National Council on Problem Gambling

**70% of severely impaired problem
gamblers admit to committing
white collar crimes**



NCPG

National Council on Problem Gambling

**These gamblers believed they
could make things right by a
big win**

DIRECTOR –gambling addiction center

Former head of Norwich substance abuse group charged with embezzlement

Greg Smith, The Day, New London, Conn.

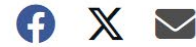
Thu, Aug 3, 2023 • 2 min read



Aug. 3—NORWICH — The former executive director of a city-based non-profit group that provides substance abuse, problem gambling and mental health services is facing federal charges for allegedly embezzling funds for personal expenses.

September 2024

NEWS > POLK COUNTY



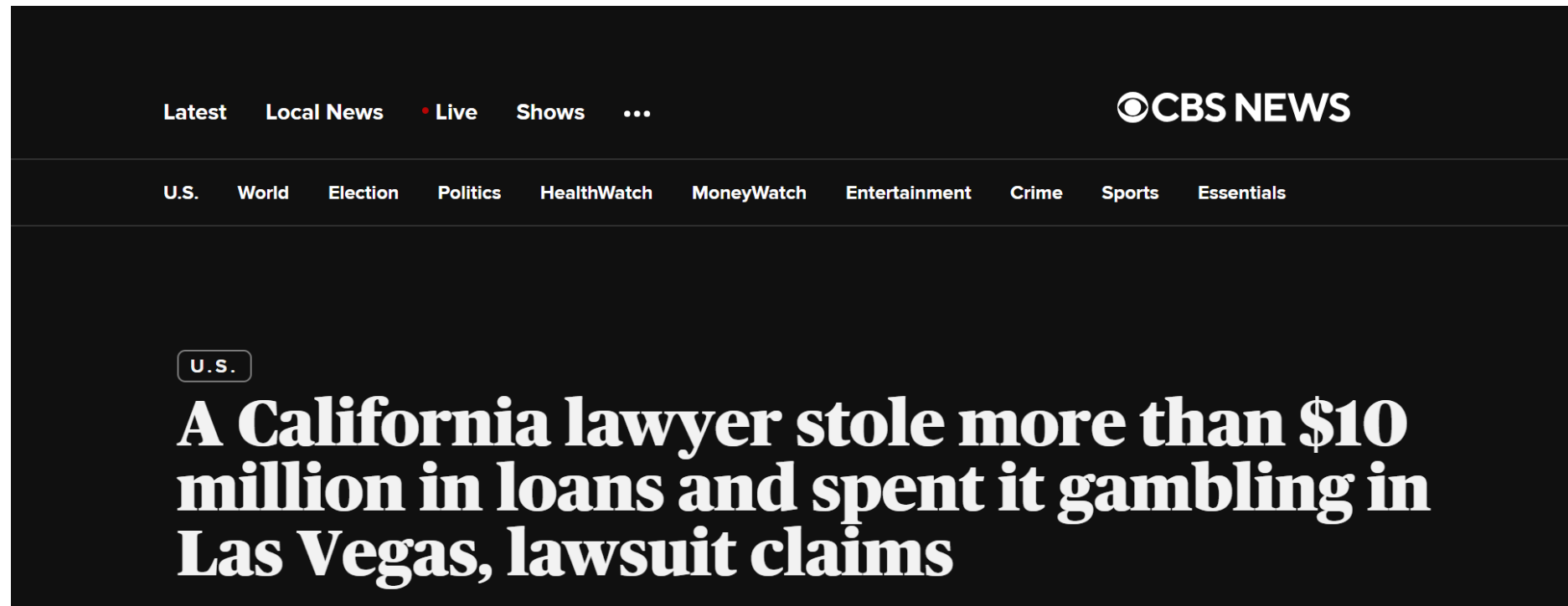
Polk County attorney arrested, accused of losing \$1.7 million of client's trust at casino



Storm Coverage on
Your Phone or
Streaming TV. Watch

Wired money to
Seminole Hard
Rock Casino in
Tampa.

October 2024



The image shows a screenshot of the CBS News website. The top navigation bar is dark with white text. On the left, there are links for 'Latest', 'Local News', 'Live' (with a red dot), and 'Shows', followed by a three-dot menu icon. On the right, the 'CBS NEWS' logo is displayed. Below this, a secondary navigation bar contains links for 'U.S.', 'World', 'Election', 'Politics', 'HealthWatch', 'MoneyWatch', 'Entertainment', 'Crime', 'Sports', and 'Essentials'. The main content area features a 'U.S.' tag in a rounded box, followed by a large, bold headline: 'A California lawyer stole more than \$10 million in loans and spent it gambling in Las Vegas, lawsuit claims'.

Latest Local News **Live** Shows ...

© CBS NEWS

U.S. World Election Politics HealthWatch MoneyWatch Entertainment Crime Sports Essentials

U.S.

A California lawyer stole more than \$10 million in loans and spent it gambling in Las Vegas, lawsuit claims



Gambling Addiction

A Money Laundering Risk

Due Diligence
considerations

Incongruity

Opportunity

Consideration of risk: patrons' statements

- “I am going to be in big trouble”
- “They’re coming after me”
- “This was not my money”
- “I am going to jail for this”

Topic 4

High Risk Situations?

- Patron lost \$300K in 12 months.
 - No real estate ownership.
- Cannot find any occupation/business
 - Age 45

- Patron wires \$600K into front money
- Only one LLC but no evidence of business activity
 - Owns \$300K condo

-Patron deposits \$100K of currency

-Chinese national

-No U.S. footprint

LARGE
DOLLAR
CURRENCY
AND CHIP
PASSING

CMLOs

Loan sharks

Bookies

Unusual and material patron behavior

1

Spike in
average bet

2

Spike in
gaming losses

BRUNO MARS- Risk Rating Methodology

- **UNDUE RISK**
 - Locked Out of Heaven
- **HIGH RISK**
 - Catch a Grenade
- **MEDIUM RISK**
 - Up Town Funk
- **LOW RISK**
 - 24K Magic



A Dutch aircraft listener from the 1930s.



We own what team
members hear and
observe

MGM
Resort World
Wynn

RISK MITIGATION

- Let the risk assessment drive your program.
- Deploy a robust due diligence program with **friction**.
- Use the “does this make sense?” approach.
- SARs are insurance polices.
- Keep training relevant and explain **the why**.

QUESTIONS?