

# **The Danish Gambling Authority's guidance on prevention of money laundering and financing of terrorism**



Anti-Money Laundering Guidance

# Table of contents

<b>Version history</b>	<b>5</b>
Version 1.0 of 14 August 2019	5
Version 1.1 of 10 January 2020	5
Version 1.2 of 2 June 2022	5
Version 1.3 of 14 July 2023	6
Version 1.4 of 31 May 2024	6
<b>1. Introduction</b>	<b>7</b>
1.1 Introduction	8
1.2 What is money laundering?	8
1.3 What is financing of terrorism?	9
<b>2. Regulation</b>	<b>10</b>
2.1 Financial Action Task Force	11
2.2 EU rules	11
2.2.1 Anti-Money Laundering Directives	11
2.3 Legal framework	11
2.3.1 The Anti-Money Laundering Act	11
2.3.2 Executive orders	11
2.4 National and supranational risk assessments	12
2.4.1 National risk assessments	12
2.4.2 Supranational risk assessments	12
2.5 Games covered by the AML Act	12
2.6 Partial exemption of certain games	13
<b>3. Risk assessment</b>	<b>15</b>
3.1 Introduction	16
3.2 The inherent risk	17
3.3 Identifying and assessing risk factors	17
3.4 Risk factors to be identified and assessed as a minimum	18
3.4.1 Customers	19
3.4.2 Products and services	19
3.4.3 Transactions	20
3.4.4 Delivery channels	21
3.4.5 Countries and geographies	21
3.5 Documentation and use of relevant sources	21
3.6 Risk assessment audit	22
3.7 Risk factors	23
3.7.1 Online gambling	23
3.7.2 Land-based casino	28
3.7.3 Land-based betting	32
<b>4. Policies, business procedures and controls</b>	<b>38</b>
4.1 Introduction	39
4.2 Update	39
4.3 Policies	40
4.4 Business procedures	40
4.4.1 Risk management	40
4.4.2 Customer due diligence procedures	41
4.4.3 Duty to investigate and register	41

4.4.4	Duty to report .....	41
4.4.5	Storage obligation .....	42
4.4.6	Employee screening .....	42
4.5	Controls .....	43
4.5.1	Control with the controls .....	43
4.5.2	Documentation .....	44
<b>5.</b>	<b>Responsibility, training and groups .....</b>	<b>45</b>
5.1	Responsibility for legal compliance .....	46
5.1.1	Responsible board member .....	46
5.2	Training .....	46
5.2.1	Land-based betting retailers .....	47
5.3	Consolidated companies .....	47
<b>6.</b>	<b>Customer due diligence procedures .....</b>	<b>48</b>
6.1	The purpose of customer due diligence procedures .....	49
6.2	When to implement customer due diligence procedures? .....	49
6.2.1	When a business relationship is established .....	49
6.2.2	When a customer's relevant circumstances change .....	50
6.2.3	At appropriate times .....	51
6.2.4	Offering games where the stake or payout of winnings (or both) is at least €2,000 .....	51
6.2.5	Suspicion of money laundering or financing of terrorism .....	51
6.2.6	In case of doubt about previously obtained information about the customer .....	52
6.3	What do customer due diligence procedures consist of? .....	52
6.3.1	Obtaining identity information .....	52
6.3.2	Verifying identity information .....	52
6.3.3	Purpose and intended nature .....	54
6.3.4	Continuous monitoring .....	54
6.4	Customer risk assessment .....	56
6.5	Enhanced customer due diligence procedures .....	57
6.5.1	Customers who pose an increased risk of money laundering .....	57
6.5.2	Customers from high-risk third countries .....	59
6.5.3	Politically exposed persons .....	59
6.6	Termination of an established business relationship and inadequate information .....	64
6.6.1	Obligation to terminate a customer relationship .....	64
6.6.2	Inadequate information .....	65
<b>7.</b>	<b>Assistance from third party, groups and outsourcing .....</b>	<b>66</b>
7.1	Assistance from third parties .....	67
7.1.1	The conditions for using assistance from a third party .....	67
7.2	Groups .....	68
7.3	Outsourcing .....	68
7.3.1	Which tasks may be outsourced? .....	68
7.3.2	Conditions for outsourcing .....	69
7.3.3	Who can take on outsourced tasks? .....	69
7.3.4	Control .....	69
7.3.5	Liability .....	70
7.3.6	Retailer of land-based betting .....	70
<b>8.</b>	<b>Obligation to investigate and register .....</b>	<b>72</b>
8.1	Duty to investigate .....	73
8.1.1	What does the investigation consist of? .....	73
8.1.2	Enhanced monitoring .....	74
8.2	Obligation to register .....	75

8.2.1	Limitation of the right of access.....	75
<b>9.</b>	<b>Obligation to report.....</b>	<b>76</b>
9.1	Obligation to report.....	77
9.2	Types of reports.....	77
9.3	How to submit a report.....	77
9.4	Limitation of the right of access.....	78
9.5	Suspension of transactions.....	78
9.5.1	Suspicion of money laundering.....	78
9.5.2	Serious or particularly suspicious transactions.....	78
9.5.3	Suspicion of financing of terrorism.....	79
<b>10.</b>	<b>Record-keeping.....</b>	<b>80</b>
10.1	What information can be stored?.....	81
10.1.1	Information obtained in connection with customer due diligence procedures.....	81
10.1.2	Documentation and registration of transactions.....	81
10.1.3	Documents and registrations regarding investigations undertaken in accordance with section 25(1) and (3) of the AML Act.....	81
10.2	For how long must the information be stored?.....	82
10.3	Disclosure of information.....	82
<b>11.</b>	<b>Whistleblower programme, employees and obligation to report.....</b>	<b>83</b>
11.1	Whistleblower programme.....	84
11.1.1	Independent and autonomous.....	84
11.1.2	Anonymity.....	84
11.1.3	Gambling operators with fewer than five employees.....	85
11.1.4	Documentation.....	85
11.1.5	Retailers of land-based betting.....	85
11.2	Employees.....	85
11.2.1	Compensation.....	86
11.3	Obligation to report.....	86
<b>12.</b>	<b>Financial sanctions.....</b>	<b>87</b>
12.1	Financial sanctions.....	88
<b>13.</b>	<b>Duty of confidentiality.....</b>	<b>89</b>
13.1	What information is subjected to confidentiality?.....	90
13.2	Exemptions from the duty of confidentiality.....	90

# Version history

## Version 1.0 of 14 August 2019

- The first version of the guidance

## Version 1.1 of 10 January 2020

- Section 2.5: Incorporation of the note that the Danish Gambling Authority does not supervise compliance with section of the AML Act 36.
- Section 2.5.4: Incorporation of a new section on the Danish Gambling Authority's right to deny establishment of or set rules on special conditions for subsidiaries, branch offices or representative offices in Denmark.
- Section 2.5.5: Incorporation of a new section on the Danish Gambling Authority's obligation to give general feedback to the Danish Financial Intelligence Unit.
- Section 5.1: Incorporation of a new section on the gambling operator's responsibility of notifying and sending in information to the Danish Gambling Authority if the operator wants to establish a branch office or a representative office in a high-risk country.
- Section 6.2.2: Additional description of what is meant by a "reliable and independent source".
- Section 6.5.1.4: Incorporation of a note to land-based casinos and retailers of land-based betting on enhanced customer due diligence procedures for customers residing in a high-risk country.
- Section 6.6.1.4: Incorporation of a note to retailers of land-based betting on enhanced customer due diligence procedures for customers residing in a high-risk country.
- Section 8.1 and 8.2: Incorporation of new section 25(1) and (2). Current subsections 2 and 3 is hereafter subsection 3 and 4.

