



Safeguards for Nevada Gaming Licensees and Operators

BY JOHN T. MORAN III, PARTNER, HUTCHISON & STEFFEN;
AND PIERS R. TUELLER, SENIOR ASSOCIATE, HUTCHISON & STEFFEN

Long esteemed as the gold standard in gaming, Nevada is home to one of the largest and most lucrative gaming industries in the world. With its renowned resorts in Las Vegas and throughout the state, Nevada gaming establishments generate billions of dollars annually, attracting both domestic and international tourists.

However, the massive influx of money, often cash, through these establishments also makes them prime targets for money laundering activities. This presents risks for gaming establishments, including a tangible risk to their gaming licenses. As stated in Nevada

Revised Statute (NRS) 463.0129(2), no person or entity has any right to a gaming license. Any license issued or other approval granted is a *revocable privilege*, and no holder acquires any vested right therein or thereunder. In accordance with this policy, the Nevada Gaming Control Board enforces the related laws and regulations with swift dispassion. For example, the Nevada Gaming Control Board recently filed a complaint against a Nevada gaming licensee alleging that, despite numerous warning signs, and in violation of clear anti-money laundering policies, suspects in an illegal bookmaking scheme were not barred from gaming activities. The Nevada Gaming Control Board deemed this a failure on the licensee warranting severe punishment.

This issue again raises the question for all licensees: what safeguards should be enacted to ensure compliance with the law – including withstanding government scrutiny – as well as limiting/eliminating fraud?

Anti-money laundering (AML) laws – like the Bank Secrecy Act (BSA)¹ – have been established to protect the financial system and ensure that casinos are not used

as vehicles for illicit financial transactions. In this article, we will examine the evolution of AML regulations, the unique challenges casinos face in complying with these laws, and the strategies employed by casinos in Nevada to mitigate the risk of being involved in money laundering.

Anti-Money Laundering Laws

To combat money laundering schemes, federal and state authorities have enacted comprehensive laws designed to prevent, detect, and penalize such activities. At the federal level, the primary statute regulating money laundering is the BSA. The BSA requires financial institutions, including casinos, to maintain certain records and file reports that could be useful in detecting and preventing money laundering activities. Under the BSA, casinos are required to establish an effective anti-money laundering program and comply with several key regulations, such as the following:

- 1. Currency Transaction Reports (CTRs):** Casinos must file a CTR when a customer conducts a transaction involving more than \$10,000 in cash in order to alert authorities about large cash transactions that might be indicative of money laundering.
- 2. Suspicious Activity Reports (SARs):** If a casino employee identifies a suspicious transaction or pattern of behavior that could be related to money laundering or other financial crimes, they are required to file a SAR with the Financial Crimes Enforcement Network (FinCEN), a bureau of the U.S. Department of the Treasury.

3. Know Your Customer (KYC)

Requirements: Casinos are expected to perform due diligence to understand the financial background and source of funds for their patrons, especially for high-value transactions. This practice helps identify individuals or organizations that may be involved in illicit activities.

These types of requirements are also addressed in Nevada's regulatory framework. For example, Nevada Gaming Commission Regulation 5.010(1) mandates that "all establishments wherein gaming is conducted in this state be operated in a manner suitable to protect the public health, safety, morals, good order and general welfare of the inhabitants of the State of Nevada."² This rule includes adopting standards for the "installation, maintenance and operation of casino surveillance systems at all licensed establishments. The purposes of a casino surveillance system are to assist the licensee and the state in safeguarding the licensee's assets, in deterring, detecting and prosecuting criminal acts, and in maintaining public confidence and trust that licensed gaming is conducted honestly and free of criminal elements and activity."³

Challenges Facing Gaming Licensees in Nevada

While AML regulations are clear in theory, gaming establishments face significant challenges in effectively implementing and enforcing these laws. Again, Nevada's status in the gaming industry mandates excellence. As it relates to money laundering, some of the most pressing issues include:

1. High Volume of Cash

Transactions – Unlike traditional banks, where digital transactions can be easily monitored, casinos (as a larger example) deal with large cash sums on a daily basis, making real-time monitoring and tracking difficult. The challenge with these transactions is the possible exploitation of the anonymity associated with cash deposits. For example, an individual could engage in structured transactions—breaking large sums of cash into smaller, less-suspicious amounts to avoid reporting requirements.

2. International Money Laundering Schemes

– In attracting gamblers

from around the world, including individuals from countries with weak financial regulations, Nevada gaming licensees must contend with foreign patrons who may attempt to launder illicit funds through complex financial transactions. Including the use of offshore accounts, fake identities, or wire transfers that make tracing the origin of funds difficult. In some cases, patrons may use Nevada gaming establishments as mere intermediaries for funneling money across borders to evade authorities in their home countries.

