MAX PLANCK INSTITUTE
FOR FOREIGN AND INTERNATIONAL
CRIMINAL LAW

Money Laundering and the Casino Industry: Findings from a Doctoral Study

Christopher Murphy

forschung aktuell – research in brief/44
Herausgegeben von Hans-Jörg Albrecht, Albin Eser und Ulrich Sieber

Bibliografische Information der Deutschen Nationalbibliothek

Die Deutsche Nationalbibliothek verzeichnet diese Publikation in der Deutschen Nationalbibliografie; detaillierte bibliografische Daten sind im Internet über http://dnb.d-nb.de abrufbar.

ISBN 978-3-86113-171-7

Unverkäufliche Informationsbroschüre
1. Auflage 2013

Alle Rechte vorbehalten
© 2013 Max-Planck-Gesellschaft zur Förderung der Wissenschaften e.V.
c/o Max-Planck-Institut für ausländisches und internationales Strafrecht
Günterstalstraße 73, D - 79100 Freiburg im Breisgau Germany
http://www.mpicc.de

Contents

1. Introduction 1
1.1 Background and method 1
1.2 Outline 2

2. Casinos, crime and money laundering 2
2.1 Casinos and crime 2
2.2 Susceptibility No. 1: Cash is king 3
2.3 Susceptibility No. 2: The criminal allure of casinos 4
2.4 Susceptibility No. 3: Deference towards patrons 5
2.5 The casino quandary 6

3. Measuring the immeasurable 8
3.1 Qualitative versus quantitative 8
3.2 Suspicious transaction reports 8
3.3 Threshold transaction reports 11
3.4 Prosecutions 12
3.5 The media analysis 12
3.6 The interviews 12

4. Some findings from the interviews 14
4.1 General findings 14
4.2 Low-level money laundering 14
4.3 Systematic money laundering 15

5. Conclusions from the study 16
5.1 Main conclusions 16
5.2 Low-level versus systematic money laundering 16
5.3 Susceptibilities revisited 18

6. References 19

1. Introduction

1.1 Background and method

This issue of Research in Brief provides an insight into a doctoral study written at the Max Planck Institute for Foreign and International Criminal Law in Freiburg, Germany. Entitled *'Come in Spinner': Money Laundering in the Australian Casino Industry*, the study assessed the susceptibility of the casino industry to money laundering. Though it focused on the situation in Australia, international initiatives and experiences were also incorporated. The aim of the present article is to provide a general overview of why casinos are considered vulnerable to money laundering, to introduce the empirical methods used in the study and to discuss some of the key findings that were made.

Before proceeding any further, the term 'money laundering' ought to be defined. For present purposes, it is sufficient to say that when a crime for financial gain occurs, those involved typically need to find a method to use the criminal proceeds in a way that does not attract attention to the underlying crime.[1] This is done by disguising the origin of the proceeds. 'Money laundering' is the term used to describe this process. As will be seen, casinos have historically been considered susceptible to money laundering because they operate in a business environment marked by anonymity, fast transactions and a steady flow of cash.[2]

As few publications have thus far analysed the interplay between money laundering and casinos in detail, a two-pronged empirical approach was used by the doctoral study. The first prong was comprised of a media analysis that covered a period of ten years (circa 2000 to 2010). For this analysis, various media sources and case law databases were scanned to determine the extent of money laundering in the Australian casino industry and, where possible, to provide factual examples of its existence. The second prong encompassed a (planned) casino staff questionnaire and a series of expert interviews with representatives from government regulatory branches, academia and the casino industry itself. The aim here was to gauge how well anti-money laundering laws are applied in practice. Ultimately, neither the staff questionnaire nor the casino interviews occurred, as none of the casinos questioned were willing to participate. The interviews with academics and government officials did, however, provide a wealth of knowledge on not only the application of the laws, but also on various casino-related money laundering techniques and countermeasures. Those interviewed were the Australian Transaction and Reports Analysis Centre (AUSTRAC, Australia's chief governmental anti-money launder-

---

[1] *Deitz & Buttle* 2008, p. 4.

[2] APG & FATF 2009, p. 5.

ing authority), the Tasmanian Gaming Commission (a state casino regulator), the Australian Institute of Criminology (Australia's national criminal policy research centre) and Professor *Clive Williams* (a Visiting Fellow at the Australian National University).

1.2 Outline

Although this issue of Research in Brief is unable to provide a complete overview of the findings that were made, it does draw attention to the key issues discussed. With this caveat in mind, it is structured as follows: Section 2 underscores the unorthodox business environment in which casinos operate and discusses several major money laundering susceptibilities attributed to the industry. Section 3 explains why the study deemed a qualitative empirical research approach necessary and highlights the steps taken to achieve this goal. Section 4 discusses important findings from the interviews and comments on how these affected the outcomes of the study which are, in turn, covered in Section 5. As a final note, unless stated otherwise, the '$' symbol used throughout this article refers to Australian dollars.

2. Casinos, crime and money laundering

2.1 Casinos and crime

The legalisation and development of the modern casino industry has historically been a controversial topic.[3] As governments have struggled to cope with increased fiscal pressures, proponents of legalisation have been quick to pronounce casinos as a 'shot in the arm' for economic growth and revenue, and as a major provider of employment.[4] Such claims have, however, been rebuffed by casino opponents on the ground that these purported benefits cannot offset the social costs that casino legalisation entails. Though the truth likely lies somewhere in between, opponents of legalised casinos have traditionally possessed a wealth of information to show that pathological gamblers inflict high costs on society. These include costs for psychological treatment, costs for prosecutions (for example, for unpaid debts and bankruptcies) and costs for third parties (including family members and welfare organisations) who have to assist problem gamblers as their lives unravel.[5]

Another anti-legalisation argument is that casinos lead to an increase in both petty and organised crime in and around the areas where they operate.[6] With regard to petty crime in and around casinos – which is not the topic here – a solid body of

---

[3] *Dombrink & Hillyard* 2007, pp. 33–34.

[4] *Dombrink & Hillyard* 2007, pp. 31–32.