## Version 1.2 of 2 June 2022

- Relevant references to legislation are updated.
- All mentions of the State Prosecutor for Serious International and Economic Crime are replaced by the Special Crime Unit or the Danish Financial Intelligence Unit.
- New section 2.1.2 on the Anti-Money Laundering package in the EU.
- Section 2.5.2 on the Danish Gambling Authority's supervision is updated.
- Section 6.7.5.1 is elaborated in relation to enhanced requirements for monitoring of PEPs, family members and close associates of PEPs.
- Section 8.3.5 on suspension of transactions. A paragraph on the new section 26(4) of the AML Act has been added.
- New section 9.1.4, on how long information must be stored. The former sections 9.1.4 and 9.1.5 have thereby become sections 9.1.5 and 9.1.6.
- New section 11.3.3 on disclosure of information to an operative collaboration forum.
- Footnotes have been added to relevant sections including information on the requirement for an address, which will be removed from the Executive Order on online casino and the Executive Order on online betting as of 1 July 2022.
- A few other sections are elaborated to ensure a better understanding.

## Version 1.3 of 14 July 2023

- Section 2.2.2 on executive orders is updated with regard to items 2, 3 and 4
- Section 2.3.1 on national risk assessments is updated with the newest version.
- Section 2.3.2 on supranational risk assessments is updated with the newest version.
- Section 3.2.3 on land-based betting is clarified with regard to internal and external retailers.
- Section 5.2 in training is updated and clarified.
- Section 7.2.4 on outsourcing is updated and clarified.
- Section 8.3.3 is updated with the newest version of the executive order.
- Sections dealing with the requirement for an address have been amended since the requirement for an address has been removed from Executive Order on online casino and Executive Order on online betting as of 1 July 2022.

## Version 1.4 of 31 May 2024

- General update of phrasings and layout in all sections.
- The term “fixed business relationship” has been replaced with “business relationship”.
- The term “occasional customer” has been replaced with “one-off transactions”.
- The terms “player” and “guest” have been replaced with “customer”.
- Section 2 on regulation has been shortened.
- Section 3 on risk assessment is updated and elaborated.
- Section 4 on policies, business procedures and controls has been updated and elaborated.
- Section 6 on customer due diligence procedures has been updated and elaborated.
- Section 7.3 on outsourcing is updated and elaborated.
- Section 8 on the obligation to investigate has been elaborated.
- A new section 9 has been added in which the obligation to report, previously addressed in section 8, is addressed separately. The content has been updated as well. Consequently, the previous sections 9-10 are now sections 10-11.
- The previous sections 2.5 on the Danish Gambling Authority as a supervisory authority, section 11.3 on the Danish Gambling Authority's duty of confidentiality and section 12 on reactions for non-compliance with the AML Act have been moved to a new guidance on the Danish Gambling Authority's AML supervision.
- The previous sections 11.1 and 11.2 on the duty of confidentiality has been moved to section 13.
- A new section 12 has been added that deals with financial sanctions, which previously appeared from section 2.5.

The Danish Gambling Authority emphasise that in case of any discrepancies between the original Danish text and the English translations of the Guidance on preventive measures against money laundering and financing of terrorism, the Danish text shall prevail.

# Introduction

1

## 1.1 Introduction

This guidance is aimed at gambling operators, their employees, and other relevant stakeholders. The guidance is a supplement to the Danish Financial Supervisory Authority's (The Danish FSA) guidance on the Act on Measures to Prevent Money Laundering and Financing of Terrorism (the Anti-Money Laundering Act, hereinafter called the AML Act)<sup>1</sup>, and it is therefore recommended that gambling operators read this guidance for more detailed information on specific issues.

The rules on measures to prevent money laundering and financing of terrorism in the field of gambling will contribute to combating crime by

- limiting the possibilities of abusing the gambling industry for the purposes of money laundering and financing of terrorism,
- easing police investigation of crime, and
- preventing the return of the proceeds of criminal activity to the legitimate economy.

This guidance provides guidelines for and interpretations of how the rules of the AML Act should be met by gambling operators. In the areas where it is left to the gambling operator to carry out a risk assessment, the guidance includes instructions on how to be compliant.

The rules on measures to prevent money laundering and financing of terrorism are risk-based. The risk-based regulation of the AML Act ensures the foundation for gambling operators to efficiently focus their efforts in areas where the risk of money laundering and financing of terrorism is the greatest.

A risk-based approach requires that gambling operators have a good understanding of the risks involved, and that the gambling operators are capable of exercising sound judgement. This requires building up expertise, for example through training, instruction, professional advice, and "learning by doing".

The guidance is divided into topics and follows the system from the AML Act. The rules of the AML Act apply to all types of gambling offers fully covered by the AML Act. There may be cases where special rules apply to a specific type of offer, for example land-based betting. In such cases, the specific offer is dealt with in separate sections.

## 1.2 What is money laundering?

### **Section 3 of the AML Act contains a definition of what is meant by money laundering:**

1. To unlawfully receive or obtain for oneself or others a share in profits or means obtained through criminal offence.
2. To unlawfully conceal, store, transport, assist in the disposal of or otherwise subsequently serve to ensure the economic profits or means obtained through criminal offence.
3. Attempt at or participation in such actions.

There is no triviality limit for when a condition is covered by the definition of money laundering.

The AML Act's definition of money laundering, section 290 of the Criminal Code on receiving stolen goods, and section 290 a on money laundering must all be viewed as a whole.

<sup>1</sup> [Regler for hvidvask \(finanstilsynet.dk\)](#) – no. 2

**Section 290**

Any person who unduly accepts or obtains for himself or for others a share in proceeds obtained by a criminal offence and any person who unduly, by hiding, storing, transporting, assisting in disposal a criminal offence and or in a similar manner later acts to secure for another proceeds of a criminal offence is guilty of handling stolen goods and is liable to a fine or imprisonment for up to one year and six months.

(2) The punishment may increase to imprisonment for six years where the handling of stolen goods is particularly aggravating, particularly due to the commercial nature of the offence or as a result of the gain obtained or intended, or where a large number of offences have been committed.

(3) Punishment pursuant to this provision cannot be imposed on a person, who accepts profits as ordinary subsistence from family members or cohabitants, or any person, who accepts profits as a normal payment for ordinary consumer goods, articles for everyday use, or services.

**Section 290 a**

Any person who converts or transfers money that is directly or indirectly the proceeds of a criminal offence with the purpose of hiding or obscuring the illicit source is guilty of money laundering and is liable to a fine or imprisonment for up to one year and six months.

(2) The penalty may increase to 8 years' imprisonment when the money laundering activity is very serious, especially because of the crime's commercial or professional character or as a consequence of the achieved or intended benefit or when a greater number of crimes have been committed.

## 1.3 What is financing of terrorism?

Financing of terrorism is also defined in the AML Act.

**Section 4 includes a definition of financing of terrorism**

In this Act, financing of terrorism means financing of terrorism as defined in the section 114b of the Criminal Code with regard to actions covered by [section 114 of the Criminal Code](#).

The definition corresponds to the definition of terrorism in section 114b of the Criminal Code with regard to offences covered by section 114 of the Criminal Code.

**Section 114b**

Any person who

- 1) directly or indirectly provides financial support to;
- 2) directly or indirectly procures or collects means to; or
- 3) directly or indirectly places money or other assets or financial or other similar means at the disposal of; a person, a group, or an association, which commits or intends to commit acts of terrorism as included under section 114 or section 114a of this Act, is liable to imprisonment for up to twelve years.

