



Information Report

Casino junkets campaign

Latest date of information: 14 July 2017

Information summary

1. Casinos are broadly aware of and comply with their AML/CTF obligations regarding international junkets.

2. s 47E

3. Many junket business models involve international movements of value s47E

4. s 47B, s 47E and s 47G

1. Background

Australian state, territory and Commonwealth agencies have increased their interest in international junkets over the last 12-24 months. Reasons for the increased interest include:

- The strong growth in Australian junkets in recent years;
- Increasing awareness that junkets are high risk in terms of money laundering (ML), and increasingly feature in ML and proceeds of crime investigations; and
- Increased media attention on casinos' junket and high wealth.

In order to improve its understanding of international junket operations, AUSTRAC undertook a nation-wide junket campaign. The aim of the campaign was to improve AUSTRAC's knowledge of the

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money laundering/terrorism financing (ML/TF) risks involved in junkets and to assess how casinos are identifying and managing these risks. As part of the campaign, AUSTRAC engaged with all 13 Australian casinos, all state and territory gaming regulators, and other key partner agencies.¹

2. How junkets work

Junkets operate differently depending on the casino, the junket tour operator (JTO), and the arrangement made between the two in respect of each individual junket program. Operations also differ based on the regulatory requirements in the state in which the casino is located. Broadly speaking, however, junkets work in the following way:

Step 1:

The junket participant enters into an arrangement with the JTO to either provide an amount of front money (which they then transfer to the JTO), or to borrow front money from the JTO. This generally occurs offshore, for example in the junket participant's country of residence.

Step 2:

The casino conducts due diligence on the JTO, and then the casino and the JTO enter into a written agreement setting out the terms of the financial arrangement between the two parties. This agreement identifies:

- The total amount of front money the JTO will transfer to the casino for use by the participants, or the amount of credit that will be extended by the casino to the JTO;
- What, if any, commission will be paid to the JTO by the casino (having regard to the amount of front monies and turnover of the junket); and
- What, if any, "complimentaries"² will be provided to junket participants by the casino as part of the agreement.

The casino does not enter into an arrangement with the junket participants.

Step 3:

The JTO provides front money and participant identification documentation to the casino.

Step 4:

Participants arrive at the casino and their identities are verified by casino staff. The casino provides the JTO (or in many cases their representative or agent) with specialised chips to the dollar amount of the front money provided.³ The JTO then distributes these chips amongst the participants as privately agreed by the JTO and the participants.

¹ Entities engaged: Crown (Melbourne & Perth); The Star (Sydney & Gold Coast); Skycity (Adelaide & Darwin); The Reef Hotel Casino; Wrest Point Hotel Casino; Country Club Tasmania; Casino Canberra; Jupiters Townsville; Lasseters Hotel Casino; Treasury Casino & Hotel; Victorian Commission for Gaming and Liquor Regulation; Liquor & Gaming NSW; Office of Liquor and Gaming Regulation (QLD); Independent Gambling Authority (SA); Consumer and Business Services South Australia; Department of Racing, Gaming and Liquor (WA); Department of Treasury and Finance (TAS); ACT Gambling & Racing Commission; Licensing NT; NSW Crime Commission; ATO; ACIC; DIBP; NSW Police Force; New Zealand Department of Internal Affairs; and South Australia Police.

² "Complimentaries" refers to incentives such as food and drinks packages and free/subsidised accommodation, transport and/or entertainment.

³ These chips are only for junkets and are used to help calculate the commission payable to the JTO. These chips cannot be used on the main gaming floor and must be returned to the casino for junket settlement.

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Step 5:

Participants play with the specialised chips for the duration of the junket. Additional funds may be paid by the JTO to the casino during the junket which the casino will exchange for more specialised chips (to distribute amongst participants as privately agreed). Likewise, participants may exchange the specialised chips they hold with the JTO in return for cash/monetary value at any time during the junket.

Step 6:

At the end of play, junket participants return all chips either won or not used to the JTO. The casino calculates turnover and any commission payable to the JTO for the junket.

Step 7:

The casino pays out winnings and commission as instructed by the JTO. This may be by paying all monies to the JTO, who will then distribute the funds as privately agreed between the JTO and the participants. In other circumstances, the JTO may instruct the casino to disburse funds directly to the participants, or in some cases to third parties.

3. Regulation of Junkets

3.1 Regulation under the AML/CTF Act

Junket operations are subject to the same AML/CTF oversight as other gambling services. This includes:

- Customer identification and verification when accepting a bet or disbursing winnings of an amount \$10,000 or more;
- Ongoing customer due diligence, including transaction monitoring (regardless of transaction size);
- Making suspicious matter, threshold transaction and international funds transfer instruction reports in relation to customers' activity.

However, for many of the designated services involved in the operation of a junket, the "customer" of the casino for the purposes of the AML/CTF Act is the JTO, not the junket participant.⁴ s 47E

⁴ Under items 1 and 6 of Table 3 of Section 6 of the AML/CTF Act, the junket participant is the customer of the casino as it is the participants who that stake their gaming chips on table games and/or place or make bets. Under items 4, 8 and 9 of table 3 of the AML/CTF Act, the JTO is the customer of the casino as it is the JTO that receives winnings from the casino and/or exchanges chips for money.

3.2 State-based regulation

AUSTRAC engaged with all state and territory-based gaming regulators as part of this campaign. The purpose of these engagements was to:

- Understand what regulatory oversight junkets are subject to at a state level, and
- s 47E [redacted]

s 47B [redacted]

s 47B [redacted]

s 47B [redacted]

s 47B [redacted]

s 47B [redacted] In this context, there may be an opportunity to formalise information sharing in respect of these details between state-based regulators and AUSTRAC and its law enforcement partners.

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s 47B [redacted]

4. Key findings

4.1 Casinos are broadly aware of and comply with their AML/CTF obligations regarding casino junkets

s 47E

AUSTRAC concluded that there was broad understanding of and compliance with AML/CTF requirements in relation to junkets, with the possible exception of IFTI-DRA⁶ reporting. AUSTRAC is currently clarifying casinos' IFTI-DRA reporting obligations and will shortly be making a determination in relation to compliance.

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[Redacted]

[Redacted]

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s 47E and s 47G

[Redacted]

[Redacted]

⁶ An IFTI-DRA is an international funds transfer instruction where either the transferor or transferee entity (or both) is a non-financier, such as a casino. See items 3 and 4 of the table at section 46 of the AML/CTF Act.

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s 47E and s 47G

- ii. The vast majority of JTOs and junket participants are not Australian residents. This means that front money is frequently collected and winnings frequently disbursed offshore.

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4.3 International movement of value without a transaction

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5. Opportunities for risk mitigation

5.1 Changes in legislation

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5.2 Greater collaboration between state and Commonwealth regulators

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5.3 Greater collaboration between casinos and AUSTRAC

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- ACT Gambling & Racing Commission
- Australian Criminal Intelligence Commission
- Australian Federal Police
- Australian Securities and Investment Commission
- Australian Taxation Office
- Consumer and Business Services South Australia

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- Department of Immigration and Border Protection
- Department of Racing, Gaming and Liquor
- Department of Treasury and Finance
- Fintel Alliance Operations Hub
- Independent Gambling Authority
- Licensing NT
- Liquor & Gaming NSW
- New South Wales Crime Commission
- New South Wales Police
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