[5] *Walker* 2007, pp. 85–87.

[6] *Breen & Hing* 2006, pp. 5–8; *Dombrink & Hillyard* 2007, pp. 45–52.

research has emerged from the 1970s onwards.[7] With regard to organised crime, a more lengthy analysis has occurred, due primarily to the severity attributed to the issue and to the strong links established between organised criminals and the casino industry shortly after its legalisation in the state of Nevada in the 1930s.[8] Indeed, the first legal efforts to combat organised crime (including money laundering) in the industry date back to the late 1940s, when the Nevada State Tax Commission was created to monitor flows of money and criminal activity in the state's casinos.[9] Over the ensuing six decades, national and international initiatives have continued to assess and attempted to control casino based organised crime and, more specifically, money laundering. These initiatives commonly refer to three major susceptibilities that make casinos particularly vulnerable to money laundering, namely: (1) the abundance of cash and anonymity on the casino floor, (2) the allure of casinos to criminals and (3) the level of deference awarded by management and staff to patrons. Each of these will now be assessed.

2.2 Susceptibility No. 1: Cash is king

Probably the most common susceptibility referred to in the literature is that casinos provide 'bank like' financial services (such as deposit accounts or transfer facilities), which can be perverted to launder money.[10] It is argued that in the case of casinos, the threat posed by such services is exacerbated as almost all gaming transactions are cash based and anonymous.[11] Indeed, in 2009, the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG)[12] noted that a range of interviews with convicted money launderers led to the conclusion that casinos are held in 'high regard' by those seeking to move ill-gotten gains, due to the variety of financial services offered, the relative degree of anonymity provided and the normalcy of cash.[13]

Interestingly, it is not that casinos oppose the move to a cashless casino, as it would mean less money floating around to be stolen by patrons or staff. In addition, a cashless casino would also be more convenient for casino patrons, who could simply use credit cards or pre-charged casino cards to purchase gaming chips without

---

[7] For more information, see *Miller & Schwartz* 1998, pp. 124–126; *Lasalle* 2005, pp. 35–49.

[8] *Abadinsky* 2003, pp. 234–235; *Helsing* 1976, p. 79.

[9] *Blakey* 1977, pp. 437–441.

[10] APG & FATF 2009, p. 23.

[11] APG & FATF 2009, pp. 23–24.

[12] The FATF and the APG are two intergovernmental bodies that develop anti-money laundering policy.

[13] APG & FATF 2009, pp. 26–28.

having to physically move from the gaming table or roulette wheel and, more importantly (from the casinos' perspective), without visibly having to see money being handed over.[14] However, in most jurisdictions problem gambling has become such a contentious issue that politicians would be loath to be seen to increase the convenience of gambling or voice the perception that it is okay to gamble with credit cards. In addition, banks have no desire to be lumbered with gambling debt should a casino patron default on credit card repayments.[15] As such, although tentative steps towards a cashless casino have been made in a few jurisdictions,[16] the demise of cash, and the anonymity it brings, appears to be a long way off.

2.3 Susceptibility No. 2: The criminal allure of casinos

The next susceptibility is based on the perception that casinos are full of cheats and swindlers. It is undoubtedly true that the list of devices designed to cheat at casinos is rather long, and includes such items as the 'monkey paw,' a gadget designed to be worked inside a poker machine[17] to trip the pay-out switch, through to the 'toe-operated computer,' which was a contraption placed into a player's shoe to help predict (through 'toe input') the likely outcome of a roulette wheel.[18] Less elaborate, though certainly more common, are other cheating methods, including the manipulation of small denomination coins to resemble large denomination coins for use in poker machines or the retrieval of a losing bet after a game has been completed but before the chips have been collected.[19] There are also those casino goers who prey on fellow patrons to line their pockets; as *Lasalle* notes, 'for the average casino visitor there are two ways to lose money at a casino. You can have bad luck, when the casino defeats you, or you can have even worse luck when some criminal steals whatever money you might have won after you had good luck.'[20] It is not surprising that such criminal behaviour thrives in the casino environment. Given their enormous cash flows, human nature all but dictates that this

---

[14] *Schrier* 1997, pp. 177–178.

[15] *Schrier* 1997, p. 185.

[16] *Lasalle* 2005, pp. 26–34; *Schrier* 1997, pp. 177–189. Atlantic City in New Jersey is one example.

[17] A poker machine (known elsewhere as a slot machine, fruit machine or one-armed bandit) is Australian English for a gambling machine with three or more reels that spin once a lever is pulled or a button is pressed.

[18] For an overview of other devices, see *Skolnick* 1978, pp. 239–257; *Kilby* 2005, pp. 43–53.

[19] *Skolnick* 1978, pp. 246–249. Adding to a winning bet is another known tactic.

[20] *Lasalle* 2005, p. 209.

wealth will attract individuals interested in their slice, be it obtained legally or otherwise. Although casinos do not advertise for such 'miscreants' to enter their premises, they remain undiscriminating social institutions.[21] In this way, casinos are a great equaliser: if you have money and are willing to gamble, then you are welcome. This is not to say that patrons who steal or cheat will not be evicted if caught: they will be. However, an individual's reputation on 'the outside' will normally not preclude access unless a casino stands to lose more than it can gain. It is exactly this stance that has led to the perception that criminals are drawn to these 'honey-pots of vice' to not only gamble and cheat, but also to launder money.[22]

Though the veracity of such generalised claims is questionable, the situation does raise a series of anti-money laundering challenges, including the increased likelihood that criminal proceeds will cross the casino floor. In addition, it has also been argued that patrons with criminal interests are more likely to collude with casino staff members to commit crimes and circumvent anti-money laundering laws.[23] In extreme cases, they may even possess a controlling interest in the operation, not only to profit from the regular business, but also from other activities such as loan sharking (providing credit at an excessive rate of interest), tax evasion (failing to declare income by 'skimming'[24]), blackmailing (the anonymity of a compromised patron can quickly be withdrawn) and, of course, money laundering.[25] Moreover, even when they do not control a casino, criminals are still likely to socialise their as they provide a safe and neutral place to conduct important matters.[26] Given all these factors, it is not surprising to see why the allure of the industry to those with criminal connections is considered to be a major money laundering susceptibility.