# Regulation

# 2

## 2.1 Financial Action Task Force

Financial Action Task Force (FATF) is a worldwide organisation consisting of more than 200 countries and jurisdictions that have committed themselves to letting their respective efforts against money laundering, financing of terrorism and proliferation financing be evaluated by assessors supported by FATF's secretariat located in Paris. Denmark has been a member since 1991.

FATF has adopted 40 recommendations on prevention and combat of money laundering and financing of terrorism. As a member state, Denmark is obligated to comply with FATF's 40 recommendations.

## 2.2 EU rules

### 2.2.1 Anti-Money Laundering Directives

The EU Commission is a separate member which indirectly implies that all EU countries must carry out FATF's recommendations.

The rules on measures to prevent money laundering and financing of terrorism are subject to ongoing expansions and revisions since the first Anti-Money Laundering Directive was tabled in 1991.

#### **Anti-Money Laundering Directives so far**

1st Anti-Money Laundering Directive of 10 June 1991

2nd Anti-Money Laundering Directive of 4 December 2001

3rd Anti-Money Laundering Directive of 26 October 2005

4th Anti-Money Laundering Directive of 20 May 2015

5th Anti-Money Laundering Directive of 30 May 2018

For more information about future EU legislation, please see the Danish Financial Supervisory Authority's website.

## 2.3 Legal framework

### 2.3.1 The Anti-Money Laundering Act

This guidance is based on Consolidation Act no. 316 of 11 March 2022 on Measures to Prevent Money Laundering and Financing of Terrorism (The Anti-Money Laundering Act) with subsequent amendments.

The Act is an implementation of the 4th and 5th Anti-Money Laundering Directives. The Act also implements parts of the international standards from the Financial Action Task Force (FATF) from 2012 as amended.

### 2.3.2 Executive orders

In accordance with the AML Act, the following executive orders have been issued among other things:

1. Executive Order no. 727 of 9 June 2017 on partial exemption of certain games from the AML Act. See section 2.6 on partial exemption of certain games.
2. Executive Order no. 657 of 26 May 2023 on submission of notifications etc. to the Danish Financial Intelligence Unit. For more information, see section 9 on submissions.
3. Executive Order no. 658 of 30 May 2023 on reporting and publication of information on domestic politically exposed persons. For more information, see section 6.5.3 on politically exposed persons (PEPs).
4. Executive Order no. 431 of 11 April 2023 on transactions covered by the fast-track scheme for reports on money laundering.

## 2.4 National and supranational risk assessments

Both national and supranational risk assessments, guides etc. are published. The gambling operator must include these in the risk assessment that must be carried out based on the gambling operator's business model.

### 2.4.1 National risk assessments

The Danish Financial Intelligence Unit publishes a national risk assessment in relation to money laundering. The assessment deals with and identifies particularly risky areas in all obligated sectors. The latest risk assessment is available as a link on the Danish Gambling Authority's website under the menu "Prevention of money laundering".

Similarly, the Danish Security and Intelligence Service prepares a national risk assessment in relation to financing of terrorism. The most recent risk assessment is also available via a link on the Danish Gambling Authority's website under the menu "Prevention of money laundering".

### 2.4.2 Supranational risk assessments

The EU Commission publishes a supranational risk assessment. The risk assessment identifies, analyses, and evaluates money laundering and financing of terrorism risks that affect the Single European Market and relates to cross-border activities at a pan-Union level. The risk assessment contains the key risks to the Single European Market in a wide range of sectors and the horizontal vulnerabilities that may affect such sectors. Against this background, the document provides an indication of the mitigating measures to be followed at EU and national level to address these risks and to make a number of recommendations to the various obliged entities and authorities. The latest supranational risk assessment is available as a link on the Danish Gambling Authority's website under the section on "Prevention of money laundering".

Read more about inclusion of national and supranational risk assessments in section 3 on risk assessment.

## 2.5 Games covered by the AML Act

Section 1(1) no. 19 of the AML Act states that gambling operators are covered by the law when the provision of gambling is commercial. This means that all games provided pursuant to the Act on Gambling are covered.

The prerequisite that the game must be offered commercially means that e.g., poker offered in accordance with the Act on Poker is not covered by the AML Act.

It is also required that the operator is established in Denmark to be covered by the law. Gambling operators with a Danish licence are considered established in Denmark and are thus subject to the AML Act<sup>2</sup>.

The following licence types according to the Danish Act on Gambling (games offered in Denmark) are covered by the AML Act:

- Betting, both land-based and online, cf. section 11
- Land-based casinos, cf. section 14
- Online casinos, cf. section 18
- Online casino, cf. section 42(4) cf. section 18 (revenue-restricted licence)
- Betting, cf. section 42(4) cf. section 11 (revenue-restricted licence).

Likewise, persons and companies established in this country are covered, if they provide games corresponding to the games covered by the Danish Act on Gambling sections 11, 14 18 and 42(4), but where the offer is not aimed at Denmark.

## 2.6 Partial exemption of certain games

Section 1(7) of the AML Act contains an option for the Minister for Taxation to exempt games from the AML Act either wholly or in part if the game is deemed to pose a limited risk of being misused for money laundering or financing of terrorism. However, the option cannot be used to exempt casino from the AML Act.

The legal basis<sup>3</sup> is used to partially exempt the following games in the Danish Act on Gambling:

- Lotteries provided pursuant to section 6.
- Class lotteries provided pursuant to section 8.
- Charity lotteries provided pursuant to section 10.
- Local pool betting provided pursuant to section 13.
- Gaming machines provided pursuant to section 19.
- Manager games provided pursuant to sections 11 and 42(4) and (5).
- Games provided pursuant to sections 9-15 in the Executive Order on public amusements.
- Contests where participation takes place by sending an SMS or similar.
- Online bingo provided via television.

The games above exempted from the AML Act are thereby not subject to several of the AML Act's obligations. However, gambling operators are subject to the disclosure obligation pursuant to section 26(1), (3) subsections 1 and 3, (4), (5), (6), section 36(2), (3), and (4), and sections 37 and 38(1) and (2).

Although most of the requirements in the AML Act for customer due diligence procedures and the obligations to investigate and register do not apply to the provision of these games, gambling operators are still obligated to notify the Danish Financial Intelligence Unit if they, in connection with their provision of gambling, acquire information of or suspect money laundering or financing of terrorism is taking place.

It means that the Danish Gambling Authority can also supervise the gambling operators' compliance with the obligations to which they are subject in accordance with the Act.

<sup>2</sup> This appears from the FT 2016-17 L41 Report on the proposal for the Act on preventive measures against money laundering and financing of terrorism (The Anti-Money Laundering Act) issued by the Business, Growth and Export Committee on 30 May 2017, pages 9-10.

<sup>3</sup> See the Executive Order no. 727 of 9 June 2017 on partial exemption of certain games from the AML Act.

## Section 1(7) of the AML Act

Read more about the Danish Gambling Authority as supervisory authority in the guidance on the Danish Gambling Authority's AML supervision.

Please see section 9 for more information of the gambling operators' obligation to report.

# Risk assessment

3

### 3.1 Introduction

The gambling operator must identify and assess the risk that the gambling operator's business may be misused for money laundering and financing of terrorism. The gambling operator's risk assessment must be based on the gambling operator's specific business model. It appears from section 7(1) of the AML Act.

The purpose of the risk assessment is to provide the gambling operator with a useful tool that gives the gambling operator an overview and an understanding of where and to what extent the gambling operator is exposed to being misused for money laundering or financing of terrorism and what measures are necessary to limit the risks.

It should be noted that the gambling operator's risk assessment is a prerequisite for the gambling operator's policies, business procedures and controls, as mentioned in chapter 4, to be considered adequate.