3. Evolving Money Laundering

Tactics – Money launderers continuously adapt their tactics. For example, patrons may engage in "chip washing," where they exchange dirty money for chips and then cash out the chips, often with a minimal loss or gain. This practice helps the illicit funds blend in with legitimate gambling transactions. Moreover, money launderers might take advantage of online gambling platforms, particularly since the expansion of legalized online gaming in Nevada. These platforms can be used to facilitate smaller, more discreet transactions.

4. Employee Training and

Awareness – Effective AML programs rely heavily on employees to identify suspicious activities. In Nevada's high-paced, high-traffic casino environment, employees must be continuously trained to recognize behaviors indicative of money laundering. However, employees in casinos often face challenges due to the sheer volume of patrons they interact with daily. Front-line employees such as dealers, cashiers, and surveillance staff are required to report any suspicious activity, but without proper training and support, employees may fail to recognize signs of money laundering or may be hesitant to report due to fear of disrupting operations or jeopardizing customer relationships.

In addition to foregoing issues, gaming licensees are subject to the jurisdiction of the Nevada Gaming Control Board and Gaming Commission, which includes audits to ensure compliance with state and federal regulations.⁴ If gaming

establishments fail to meet the required AML standards, they risk being penalized, which can lead to significant financial and operational setbacks.

Effective AML Strategies for Nevada Gaming Licensees

Nevada gaming regulators have been clear that they are, "... committed to protecting the State of Nevada, its citizens and visitors and Nevada's vital gaming industry. All suspected violations of Nevada's gaming laws and regulations will be fully investigated and disciplinary action will be filed when warranted."⁵ To mitigate the risk of money laundering, Nevada gaming licensees should develop a range of strategies and technologies designed to comply with AML laws and combat illicit financial activities. These strategies may include:

1. Ongoing Customer Monitoring with Advanced Surveillance

Systems: Strong investment into surveillance technologies allows operators to monitor gaming activities and detect irregularities. Real-time tracking of betting patterns, financial transactions, and player behavior identifies suspicious activity.

2. Enhanced Due Diligence and Reporting Processes

Players or individuals engaged in large-scale transactions undergo enhanced due diligence (EDD) checks, which include verifying the source of funds and conducting background checks to ensure they are not involved in criminal activities.

3. Ongoing Training Programs

Continuous employee training programs on AML policies, suspicious activity detection, reporting protocols including a clear chain of command should be implemented to maintain regulatory compliance and employee awareness of emerging threats.

4. Collaborating with Law

Enforcement: Collaborating with local and federal authorities, such as the FBI, FinCEN, and the Nevada Gaming Control Board to report suspicious activities and share intelligence, ensures a swift response to any potential money laundering incidents.

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Money laundering remains one of the most significant challenges for casinos in Nevada, due to the high volume of transactions, the international nature of gambling, and the ever-evolving tactics of money launderers. The Nevada Gaming Control Board will continue to work to enforce the Nevada's gaming laws and regulations, thus requiring Nevada casinos to navigate this complex regulatory landscape by adopting strong compliance measures, ongoing employee training, and the use of innovative technologies.

The implementation of robust anti-money laundering programs is not just a regulatory obligation, but a key aspect of maintaining the integrity and reputation of the Nevada gaming industry. As the landscape continues to evolve, casinos will need to remain vigilant and proactive in combating money laundering to protect both their businesses and the financial system at large.

ENDNOTES:

1. U.S. casinos with annual gross gaming revenue of more than \$1,000,000 are considered to be non-bank financial institutions and are therefore subject to the AML requirements of the BSA and related regulations.
2. <https://gaming.nv.gov/uploadedFiles/gamingnv.gov/content/Home/Features/Regulation5Operation.pdf>
3. NGC Reg. 5.160(2).
4. See e.g., NRS 463.140, 463.157, 463.159
5. https://www.ktnv.com/news/crime/resorts-world-allowed-money-laundering-activity-says-complaint-by-nevada-gaming-control-board#google_vignette

JOHN T. MORAN III is a partner with Hutchison & Steffen. His practice focuses on government affairs, legislation, and regulatory projects, and he represents clients with gaming matters in the U.S. and other international jurisdictions. His experience encompasses the gaming industry, from gaming operations to regulatory matters. He represents private and government clients before various state and local government agencies, including the Nevada Legislature, city councils, county commissions, state gaming agencies, and various other political subdivisions, including lobbying and administrative hearings.



PIERS R. TUELLER is a senior associate with Hutchison & Steffen, practicing primarily in the firm's litigation, administrative, and regulatory law practice groups. He obtained his J.D. from the William S. Boyd School of Law at UNLV. He attended Baylor University School of Law prior to his transfer to UNLV. As a law student, Tueller worked as a law clerk at several government agencies, including the Gaming Division of the Nevada Attorney General's Office, where he assisted in drafting the Attorney General Opinion on Daily Fantasy Sports. He also clerked at the Office of the U.S. Attorney for the District of Nevada and with the Clark County Public Defender's Office.



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6675 South Tenaya Way, Suite 200
Las Vegas, Nevada 89113

bravoschrager.com

info@bravoschrager.com

702-996-1724

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