2.4 Susceptibility No. 3: Deference towards patrons

This susceptibility concerns the type of patrons that casinos seek to attract (other than the abovementioned 'criminals') and the deference they are afforded. In the casino industry, a fine line exists between public interest (application of the law) and private interest (profit maximisation). To maximise profit, casinos must attract not only those patrons who grind away small amounts of money, but also those who gamble tens of thousands of dollars during a single session.[27] Generally re-

---

[21] *Skolnick* 1978, p. 46.

[22] *Chaikin* 1992, p. 266.

[23] APG & FATF 2009, pp. 24–25.

[24] Skimming involves removing a proportion of the earnings of a business and reporting a lower official total.

[25] APG & FATF 2009, pp. 24–25.

[26] APG & FATF 2009, p. 25.

[27] *Breen & Hing* 2006, p. 16; Allen Consulting Group 2009, pp. 12–16.

ferred to as 'high rollers' or 'whales,' these individuals are an excellent source of revenue.[28] They are also a major money laundering risk because they often establish close relationships with staff members and management. This breeds trust, to the point that staff may consider unusual transactions and/or behaviour as normal and leave them unreported.[29] In addition, due to the high stakes involved, numerous cases of casino management pressuring staff to not enquire about a patron's source of wealth have been reported in the past, which is a major breach of their legal duty to ensure that criminal proceeds are not used to gamble with.[30] As the following quote shows, when left unchecked, this sought of behaviour can have serious consequences:

> *One casino manager told me the following illustrative story: A couple of our regular customers came in with $60,000 wrapped in neat bundles, to be put in the cage for safekeeping in their name. We noticed the money was slightly burned at the edges, and pointed it out. 'Oh,' one of them said, 'That's nothing, the [blow]torch was a little too hot.' We took the money anyhow, said the casino manager.*[31]

Though such sloppiness is likely the exception rather than the rule, the challenges that casino staff face in an industry where they must simultaneously satisfy the competing interests of their employer, their patrons and the law are very real.[32] It has therefore been argued by numerous authorities that patrons (especially big-spending ones) pose a risk because of the way in which they are treated by casino management and staff.[33]

2.5 The casino quandary

In the eyes of many academics[34] and international anti-money laundering organisations,[35] the susceptibilities outlined above have led to the assumption that criminal proceeds can be anonymously laundered through casinos with little danger of detection. For instance, it has been argued that the money to be laundered can be con-

---

[28] *McMillen & Woolley* 2000, p. 8.

[29] APG & FATF 2009, p. 51.

[30] APG & FATF 2009, p. 51. The media analysis found several instances in which such pressure had been applied in Australian casinos.

[31] *Skolnick* 1978, p. 49.

[32] *McMillen & Woolley* 2000, p. 8.

[33] APG & FATF 2009, pp. 51–52.

[34] See, for instance, *Chaikin* 1992; *Rider & Ashe* 1996; *McMillen & Woolley* 2000; *McDonnell* 1998.

[35] See, for instance, FATF 1991; 1996.

verted to gaming chips, a few bets can be made at various gaming tables, the chips can be placed as 'winnings' into a casino account from where they can be transferred overseas. If questions arise, casino staff can be bribed to falsify records or circumvent reporting requirements. Should the origin of the money be examined at a later date, then it can be demonstrated that it stems from a visit to a casino (a claim which, of itself, is not unrealistic).[36]

The doctoral study found that the problem with this 'walk in, play a bit, walk out' scenario is that it is far too general as it paints all casinos with the same brush, regardless of the different levels of national regulation. Indeed, it was noted that in Australia – where casinos must comply with strict anti-money laundering regulations – the growing susceptibility chorus has raised the ire of numerous institutions, including the government's own agency AUSTRAC. In a presentation on the matter, the director of AUSTRAC retorted that in a well-regulated country it is hard to 'walk into a casino with, say, $100,000; to exchange it for chips; to walk around for a few hours and, after placing a few bets, present the remaining chips to the cashier noting one's extremely good luck.'[37] She further contended that so long as anti-money laundering laws are extended to casinos, the risk posed by the industry is akin to that of any other financial business:

> *It may well be the influence of Hollywood and the fact that everyone likes a good gangster story but there is a perception that gambling establishments, typically casinos, are fronts for organised crime and facilitators of money laundering. There is no doubt that in some parts of the world this has occurred and probably still does. It is also true to say that there is a risk that gambling establishments, whether they be sparkling edifices or dark illegal places, can be used to hide and dispose of the proceeds of crime. However, there are a range of strategies that we can take to minimise these risks … requiring patrons to be identified, large cash transactions and international transfers to be reported and anything else which looks odd to be reported as suspicious are all worthwhile tools in the risk management process.*[38]

This statement likely resonated well with the Canadian money laundering researcher *Beare*, who has also commented that more empirical research and less rhetoric is urgently required in the casino money laundering debate, as the susceptibility

---

[36] See generally, CFATF 1997; FATF 1991; 1996.

[37] *Montano* 1998, p. 4.

[38] *Montano* 1998, p. 3.

claims do not, in her opinion, correspond with the facts on the casino floor.[39] It was for exactly this reason that the doctoral study chose to examine the topic in more detail.

3. Measuring the immeasurable

3.1 Qualitative versus quantitative

Due to the paucity of empirical information on money laundering in the casino industry, the abovementioned two-pronged empirical approach was designed to rectifying this information deficit and lead to a clearer conclusion on the use of casinos to launder money. As mentioned, the first prong was comprised of a media analysis on money laundering in Australian casinos between 2000 and 2010; the second prong encompassed a series of expert interviews to determine the effectiveness of anti-money laundering laws. Before discussing the findings of this strategy, this section will provide information on why this approach was chosen. In particular, it will look at various types of government statistics that exist on money laundering (for example, suspicious transaction and threshold transaction reports) and demonstrate why these were considered – on their own – ineffectual for meeting the goals of the study.