The Danish FSA's anti-money laundering guidelines include a model that illustrates the process from the identification of the gambling operator's inherent risk to the identification of the risk that remains once the gambling operator has developed policies, business procedures and controls<sup>4</sup>. The risk that remains is referred to as the residual risk.

The residual risk is the risk that remains in the gambling operator's business after the gambling operator has implemented mitigating measures to limit the inherent risk of the business being misused for money laundering and financing of terrorism. The residual risk is thus the risk that the gambling operator runs of being misused for money laundering and financing of terrorism.

Therefore, a high inherent risk in the gambling operator's business does not necessarily mean that the company's actual risk is high if the gambling operator has effectively implemented mitigating measures that ultimately result in the gambling operator's residual risk being low.

Below is a similar model to illustrate this in this guidance as well.



<sup>4</sup> The FSA's guidance on the Act on preventive measures against money laundering and financing of terrorism (the AML Act), page 25.

## Section 7 of the AML Act

As the model above illustrates, the gambling operator must first and foremost know its business model in order to identify and assess the inherent risk of being misused for money laundering and financing of terrorism.

The risk may change if the gambling operator changes its business model, and there may be an increased or decreased risk as a result.

The gambling operator's policies, business procedures and controls are the company's mitigating measures, i.e., the measures the gambling operator takes to effectively prevent, reduce and manage money laundering and financing of terrorism risks. For example, the gambling operator can mitigate its inherent risk by having effective written procedures in place that describe the measures the gambling operator has taken to mitigate the risk associated with different aspects of the gambling operator's business model. For example, risks associated with the gambling operator's customer types or similar.

## 3.2 The inherent risk

When the gambling operator has to risk assess its business model, it means that the gambling operator must identify and assess the inherent risk of being misused for money laundering and financing of terrorism. This means that the assessment of the risk must be made without taking into account the mitigating measures that the gambling operator has implemented to limit the identified risks.

The gambling operator must therefore not include in its risk assessment, for example, the fact that the gambling operator implements customer due diligence procedures or has implemented other mitigating measures.

## 3.3 Identifying and assessing risk factors

The risk assessment of the gambling operator's business model consists of two sub-elements - identification and assessment of risk factors.

The gambling operator must therefore first and foremost identify all relevant risk factors associated with the gambling operator's business model. In order for the gambling operator to identify the relevant risk factors that may affect the gambling operator's risk of being misused for money laundering and financing of terrorism, it is thus a prerequisite that the gambling operator has conducted a thorough analysis of its business model and understands the vulnerabilities of gambling services in relation to money laundering and financing of terrorism.

The scope and content of the gambling operator's risk factors depend on the nature and size of the gambling operator and how the gambling operator has chosen to organise its business model.

When identifying relevant risk factors that may be associated with the gambling operator's business model, the gambling operator shall take into account the national and supranational risk assessment and other relevant sources.

It can be challenging for the gambling operator to understand which aspects of the gambling operator's specific business model may pose a risk in relation to money laundering and financing of terrorism. In this context, the national and supranational risk assessment must support the gambling operator's acquisition of knowledge about sector-specific risk factors. Similarly, other relevant sources, such as this guidance, should help the gambling operator to identify all relevant risk factors associated with the gambling operator's business.

Once the gambling operator has identified its inherent risk factors, the gambling operator must, based on a holistic approach, assess to what extent the identified risk factors cause the gambling operator to be misused for money laundering and financing of terrorism.

The gambling operator is generally free to choose how the assessment of the inherent risk factors is expressed. For example, the gambling operator can choose to weight the individual risk factors and then classify them as either low, medium or high. For example, the weighting of risk factors can be based on an assessment of probability and consequence. This means that when assessing the risk of being misused for money laundering and financing of terrorism, the gambling operator can emphasise the probability of a certain risk factor occurring and the consequences if this is the case.

It is crucial that the gambling operator has conducted the assessment in such a way that the gambling operator will subsequently be able to use the risk assessment as an operational tool to gain an understanding of where and to what extent the gambling operator is exposed to being misused for money laundering and financing of terrorism. The gambling operator can then focus its mitigating measures on the areas of greatest risk.

As mentioned, the gambling operator must assess the risk of each inherent risk factor associated with the gambling operator's business model. It is therefore not sufficient if the gambling operator only assesses the overall risk, which may be associated with several risk factors.

When the gambling operator assesses the risk separately for each individual risk factor, the gambling operator gains insight into whether the gambling operator's individual risk factors constitute a limited or increased risk of the gambling operator being misused for money laundering and financing of terrorism.

The gambling operator's risk assessment must address the risk of both money laundering and financing of terrorism. For example, one of the gambling operator's gambling products may pose a high inherent risk of money laundering but a limited risk of financing of terrorism.

### 3.4 Risk factors to be identified and assessed as a minimum

The gambling operator's risk assessment shall at a minimum include risk factors associated with the gambling operator's customers, products, services and transactions as well as delivery channels and countries or geographical areas. It appears from section 7(1)(2) of the AML Act.

This means that the gambling operator's risk assessment must not only relate to the listed areas in the provision, as the risk assessment must reflect and cover all parts of the gambling operator's business model. For example, the gambling operator must also identify and assess the inherent risk that may be associated with the company's organisation. In this connection, the gambling operator can identify and assess the risk that the gambling operator's own employees contribute to money laundering and financing of terrorism. It can also be risks associated with, for example, the use of third-party assistance or outsourcing.

The extent of the risk assessment depends on the gambling operator's specific business model. If the gambling operator has a comprehensive business model, for example, because the gambling operator offers a wide range of different gambling products both online and land-based, this will place greater demands on the content and scope of the risk assessment. In these cases, the gambling operator's business model will include several risk factors that the gambling operator must address in relation to money laundering and financing of terrorism. Conversely, a gambling operator with a compressed and limited business model will be exposed to fewer risks. The gambling operator, regardless of size and scope, is obliged to conduct a thorough analysis of how the specific business model can be misused for money laundering and financing of terrorism.

### 3.4.1 Customers

Risk factors associated with the gambling operator's customers is an analysis of the types of customers the gambling operator has or is otherwise exposed to. For example, the gambling operator may have customers who come from a country on the European Commission's list of high-risk third countries or who are politically exposed persons (PEPs). Read more about customers from high-risk third countries and PEPs in sections 6.5.2 and 6.5.3.

It is the gambling operator's specific business model that dictates which customer types the gambling operator must risk assess. If the gambling operator has structured its business model in such a way that the gambling operator only accepts customers who have an address registered in Denmark and a Danish civil registration number, the gambling operator is not obliged to identify and assess the risk associated with foreign customers. However, the gambling operator must be aware that even if the gambling operator only allows customers from Denmark, there is still a risk that foreign customers will try to circumvent the gambling operator's restrictive measures. This could be through the use of fake documents or VPNs.

In accordance with the Danish gambling legislation, the gambling operator is only allowed to have customers who are natural persons. Thus, the gambling operator's risk assessment of their customer types cannot include businesses and beneficial owners.

Once the gambling operator has identified all its relevant customer types, the gambling operator must assess the risk of the individual customer groups misusing the company for money laundering and financing of terrorism.

The risk assessment of the gambling operator's customers according to section 7(1) of the AML Act does not mean that the gambling operator must carry out an assessment of the gambling operator's individual customers. According to section 7(1) of the AML Act, it is only an assessment of the extent to which the gambling operator's general customer types affect the gambling operator's inherent risk of being misused for money laundering and financing of terrorism. The risk assessment of the individual customer is part of the assessment that the gambling operator must make according to section 11 of the AML Act, which you can read more about in section 6.3.

When the gambling operator must identify which types of customers the gambling operator has and subsequently assess the risk in relation to money laundering and financing of terrorism, the gambling operator may include general information and experience from the specific customers. By looking at the gambling operator's specific customers, the gambling operator can get an overview of the types of customers the company has and whether the general behaviour of the customers has an impact on a specific customer group's influence on the gambling operator's inherent risk of being misused for money laundering and financing of terrorism.

### 3.4.2 Products and services

The gambling operator must identify and assess risk factors associated with the gambling operator's products and services. Gambling products where, for example, large stakes can be made or where the speed of the gambling product's execution is high may be factors that can be included in the gambling operator's assessment.

The gambling operator can also look at whether the gambling product is based on chance alone, or whether the gambling product has an element of skill that can affect the Return-To-Player (RTP) of the gambling product. The RTP of the gambling product can be a factor that the gambling operator can include in their risk assessment.

The gambling operator can also look at whether the gambling product allows customers to play against each other and whether customers can also play against foreign customers. These gambling products are often called peer-to-peer products (P2P products) and can be a risk factor for the gambling operator to consider.

When the gambling operator has assessed its individual risk factors associated with a specific gambling product, the gambling operator must, based on the assessment of the individual risk factors, also assess the risk of the product itself.

**Example**

A gambling operator offers P2P poker to its customers. The gambling operator must first identify all the risk factors associated with P2P poker. The gambling operator identifies that P2P poker poses a risk in relation to money laundering and financing of terrorism, as the product enables, among other things, the transfer of funds between customers. The fact that P2P poker involves the transfer of funds is a risk factor associated with P2P poker, and the gambling operator must assess the risk. Another risk factor could be that the customer can use P2P poker to play against customers from other jurisdictions. The gambling operator must then assess the different risk factors individually. Based on the gambling operator's identification and assessment of the various risk factors associated with P2P poker, the gambling operator must then also make an overall assessment of the risk of P2P poker as a product.

The gambling operator must identify and assess risk factors for all its gambling products. If the gambling operator offers several different variants of a gambling product, e.g., roulette, these must be risk assessed individually if the gambling variant differs significantly from the gambling operator's other gambling products. The gambling operator's different types of a certain product differ significantly if, for example, the variant is offered live with the use of the gambling operator's staff, the variant allows for significantly larger deposits, or if the speed of the game's execution differs significantly from the gambling operator's other types of the product. If the gambling operator's different types of the same product differ only for cosmetic reasons, the gambling operator does not need to conduct a separate risk assessment.

### 3.4.3 Transactions

Risk assessment of the gambling operator's transactions means that the gambling operator must, among other things, identify and assess risk factors associated with the gambling operator's used payment solutions. This means that the gambling operator must get an overview of which payment solutions customers can use when gambling with the gambling operator's company.

When the gambling operator must identify and assess risk factors associated with its individual payment solutions, the gambling operator can, for example, include the factor that the means of payment is suitable for concealing where the funds originate from and the extent to which the payment solution can be misused by another person. For example, if the gambling operator allows the customer to make deposits and withdrawals to and from the gambling account using a debit card issued by a financial institution, the gambling operators can identify and assess the risk of the customer possibly using a debit card that has been stolen.

The gambling operator can also look at whether the payment solution allows for fast and large transactions.

When the gambling operator has assessed its individual risk factors associated with a specific payment solution, the gambling operator must, based on the assessment of the individual risk factors, also assess the risk of the payment solution itself.

The gambling operator must generally assess the risk of each payment solution used by the gambling operator. If the gambling operator uses several different e-wallets or types of debit cards, all of which have the same general characteristics and do not differ significantly from

each other, the gambling operator does not need to assess the risk of each variant of the payment solution separately. In this case, it is sufficient if the gambling operator assesses the overall risk associated with the type of payment solution.

#### **3.4.4 Delivery channels**

The gambling operator shall identify and assess risk factors associated with the gambling operator's delivery channels. This means that the gambling operator must carry out a risk assessment of the way in which the gambling operator chooses to make its gambling products available to its customers and the way in which the gambling operator otherwise has contact with the customer.

This could be, for example, that the gambling operator makes its gambling products available online or that the gambling operator sells its gambling products physically via a land-based casino. It may also be that the gambling operator sells its gambling products physically through external and internal retailers or that the gambling operator's products are linked to or facilitated via a gambling account or a self-payment terminal.

Regardless of the gambling operator's business model, the gambling operator must risk assess the extent to which the gambling operator's delivery channels have an impact on the gambling operator's business being misused for money laundering and financing of terrorism.

#### **3.4.5 Countries and geographies**

The gambling operator shall identify and assess risk factors associated with countries and geographical areas. The geographical risks must, among other things, be seen in the context of the gambling operator's customers, as the customer type's association with a specific geographical location can influence the customer type's inherent risk. The gambling operator must therefore make an assessment of the risk that different countries pose in relation to money laundering and financing of terrorism.

For the assessment, the gambling operator can, for example, consider whether the country has strategic deficiencies in relation to the prevention of money laundering and financing of terrorism. In this context, it may be relevant to consider whether the country is on the European Commission's list of high-risk third countries or on the FATF's grey and black lists.

### **3.5 Documentation and use of relevant sources**

The gambling operator's risk assessment must be documented. It appears from section 7(1)(3) of the AML Act.

The documentation requirement means that the gambling operator's risk assessment must be objectively substantiated by using relevant sources and data, and that it must not be based on assumptions. The relevant sources must document and support how the gambling operator has determined that the company has a certain inherent risk of being misused for money laundering and financing of terrorism.

It is a requirement that the risk assessment must at least be based on the national and supranational risk assessment. It is therefore important that the gambling operator has in-depth knowledge of these. Read more about this in sections 2.3.1 and 2.3.2. The national and supranational risk assessment should also help the gambling operator to gain an understanding of which risk factors may be present in the gambling operator's business. By using both the national and supranational risk assessment, it will therefore also be easier for the gambling

operator to identify which risk factors may be associated with the gambling operator's business model.

The gambling operator's risk assessment may also be based on other forms of documentation in this area, including, for example, relevant reports and typologies issued by the FATF or the European Commission.

In addition, the gambling operator's own experience and collected data can be used as documentation for the risk assessment.

For example, when the gambling operator must identify and assess risk factors for a specific gambling product, the gambling operator must be able to document why the gambling operator has identified different risk factors for the specific product and why the gambling operator has assigned a certain weighting to the individual risk factors. For example, the gambling operator can refer to the fact that the latest national money laundering risk assessment states that fixed odds betting poses a risk in relation to money laundering, as the customer can bet on low odds. The gambling operator can then document the assessment of the risk of gambling at low odds by, for example, including information on how many of the gambling operator's customers place bets on low odds and whether the customers have reported to the FIU. In this way, the gambling operator can document the impact that low odds gambling has on the company's inherent risk of being misused for money laundering and financing of terrorism. In some situations, it may not be possible for the gambling operator to document the inherent risk of several aspects of their business model. For example if the gambling operator launches a new gambling product or uses a new technology with which they have no previous experience and no relevant sources are available to support the risk assessment.

The following are examples of relevant sources that can be included in the risk assessment:

- FATF's Vulnerabilities of Casinos and Gaming Sector - Report on the casino sector specifying risk factors in the casino sector.
- Risk-Based Approach Guidance for prepaid cards, mobile payments and Internet-based payment services - Report on risks associated with prepaid cards, mobile payments and Internet-based payment methods.

There are links to the above reports on the Danish Gambling Authority's website under the section "Prevention of money laundering".

### 3.6 Risk assessment audit

The gambling operator must regularly update its risk assessment. It appears from section 7(1)(3) of the AML Act.