3.2 Suspicious transaction reports

According to section 41 of the Australian *Anti-Money Laundering and Counter Terrorism Financing Act (2006)* (AML/CTF Act),[40] a suspicious transaction report must be lodged when a reporting entity 'suspects on reasonable grounds'[41] that a patron is not whom they purport to be, that they are acting in a suspicious manner or that the money in question may be linked to a criminal offence. As Figure 1[42] demonstrates, the overall number of suspicious transaction reports lodged with the AUSTRAC (from all reporting entities, not just casinos[43]) has ballooned in recent years.

---

[39] *Beare* 2000, pp. 2–3.

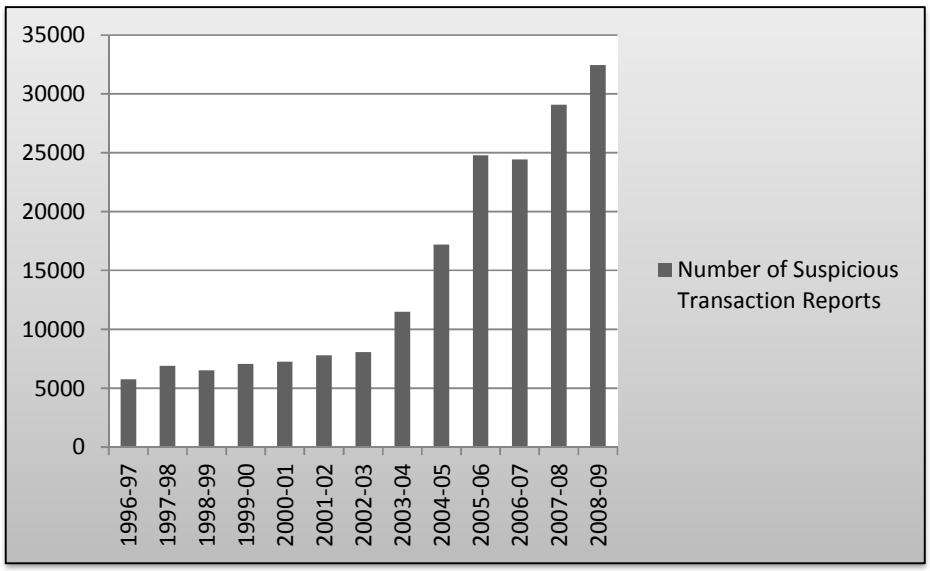
[40] Australia's premier piece of anti-money laundering legislation.

[41] A suspicion must be 'agreeable to reason, and not absurd or irrational.' *King v Minister for Foreign Affairs* (2006) AATA 636 at 638.

[42] All figures use the Australian financial year, beginning on 1 July and ending on 30 June the following year.

[43] Casinos are one such reporting entity. So too are banks, foreign exchange bureaus, stock brokers, investment advisors, accountants, lawyers and the like.

Figure 1: Total suspicious transaction reports 1996–2009

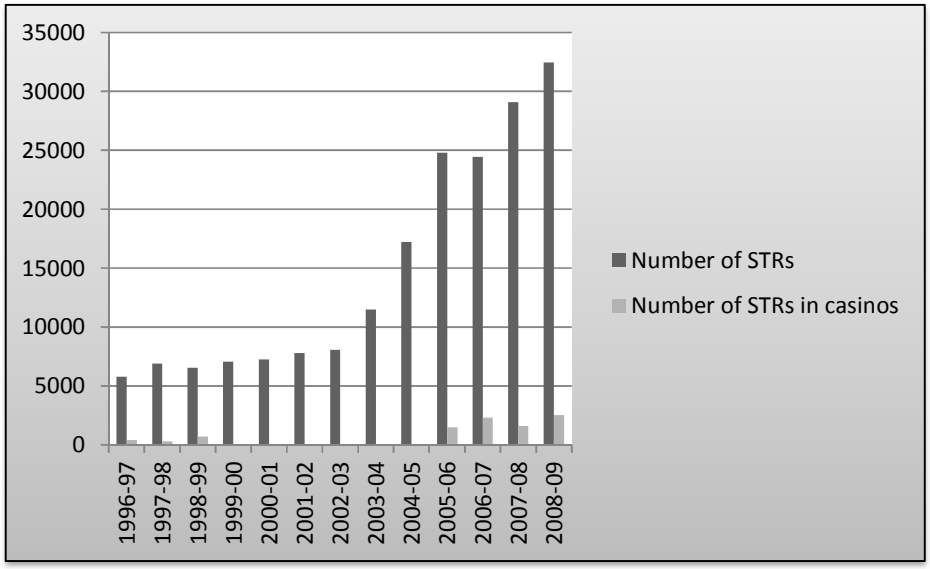


Source: AUSTRAC Annual Reports 1999; 2009

Yet, while the jump in reports from 2003–2004 onwards is interesting, without further information it is impossible to interpret. Has more *actual* suspicious activity occurred in recent years, or has more *apparent* suspicious activity simply been reported? From the raw data it is impossible to tell. Perhaps media or political pressure led to an increase in reports (a report first, think later approach)? Interestingly, those interviewed for the study were also uncertain about what led to this increase. They felt it could partly be explained by the over-reporting of suspicious transactions in recent years caused by confusion and uncertainty surrounding the introduction of the AML/CTF Act in the mid 2000s and by the fact that more reporting entities now exist under the AML/CTF Act than was previously the case. More reporting entities will of course mean more reports. As such, it can be seen that the rise in reported suspicious transactions does not necessarily mean that the legislation is now more effective at unearthing possible instances of money laundering than was previously the case, nor that more money laundering activity has actually taken place.

The story told by Figure 2 is equally problematic, not least because any comparison between suspicious transaction report lodgement rates is hampered by AUSTRAC's decision to not always publish information on the number of reports filed on an industry basis (hence the reporting gap for casinos between 1999–2000 and 2004–2005). Thus, although a comparison between the number of suspicious transaction reports lodged by all reporting entities and the number of suspicious transaction reports lodged by casinos could be promising, the available data is insufficient for such purposes.