To ensure that the risk assessment always reflects the gambling operator's current risk profile, the risk assessment must generally be revised at least once a year or in connection with significant changes in the gambling operator's business model or changes in legislation.

The gambling operator must also re-visit its risk assessment if there are changes in new national and supranational risk assessments that may affect the gambling operator's inherent risk.

#### **A change can be:**

- Introduction of a new gambling product or payment solution
- Introduction of new delivery channels, e.g., the gambling operator chooses to use external retailers to sell its products.
- Amendment of the AML Act

- New national risk assessment or thematic reports from the Danish Financial Intelligence Unit indicating a change in the risk for e.g., a specific gambling product or customer type.

## 3.7 Risk factors

As mentioned, the gambling operator is obliged to identify and assess all relevant risk factors associated with the gambling operator's business model.

Listed below are a number of examples of risk factors that may be inherent in the different types of gambling offerings, including online gambling, land-based casino and land-based betting. It should be noted that as the risk factors may differ for each area, the sections are divided according to type of offer: online gambling (casino and betting), land-based betting and land-based casino.

The gambling operator must always take its own specific business model as a starting point when identifying and assessing the risk of the gambling operator being misused for money laundering and financing of terrorism. The list should therefore not be seen as a checklist of which mandatory risk factors the gambling operator must always include, as the business model can vary from company to company.

### 3.7.1 Online gambling

#### 3.7.1.1 Identification of risk factors

Below are examples of some of the risk factors that may be present in online gambling.

##### The business's types of customers

- Politically Exposed Persons (PEPs), family members of PEPs or close associates of PEPs, both domestic and foreign.
- Customers from countries on the European Commission's list of high-risk third countries.
- Customers from countries on the FATF black and gray lists.
- Customers who have not had their identity verified.

##### Customer behaviour

- The customer is reluctant to provide information.
- The customer bets on low odds bets.
- The customer bets on all outcomes of an event (hedging).
- Several different customers simultaneously place multiple deposits on all out-comes of a particular event.
- The customer often uses Cash-Out.

##### Gambling products

- The gambling operator's product portfolio, e.g., fixed odds betting and gaming machines.
- The gambling product is offered live with the use of the gambling operator's staff, e.g., live roulette.
- The speed with which the gambling product is executed.
- The RTP of the gambling product.

- The gambling product allows customers to play against each other (P2P products e.g., offering betting exchange and poker).
- The stake limit of the gambling product.
- The gambling product allows for Cash-Out.

#### **Delivery channels**

- Online provision via web domain.
- Online provision via app.
- Offering gambling products using multiple web domains.
- No physical contact with the customer when creating the account.
- No physical contact with the customer for deposits and withdrawals to the account.
- No physical contact with the customer when depositing on gambling products.

#### **Transactions**

- Change in the customer's usual consumption pattern.
- Deposits and withdraws of large amounts to and from the customer's account.
- Depositing and withdrawing a series of consecutive small amounts that together make up large transactions (structuring).
- Deposits and withdrawals to and from the account without significant gambling activity.
- Creating multiple accounts within a short period of time and from the same IP address.
- Creating multiple temporary accounts.
- Storing large amounts of money in the account without gambling activity.

#### **Payment solutions**

- The gambling operator's various payment solutions, e.g., debit cards, e-wallets and prepaid cards.
- Payment solutions that are less traceable.
- Payment solutions that are likely to obscure the origin of funds.
- Payment solutions that can be misused.
- Payment solutions that can be funded with cash.
- Payment solutions that allow you to make quick and large deposits and withdrawals to and from your account.
- Multiple debit cards linked to the same account.
- Use of multiple debit cards for deposits and withdrawals to and from the account.
- Frequent shifts in the use of payment solutions.

#### **Geographical risks**

- Unusual IP address change when logging in to the account.
- Login via IP address associated with countries that pose an increased risk.

#### **Other relevant risk factors**

- The gambling operator's employees are complicit in money laundering.
- The gambling operator's employees knowingly do not follow the gambling operator's business procedures.
- The gambling operator's employees are not sufficiently trained in the requirements of the AML Act.

The gambling operator's betting products are misused for money laundering linked to match-fixing.

Below is an elaboration of some of the above risk factors.

Please note that some of the listed risk factors are considered together.

#### 3.7.1.2 Politically exposed persons, family members and close associates

Politically Exposed Persons (PEPs) are individuals who hold a special public position of trust. Due to the PEP's special position and influence in society, there is a risk that their office could be misused for laundering criminal proceeds. There is also an increased risk that the PEP's funds originate from either corruption or bribery, which through gambling can appear as legal gambling winnings.

The PEP category includes several different customer types, each of which may pose a separate inherent risk of money laundering and financing of terrorism. Foreign PEPs from countries that, for example, have a high level of corruption or strategic deficiencies in relation to AML/CFT will often pose a higher inherent risk compared to a domestic PEP, where the company's business model will be less exposed to money laundering and financing of terrorism.

For further information and definition of PEP, family members and close associates, see section 6.5.3.

#### 3.7.1.3 Customers who have not had their identity verified

If the gambling operator has structured its business model in such a way that there is a possibility that the customer's identity information is only verified up to 30 days after the creation of a gambling account, this customer type poses a risk. Customers who have not had their identity verified pose a risk, as the gambling operator does not have physical contact with the customer and therefore cannot be sure that the customer is who they claim to be.

However, it should be added that a customer who has not been verified can deposit a maximum of DKK 10,000 to their temporary gambling account and that the customer cannot withdraw funds. However, it is important that the gambling operator is aware that the customer can transfer their funds in other ways, for example by losing deposits to other customers through gambling products where customers can play against each other (peer-to-peer products).

#### 3.7.1.4 The customer is reluctant to provide information

It is a basic requirement of the AML Act that the gambling operator must have knowledge of its customers. The gambling operator will often be obliged to obtain relevant information from the customer themselves, among other things. This can happen, for example, if the gambling operator requests the customer to submit documentation on how the customer finances their gambling consumption, or if the gambling operator needs to verify the identity of a customer who poses an increased risk.

If the gambling operator finds that the customer in the examples mentioned is reluctant to provide the requested information, or if the customer ignores the request altogether, there is a risk that the customer's intention is to misuse the gambling operator's business for money laundering. The customer's refusal or reluctant behaviour in connection with the gambling operator's customer due diligence procedures or investigations may indicate that the customer is trying to conceal their true identity and that the customer's funds are, for example, criminal proceeds.

Similarly, if the customer takes some time to provide the requested information or documentation, it may indicate that the customer is using the request deadline to obtain or fabricate the required information.

#### 3.7.1.5 Change in the customer's usual consumption pattern

When the gambling operator's customers have had a gambling account with the gambling operator for a long period of time, the gambling operator may have gained a good knowledge of the customer's usual consumption pattern. If the gambling operator at some point notices changes in the customer's usual spending pattern, there is a risk that the customer has started using their gambling account for money laundering. There is also a risk that someone other than the identified customer has started depositing and withdrawing funds to and from the gambling account.

Changes in the customer's usual consumption pattern may, for example, be that the customer starts making payments to the gambling account using a payment solution that the customer has not previously used. The changes can also take the form of the customer starting to make use of new gambling products or if the customer starts making significantly larger deposits to the gambling account.

#### 3.7.1.6 Risk factors associated with customer gambling behaviour

For example, if the gambling operator offers fixed odds betting, the customer often has the opportunity to make deposits on low odds bets. When betting on low odds, there is a relatively high probability that the customer will receive winnings for their deposit. By playing through the funds, the customer may be able to bypass the gambling operator's alerts in relation to deposits and withdrawals of funds to and from the gambling account without gambling activity. By playing through funds in the gambling account via gambling products with a high RTP, the customer has thus attempted to eliminate the risk of loss.

The same applies if, for example, the customer often uses Cash-Out or if the customer places stakes on all outcomes of an event. Similarly, the specific gambling behaviour poses a risk that the customer misuses the gambling operator's gambling products with high RTPs to play through criminal proceeds without risking excessive losses. Once the customer's funds have been played through, it will be easier for the customer to make withdrawals to their bank account without the gambling operator suspecting money laundering. The payouts of the customer's funds from the gambling operator will subsequently appear as gambling winnings to the financial institution.

Gambling operators must be aware that the assessment of the risk factors related to the customer's gambling behaviour can be affected or influenced by other risk factors connected to the gambling operator's business model. The gambling operator's assessment of the inherent risk, for example related to gambling on low odds, may look different if the risk factor is considered in a context where the customer places large stakes on a bet or if the customer often gambles on low odds.

#### 3.7.1.7 Deposit and withdrawal of large amounts to and from the customer's gambling account

There is a risk that customers who make significant deposits and withdrawals to and from their gambling account will not be able to demonstrate to the gambling operator where their funds come from.

If the customer cannot prove that the funds originate from legal economic activities, there is a risk that the customer's funds instead originate from a criminal offense and that the customer is therefore trying to misuse the gambling operator's business for money laundering. It is up to the gambling operator to assess when the customer's deposits and withdrawals are so significant that there is a risk that the customer cannot document the origin of the funds.

It is crucial that the gambling operator is aware that deposits and withdrawals of large amounts to and from the customer's gambling account can have an impact on the gambling operator's inherent risk of being misused for money laundering.

#### 3.7.1.8 Gambling products where customers can play against each other (peer-to-peer products)

P2P products are characterised by the gambling provider's customers being able to play against each other. The offering is often done by the gambling operator facilitating or providing an online networking platform for customers to interact with each other. P2P products can be, for example, online poker, which often takes place on a few large networks that the gambling operator buys access to, but it can also be betting exchanges where customers can buy and sell bets to each other. The gambling operator must be aware if the network platform allows the customer to interact with customers from other jurisdictions that do not necessarily access the platform through the gambling operator's Danish licence. The global network platform is associated with a number of other risks that the gambling operator must also consider, as it may enable transfers to customers abroad who, for example, are based in high-risk jurisdictions or who are subject to financial sanctions.

The fact that one customer has the opportunity to lose stakes to another customer by playing against each other means that there can be a transfer of funds between customers (often referred to as "chip dumping"). Transferring funds to another customer helps disguise the fact that the customer's funds originally came from a criminal offense.

##### Example

Customer A plays online poker with customer B. Customer A is located in Denmark and customer B is located abroad. Customer A and Customer B know each other privately and have agreed to play online poker via a global network platform. The purpose of the game is for Customer A to transfer an amount of money to Customer B. They therefore agree that customer A should let himself lose in the poker game, whereby customer B wins the pot. The money appears as winnings from gambling. In this way, money is transferred from customer A in Denmark to customer B abroad.

Since P2P products enable transfers between customers, the gambling operator must also consider the risk of chip dumping in relation to financing of terrorism.

#### 3.7.1.9 Payment solutions that can be funded with cash

When identifying and assessing the risk associated with its chosen payment solutions, the gambling operator must clarify whether the payment solution allows for the customer's funds to be initially financed with cash.

Although the gambling operator is not allowed by gambling legislation to accept cash deposits into the gambling account, certain permitted payment solutions can act as a surrogate for cash deposits. This is the case, for example, with prepaid cards, e-wallets and cash vouchers, the value of which may have originally been funded with cash.

Cash, in isolation, poses a significant risk as it leaves no digital footprint. The use of cash allows the customer to make anonymous payments. The fact that cash is an anonymous payment solution increases the risk that the funds originate from criminal activity. This can be the case, for example, when paying for undeclared work in cash or the proceeds of drug sales in cash.

#### 3.7.1.10 The gambling operator's betting products are misused for money laundering linked to match-fixing

In their latest risk assessment of money laundering from 2022, the Financial Intelligence Unit said that money laundering through gambling can also be connected to match-fixing. Match-

fixing increases the chances of a sure win since the result of the sports event is fixed before the event takes place with one or more of the participants of the sports event.

### 3.7.2 Land-based casino

#### 3.7.2.1 Identification of risk factors

Below are some of the risk factors that may be present when offering land-based casinos.

##### The business's types of customers

- Customers who are expected to have a lasting relationship with the casino (business associates).
- Occasional customers (one-off transactions).
- Politically Exposed Persons (PEP), family members of PEP or close associates of PEP, both domestic and foreign.
- Customers from countries on the European Commission's list of high-risk third countries.
- Customers from countries on the FATF black and grey lists.
- Customers subject to financial sanctions

##### Customer behaviour

- The customer is reluctant to provide information.
- The customer requests the issuance of a winnings receipt.
- The customer uses false documents in connection with the casino's implementation of customer due diligence procedures.
- The customer passes on cash after redemption of game tokens or TITO to third parties.

##### Gambling products

- The gambling operator's product portfolio, e.g., roulette, poker and gaming machines.
- The gambling product is offered with the use of casino staff.
- The speed with which the gambling product is executed.
- The RTP of the gambling product.
- The stake limit of the gambling product.
- The gambling product allows customers to play against other customers, e.g., poker.

##### Delivery channels

- The customer uses the casino's products when physically present.
- The size of the casino premises.

##### Transactions

- Purchase and redeem game tokens and TITO for large amounts.
- Purchase and redeem game tokens and TITO with little or no game activity.
- Change in the customer's usual consumption pattern.
- More purchases and/or redemptions of game tokens or TITO for small amounts that add up to large amounts (also known as structuring).

**Means of payment**

- The gambling operator's different payment solutions, e.g., cash, debit cards and bank transfers.
- Payment solutions that are less traceable.
- Payment solutions that are likely to obscure the origin of funds.
- Payment solutions that can be misused.
- Using multiple payment cards to purchase game tokens or TITO.

**Geographical risks**

- The location of the casino.
- Registration of customers who are based abroad.

**Other relevant risk factors**

- Casino employees engage in or facilitate money laundering at the casino.
- Casino employees knowingly do not follow the casino's business procedures.
- The casino's employees are not sufficiently trained in the requirements of the AML Act.
- Frequent turnover of casino staff.
- Storing large amounts of money in the casino's deposit boxes.
- Issuing of winnings receipts.
- Manual monitoring of customer transactions by casino staff.
- Type and effectiveness of existing monitoring mechanisms.

Below is an elaboration of some of the above risk factors.

Please note that some of the listed risk factors are considered together.

### 3.7.2.2 Occasional customers

Occasional customers, also known as one-off transactions, are characterised by the fact that the customer does not have a fixed and lasting relationship with the casino, as the customer only visits the casino on occasion. This may be the case, for example, for tourists or other customers who only visit the casino a few times and who are not a regular returning customer of the casino. Read more about one-off transactions in section 6.2.

The fact that these are occasional customers means that the casino does not have in-depth knowledge of the customer. The occasional customer has probably never visited the casino before, which means that the casino, for example, does not know the customer's usual spending pattern and therefore cannot assess whether the customer's behaviour deviates from normal. For example, if an occasional customer buys game tokens for DKK 20,000, it can be challenging for the casino to assess whether the size of the transaction gives rise to suspicions of money laundering, as the casino has no knowledge of the customer's finances.

### 3.7.2.3 Politically exposed persons, family members and close associates

Politically Exposed Persons (PEPs) are individuals who hold a special public position of trust. Due to the PEP's special position and influence in society, there is a risk that their office could be misused for laundering criminal proceeds. There is also an increased risk that the PEP's funds originate from either corruption or bribery, which through gambling can appear as legal gambling winnings.