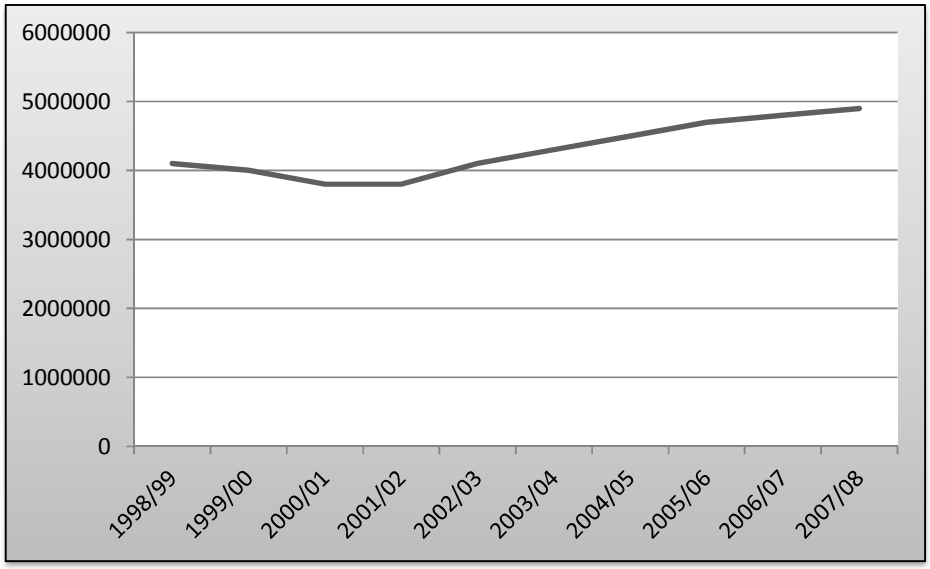
Figure 2: Suspicious transaction reports 1996–2009: All reporting entities compared to casinos



Source: AUSTRAC Annual Reports 1998; 2009

As noted, the overall increase in the number of suspicious transaction reports lodged over the last decade is likely the result of numerous factors. With regard to casinos, one factor that has not yet been mentioned is the gradual increase in the number of casino visitors (Figure 3), with more patrons likely leading to more suspicious transaction reports being filed.

Figure 3: Casino visitors 1998–2008



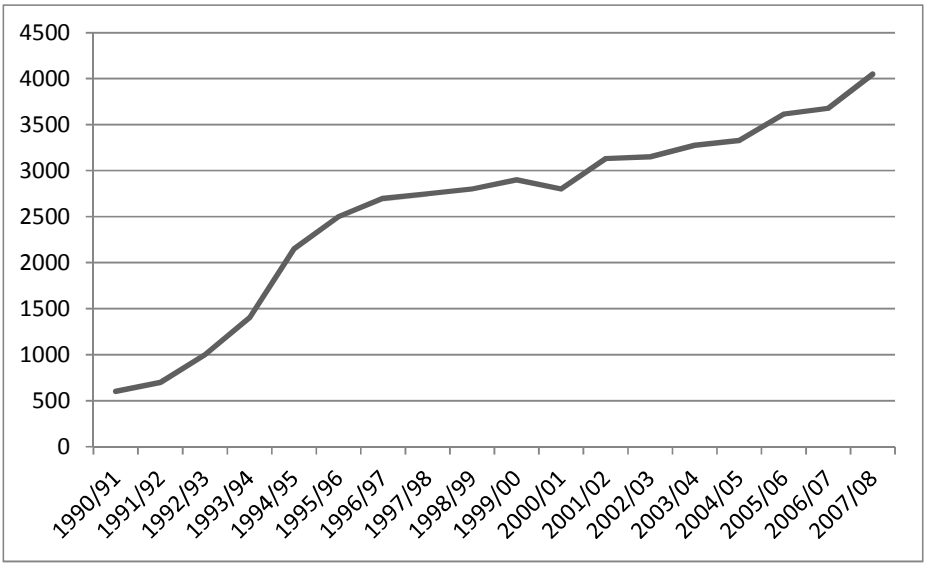
Source: Australian Casino Association Economic Report 2004; 2008; Allen Consulting Group 2009.

Given these uncertainties, suspicious transaction report statistics could not be used (at least not on their own) to assess the effectiveness of Australia's anti-money laundering laws in casinos.

3.3 Threshold transaction reports

Like suspicious transaction reports, the usefulness of threshold transaction report statistics was also deemed questionable. A threshold transaction is defined by the AML/CTF Act as any financial transaction that involves $10,000 or more.[44] Such transactions must be reported to AUSTRAC. Again, whilst a sharp increase in the overall number of threshold transactions reports has been witnessed in recent years (not pictured[45]), this does not allow for the inference to be made that more transactions over $10,000 equates to more money laundering. Indeed, when it comes to casinos, the most probable cause for more threshold transactions being recorded stems from the fact that more patrons (Figure 3) are now spending more money at casinos (Figure 4).

Figure 4: Casino revenue ($ millions)



Source: Allen Consulting Group 2009

[44] Section 43 AML/CTF Act.

[45] AUSTRAC 2009, p. 27. In 2004–2005, over 2 million threshold transactions were recorded; in 2008–2009, over 3 million (for all reporting entities, not just casinos).

3.4 Prosecutions

Despite the number of suspicious and threshold transaction reports lodged by casinos (for example, in the financial year 2008–2009, 2,513 suspicious transaction reports were sent to AUSTRAC[46]), prosecutions for casino based money laundering in Australia have been rare. A search of the Australasian Legal Information Institute's case law database,[47] using the terms 'money + launder.* + casino.*', yielded less than 50 cases before Australian courts between 1994 and 2009: a small number for an industry considered so susceptible. In fact, the sum of relevant cases was well under 50, because not all of them dealt with money laundering. For example, several cases concerned the payment of *money* for the *laundering* costs of *casino* staff uniforms. Though AUSTRAC provided some information on the lack of prosecutions in the interviews,[48] it was clear from the miniscule number of cases that this information could, once again, not be used to measure money laundering in the casino industry.

3.5 The media analysis

Given these statistical uncertainties, the first step of the doctoral study was the media analysis. Information was obtained from two major Australian newspapers, *The Age* and *The Sydney Morning Herald*, and from transcripts from the website of the Australian Broadcasting Corporation's investigative television programmes *Four Corners* and *The 7:30 Report* and the radio programme *The World Today*. Whilst space does not exist to discuss the results of the media analysis in detail, it successfully unearthed examples of money laundering that had not, for one reason or another, ended up before the courts. That said, major improvements in the application and effectiveness of the laws were seen over time, to the point that those cases reported in the late 2000s were not nearly as severe as those from a decade earlier.

3.6 The interviews

Whilst the media analysis helped supplement the otherwise opaque statistics, it was the results of the empirical interviews that were particularly interesting. The interviews were initially to be aided by a casinos staff questionnaire to tease out information on how knowledgeable casino staff members are about the anti-money laundering requirements. The method for completion was to be electronic (an open-

---

[46] AUSTRAC 2009, p. 54.

[47] www.austlii.edu.au [06.05.2013].

[48] It was noted that many of the individuals who are eventually prosecuted are not charged with money laundering in casinos but rather with other offences such as fraud, drug trafficking or embezzlement as these crimes are simpler to prove.

source programme ['LimeSurvey'][49] was used to create an online questionnaire). Tests were planned to assess the comprehensibility of the questionnaire, however, when it became apparent that the casinos were unwilling to participate, further efforts were cancelled. Because misgivings existed from the outset that this refusal might come (though not to the extent actually experienced), an interview request with casino management was also made. This was again declined by all thirteen of Australia's casinos. Several casinos did, however, suggest that the industry's representative, the Australasian Casino Association, be contacted. This was done; after a round of emails and telephone conversations, it was clear that they too were uninterested.

The next step was to contact AUSTRAC, where an interview with two senior staff members was arranged. The Australian Institute of Criminology was another prospective candidate, as they were in the midst of conducting a project on perceptions towards anti-money laundering risks and costs for businesses (including casinos).[50] An interview with the project coordinators was organised. The next interview to be scheduled was with a state or territory casino regulator.[51] Letters were sent to the Victorian Commission for Gambling Regulation, the New South Wales Casino Liquor and Gaming Control Authority and the Australian Capital Territory Gambling and Racing Commission. Though none of these agencies responded, an interview was able to be arranged with the Tasmanian Gaming Commission. On the day of the interview in Hobart, an impromptu visit to Wrest Point Casino and a talk with an onsite government casino inspector also took place. This was in addition to a number of other casino visits. The last interviewee for the study was Professor *Clive Williams*, a Visiting Fellow at the Australian National University with an interest in the movement and reintegration of money. Each of the interviews took between one and a half and three hours. With the permission of all those interviewed, a digital recorder was used. Preparatory assistance and funding for the visit to Australia was provided by Professor *Hans-Jörg Albrecht* and the Max Planck Institute, Freiburg. Some of the more important findings drawn from the interviews will now be discussed.

---

[49] www.limesurvey.org [06.05.2013].

[50] The project homepage is: http://www.aic.gov.au/about_aic/research_programs/nmp/amlctfmp.aspx [06.05.2013].

[51] In Australia, casinos are governed by both federal and state laws.

4. Some findings from the interviews

4.1 General findings

All interviewees agreed that although criminal proceeds are found in Australia's casinos, the current laws ensure that serious money laundering has remained negligible. While each acknowledged that money laundering exists in the industry, they emphasised that it is necessary to clarify what exactly this means. In their opinion, the type of laundering that mostly occurs is gambling with the proceeds of crime. As far as Australian law is concerned, it is irrelevant whether an individual goes to a casino with ill-gotten gains to 'thoroughly' launder the money (that is, as part of a larger operation that might include splitting the money and sending it abroad) or whether they simply go there to gamble with the money.[52] Given this, it was suggested that it would be ludicrous to deny that gambling with criminal proceeds, hence money laundering, does not occur. The question of course is, to what extent does this type of money laundering – which the Tasmanian Gaming Commission labelled 'low-level' – exist, and can anything be done to prevent it? It was felt by all concerned that low-level money laundering is practically unstoppable, especially when the transactions are below the threshold reporting limit ($10,000). The antithesis of this low-level money laundering – large-scale 'systematic' money laundering – was, however, considered to be far less of a problem.

4.2 Low-level money laundering

Low-level money laundering is characterised by transactions conducted by individuals of little or no police interest with small amounts of money. As noted, one example of low-level money laundering is when an individual gambles with criminal proceeds. When conducted with little intensity, this type of activity is almost impossible to detect unless suspicious behaviour is noticed; though even then, it was considered by several interviewees as questionable whether this would warrant further investigation unless other 'compounding factors' existed. Gambling with the proceeds of crime is not, however, the only form of low-level money laundering. Another method mentioned in the interviews was structuring/smurfing. Structuring occurs when a casino patron evades threshold reporting requirements by breaking transactions into amounts below $10,000. For example, a patron might exchange $9000 for chips in the morning and exchange a further $5000 in the afternoon. Smurfing is a glorified form of structuring, which involves a larger group of individuals. In this way, more money can be structured by more individuals, all acting on behalf of a single beneficiary. AUSTRAC acknowledged that the normal-

---

[52] Division 400 *Criminal Code Act 1995* (Cth) states that it is an offence to handle and/or engage in a transaction with the proceeds of crime. The Tasmanian Gaming Commission noted that this offence has been construed very broadly by Australian courts.

cy of cash at casinos means that they are more susceptible than other businesses to structuring/smurfing. That said, it was countered that these methods are a crude and inefficient way to launder money, as they are time consuming and costly: the individuals involved must be paid, they can only make transactions in small amounts, all their activities will be recorded by overhead cameras and, lastly, the risk exists that they will lose or abscond with the money.[53]

Though it is difficult to conclude how much low-level money laundering occurs in Australia's casinos, the Tasmanian Gaming Commission felt that whatever its size, it likely makes up a minuscule proportion of the money that is annually laundered in Australia (around $5 billion[54]). In their opinion, it is simply not worth excessive consideration from a regulatory standpoint. Whilst AUSTRAC acceded that the situation with regard to low-level laundering is less than perfect, it too stressed that although low-level money laundering will invariably slip through the reporting cracks, this is a consequence of the current reporting requirements which seek to balance commercial viability (that is, not reporting each and every transaction) with law enforcement goals (stopping serious money laundering). During her directorship of AUSTRAC, *Montano* commented on this balancing act, noting that

> *the approach our society has taken to deal with these particular competing interests is to put in place measures to detect and analyse activity looking for abnormalities and illegalities ... emphasis is therefore on reporting and analysis leading to action when needed rather than [on] control of all transactions.*[55]

4.3 Systematic money laundering

Systematic or serious money laundering is everything that low-level money laundering is not. It was described by those interviewed as the complex and highly organised movement and reintegration of criminal proceeds. It invariably involves large sums of dirty money (millions rather than thousands) and normally requires some form of insider help to circumvent reporting requirements. In answer to the question whether systematic money laundering is a problem in the Australian casino industry, the interviews suggested that it is not. The principal reason given to support this claim was that the organised crime models and lax regulations that allow for this type of money laundering simply do not exist in Australia. Although casinos can certainly be used to launder large amounts of money, the chance that the transactions involved will be recorded is exceedingly high. Without some kind

---

[53] The media analysis found one case where the entire amount of money to be laundered (nearly $800,000) was lost at a casino.

[54] *Dietz & Buttle* 2008, p. 5.

[55] *Montano* 1998, p. 4.

of inside assistance, it was said that it is very difficult to use a casino for systematic money laundering because the systems of supervision that casinos have in place (for their own protection, as much as for the anti-money laundering regulations) mean that transactions are keenly monitored by multiple parties. For instance, if $500,000 is transferred overseas, the casino accounting department must check to ensure a transaction report has been lodged with AUSTRAC. If this has not occurred, the time and location of the transfer can be cross-referenced with surveillance footage to determine who was working and whether any untoward activity occurred. In addition, it was stated that all casino staff members are subject to physical layers of control. Dealers at individual tables are not only monitored by overhead surveillance but also by a 'floor person' who is responsible for the supervision of an assigned number of tables in the gaming pit.[56] In turn, a 'pit boss' is responsible for the supervision of each floor person, and a 'shift manager' is responsible for the supervision of the pit bosses. These layers of control mean that failure to report a threshold or suspicious transaction is not likely to go unnoticed.[57] Those interviewed stressed that this type of control means that casinos are no more susceptible to systematic money laundering than other financial entities like banks, as large sums of money cannot be easily moved anonymously and without detection.

5. Conclusions from the study

5.1 Main conclusions

Ultimately, the doctoral study concluded that: (1) it is necessary to differentiate between low-level and systematic money laundering for the determination of casino susceptibility, and (2) not only the money laundering vulnerabilities and weaknesses of the industry must be considered, but also its anti-money laundering strengths.

5.2 Low-level versus systematic money laundering

Although money laundering was found to exist, it primarily occurs at a low-level. Despite the anti-money laundering measures in place, an individual with dirty money who bets small and acts normally will likely evade detection. This applies to not only those who gamble with criminal proceeds, but also to those who seek to conduct low-level structuring/smurfing. Even when low-level transactions are recorded – perhaps because the individual behaved suspiciously – this information

---

[56] The gaming pit is the area in the casino where table games are located. It usually consists of between two and four tables.

[57] *Kilby* 2005, pp. 47–48.

will not necessarily be acted on, especially if it is a one-off event and the person is unknown to police. It was therefore concluded that low-level money laundering is alive and well in Australia's casinos. Nevertheless, the threat must be kept in perspective. Although casinos may provide a comparatively easy way to launder small amounts of money, for larger amounts, casinos are far too time consuming, cost intensive and risky:

- Time consuming, because transactions must be kept small (under the $10,000 threshold reporting limit) to maintain anonymity and avoid AML/CTF Act reporting requirements.

- Costly, because the more money there is to be laundered, the more individuals are needed (who each need to be paid).

- Risky, because the money may be lost (gambled away or absconded with), and because the activity will be electronically recorded and may be used as evidence in court.

Whilst no conclusion was reached about the amount of low-level money laundering in Australia's casinos, those interviewed opined that it definitely forms an infinitesimal proportion of the total amount of money that is laundered annually in Australia.

Despite the existence of low-level money laundering, it was established that this does not allow for the automatic conclusion to be drawn that casinos are also used to systematically launder money on a large scale. Such laundering is only possible when criminals can collude with casino staff, infiltrate casino counting rooms and destroy or alter financial records. With regards to the situation in Australia, given the current legal provisions it is unlikely that casinos are used to systematically launder money. Of course, laws are of little use without compliance control, which is why AUSTRAC conducts casino visits, and why the state and territory regulators have a permanent office at each casino. As such, the study opposed the long-established notion that an individual with a large sum of money can simply stroll into a casino, lose or win a little on the gaming floor and anonymously transfer the rest overseas. This claim has little substance in a well-regulated industry. This is not to say that such transactions cannot be made: they can be. However, they cannot be made anonymously or without repercussions. Accordingly, in questioning the susceptibility of casinos to money laundering, future discussions should differentiate between low-level and systematic money laundering when noting that the industry is 'susceptible to money laundering' as, based on the findings, such claims clearly need to be better defined.

5.3 Susceptibilities revisited

In support of the conclusion that the main type of money laundering found in Australia's casinos is of the low-level variety, the study stressed that many of the arguments used to uphold the long-held view that the industry is overly susceptible have remained stagnant, whilst anti-money laundering efforts have rapidly advanced. Ultimately, a thorough reassessment of numerous risk factors – including those mentioned above in Section 1 – showed that although casinos do have weaknesses, they are not the money laundering hazard that has historically been suggested. Although the media analysis highlighted several deficiencies between 2000 and 2010, the weight of the empirical evidence led to the conclusion that major improvements have been made. One important finding in this regard is that money laundering should not be viewed as a one-way street, in which only negative factors are at play: the positive anti-money laundering strengths of casinos must also be considered. Although casinos harbour susceptibilities, they also possess a series of anti-money laundering strengths, as they have been in the public eye for so long, and because they, as a business, are interested to know what occurs in their confines. When internal control measures – such as closed-circuit television and staff layers of control – are combined with external control measures – mandatory staff background checks and the AUSTRAC reporting requirements – it was concluded that the industry is not overly susceptible to systematic money laundering. Internal and external casino controls heighten the chance that launderers will be questioned about the source of their funds and have their identity recorded. As launderers invariably choose the path of least resistance, these factors are reason enough to discourage the use of casinos to launder large sums of money.

Though more detailed results on the reassessment of casino susceptibilities could not to be covered in the present article, the study showed that for almost every susceptibility claim that exists, so too does a counterclaim. Whilst these counterclaims do not always negate the susceptibilities, their existence shows that the casino industry in Australia (and most other countries) does not operate in a legal void. For instance, while it has been suggested that casinos provide anonymous banking services (susceptibility No. 1 from Section 1), this assertion was found to be completely flawed: under the AML/CTF Act, identification must be recorded before a banking service is conducted. The claim that casinos can be owned or run by criminals (susceptibility No. 2) was also proven to be erroneous, due to the strict ownership control requirements of the state and territory casino regulations. The assertion that casinos are more interested in retaining patrons that enforcing the law (susceptibility No. 3) was likewise considered to be far from the truth; those interviewed noted that an excellent relationship exists between them and the casinos, and that no current casino operator would be foolish enough to place their lucrative gaming licence in jeopardy to appease a single customer who does not wish to be identified. Though these are just a few of the examples referred to in the study, it can be seen that sufficient oversight and know-how is in place to derail the most

serious casino money laundering susceptibilities. This needs to be taken into account in future debates on money laundering in the casino industry, for to do otherwise is to shy away from the truth that although susceptibilities exist, so too do strengths.

6. References

Abadinsky, H. (2003): Organized Crime. Belmont/CA, USA.

Allen Consulting Group (2009): Casinos and the Australian Economy. Melbourne.

APG & FATF (2009): Vulnerabilities of Casinos and Gaming Sector. Paris.

AUSTRAC (1999): Annual Report 1998/99. Canberra.

AUSTRAC (2000): Annual Report 1999/00. Canberra.

AUSTRAC (2001): Annual Report 2000/01. Canberra.

AUSTRAC (2002): Annual Report 2001/02. Canberra.

AUSTRAC (2003): Annual Report 2002/03. Canberra.

AUSTRAC (2004): Annual Report 2003/04. Canberra.

AUSTRAC (2005): Annual Report 2004/05. Canberra.

AUSTRAC (2006): Annual Report 2005/06. Canberra.

AUSTRAC (2007): Annual Report 2006/07. Canberra.

AUSTRAC (2008): Annual Report 2007/08. Canberra.

AUSTRAC (2009): Annual Report 2008/09. Canberra.

AUSTRAC (2010): Annual Report 2009/10. Canberra.

Australian Casino Association (2004): ACA Economic Report 2002–2003. Sydney.

Australian Casino Association (2008): ACA Economic Report 2006–2007. Sydney.

Beare, M. (2000): Structures, Strategies, and Tactics of Transnational Criminal Organizations: Critical Issues for Enforcement, Paper for the Transnational Crime Conference. Canberra.

Blakey, R. (1977) (ed.): The Development of the Law of Gambling: 1776–1976. Washington, D.C.

Breen, H. & Hing, N. (2006): Casino History, Development, and Legislation in Australia, in: C. Hsu (ed.), Casino Industry in Asia Pacific. New York, pp. 3–19.

CFATF (1997): Typology Exercise II: Casino Regulatory Conference. Trinidad & Tobago.

Chaikin, D. (1992): Investigating Crime and Corporate Money Trails, in: B. Fisse et al. (eds.), The Money Trail. Sydney, pp. 257–293.

Deitz, A. & Buttle, J. (2008): Anti-Money Laundering Handbook. Sydney.

Dombrink, J. & Hillyard, D. (2007): Sin No More. New York.

FATF (1991): Annual Report 1990–1991. Paris.

FATF (1996): Annual Report 1995–1996. Paris.

Fisse, B., Fraser, D. & Coss, G. (1992): The Money Trail. Sydney.

Helsing, P. (1976): Gambling in America: Final Report of the Commission on the Review of the National Policy Toward Gambling. Washington, D.C.

Kilby, J., Fox, J. & Lucas, A. (2005): Casino Operations and Management. New Jersey.

Lasalle, G. (2005): Rolling the Dice in Atlantic City: A Study of Patrons as Victims of Crime on the Casino Floor. New York.

McDonnell, R. (1998): Money Laundering Methodologies and International and Regional Counter Measures, Paper for the Gambling, Technology and Society Conference. Sydney.

McMillen, J. & Woolley, R. (2000): Money Laundering in Australian Casinos, Proceedings of the 3rd Gambling Regulation Conference. Canberra.

Miller, W. & Schwartz, M. (1998): Casino Gambling and Street Crime. The Annals of the American Academy of Political and Social Science 556, pp. 124–137.

Montano, E. (1998): Gambling, Money Laundering and the Proceeds of Crime: A Trifecta?, Paper for the Gambling, Technology and Society Conference. Sydney.

Rider, B. & Ashe, M. (1996) (eds.): Money Laundering Control. Dublin.

Schrier, S. (1997): The Cashless Casino: Credit Card and Debit Card Transactions at the Gaming Tables in Atlantic City. Gaming Law Review 1/2, pp. 177–189.

Skolnick, J. (1978): House of Cards. Boston.

Walker, D. (2007): The Economics of Casino Gambling. Berlin.