The PEP category includes several different customer types, each of which may pose a separate inherent risk of money laundering and financing of terrorism. Foreign PEPs from countries that, for example, have a high level of corruption or strategic deficiencies in relation to

AML/CFT will often pose a higher inherent risk compared to a domestic PEP, where the company's business model will be less exposed to money laundering and financing of terrorism.

For further information and definition of PEP, family members and close associates, see section 6.5.3.

#### 3.7.2.4 The customer is reluctant to provide information

It is a basic requirement of the AML Act that the casino must have knowledge of its customers. The gambling operator will often be obliged to obtain relevant information from the customer themselves, among other things. This can happen, for example, if the casino asks the customer for documentation of how the customer finances their gambling spend or if the casino needs to verify a customer's identity information. If the casino finds that the customer in the examples mentioned is reluctant to provide the requested information or if the customer ignores the request altogether, there is a risk that the customer's intention is to misuse the gambling operator's business for money laundering. The customer's refusal or reluctant behaviour in connection with the casino's customer due diligence procedures or investigations may indicate that the customer is trying to conceal their true identity and that the customer's funds are, for example, criminal proceeds.

#### 3.7.2.5 The gambling product allows for customers to play against each other

If customers play against each other in for example poker instead of against the casino, they may have pre-arranged for one customer to deliberately lose to another customer in order to make criminal proceeds appear as legal gambling winnings.

The fact that when playing against another customer, a customer has the possibility of losing their deposit to another customer means that there can be a transfer of funds between customers (chip dumping). Transferring funds to another customer helps disguise the fact that the customer's funds originally came from a criminal offense.

#### 3.7.2.6 Purchase and redeem of game tokens and TITO for large amounts

There is a risk that customers who purchase and redeem game tokens and TITO for significant amounts of money may not be able to prove to the casino from where the customer's funds originate.

If the customer cannot prove that the funds originate from legitimate financial activities, there is a risk that the customer's funds instead originate from a criminal offense and that the customer is therefore trying to misuse the casino for money laundering. It is up to the casino to assess when the customer's purchase and redemption of game tokens or TITO is so significant that there is a risk that the customer cannot prove the origin of the funds.

Crucially, the casino must be aware that purchasing and redeeming game tokens and TITO for large amounts can have an impact on the casino's inherent risk of being misused for money laundering.

Ticket-in, ticket-out (TITO) is a voucher-based system, which the customer must use for gambling on some of the casino's products, for example gaming machines. The TITO voucher can be purchased in either a TITO machine or at the casino's cash register. When the customer wants to gamble at a gaming machine at the casino, the customer must insert the voucher in the gaming machine to transfer the value of the voucher to the machine as credit. When the customer is finished gambling, the remaining credit on the gaming machine is transferred to a new voucher, which can be paid out.

#### 3.7.2.7 Purchases and redemptions without significant gambling activity

If a customer arrives at the casino with cash that is exchanged for game tokens and then leaves the casino without having actually played much, it may mean that redeeming these

game tokens for cash will make the cash appear as gambling winnings, despite the fact that it may be illegal funds.

This is also the case where the purchase of game tokens or TITO happens by the use of a debit card and where the casino does not print a winnings receipt, when the game tokens or TITO-voucher later are redeemed for cash. The criminal can misuse a stolen debit card to purchase game tokens and by subsequently converting the game tokens to cash for the purpose of concealing or disguising the origin of the criminal proceeds.

#### 3.7.2.8 Change in the customer's usual consumption pattern

If the customer relationship between the casino and the casino's customers can be expected to have a certain duration, the casino's customers are characterised as business relations. This may be the case, for example, if the customer has purchased an annual pass from the casino or if the customer regularly visits the casino. Read more about business relationships at land-based casinos in section 6.4.1.3.

When a customer has had a lasting and close relationship with the casino over a long period of time, the casino has had the opportunity to get a good knowledge of the customer's usual spending pattern. If the casino at some point notices a change in the customer's usual spending pattern, there is a risk that the customer may misuse the casino for money laundering.

Changes in the customer's usual consumption pattern may, for example, be that the customer starts buying game tokens using a payment solution that the customer has not used before. The changes can also take the form of the customer starting to make use of new gambling products or if the customer starts to purchase game tokens or TITO for significantly larger amounts than usual.

#### Examples

Customer A has always purchased game tokens using his debit card issued by Bank Y. However, the casino has now noticed that customer A has started using cash to finance the game tokens.

Customer A is a regular visitor to the casino and has so far only ever used the gaming machines. However, over the past month, the casino has noticed that Customer A has now started participating in weekly poker tournaments at the casino.

Customer A is a regular visitor to the casino and usually spends around DKK 1,000 in an evening. However, over the past two months, the casino has noticed that customer A has started exchanging DKK 10,000 for game tokens in a single evening a couple of times a month.

#### 3.7.2.9 More purchases and/or redemptions of game tokens or TITO for small amounts

The risk factor covers the situation where a customer makes several purchases and/or redeems game tokens and/or TITO for small amounts which that add up to large amounts (structuring). When a customer, for example, splits a large amount of cash by making several small purchases of game tokens, it contributes to making the individual transactions less suspicious. By splitting a large amount into smaller transactions, the risk is that the criminal succeeds in avoiding the casino's threshold values for when the casino must instigate an investigation.

#### 3.7.2.10 Manual monitoring of transactions

The casino is obliged to monitor and record all transactions that a business associate makes at the casino. Read more about the monitoring obligation in section 6.3.4

If the casino has chosen to have its own staff manually monitor customer transactions and activities, this may involve a number of risks that the casino needs to identify and assess. The manual transaction monitoring can, among other things, mean that there is a risk that not all transactions are registered, as the casino often has many customers at the same time who make many quick transactions. The risk of manual transaction monitoring not being effective

enough increases if staff are also working on other tasks at the same time. This may be the case, for example, if the same employee is responsible for both the transaction monitoring and the execution of the casino's gambling products at the same time.

### 3.7.3 Land-based betting

#### 3.7.3.1 Identification of risk factors

Listed below are some of the risk factors that may be present when offering land-based betting.

##### The business's types of customers

- Politically Exposed Persons (PEPs), family members of PEPs or close associates of PEPs, both domestic and foreign.
- Customers from countries on the European Commission's list of high-risk third countries.
- Customers from countries on the FATF black and grey lists.

##### Customer behaviour

- The customer is reluctant to provide information.
- The customer bets on low odds bets.
- The customer bets on all outcomes of an event (hedging).
- The customer often uses Cash-Out.
- The customer does not seem to have a high level of knowledge of the nature and content of the game.
- The customer is escorted by a third party.

##### Gambling products

- The gambling operator's product portfolio, e.g., fixed odds betting and betting on electronically simulated sporting events.
- The speed with which the gambling product is executed.
- The RTP of the gambling product.
- The deposit limit of the gambling product.
- The gambling product allows for Cash-Out.

##### Delivery channels

- Use of external retailers for the provision of bets.
- Use of means of identification (Player ID) when placing bets, prize search and payout.
- Offering bets via self-service terminals.

##### Transactions

- Staking large amounts of money on bets.
- Withdrawal of large amounts from the customer's account.
- Change in the customer's usual consumption pattern.
- Betting stakes of a series of consecutive small amounts that together form large transactions (structuring).

- Paying out a series of consecutive small amounts from the customer's gambling account, which together constitute large transactions (structuring).

**Payment solutions**

- The gambling operator's payment solutions used, e.g., cash and debit cards.
- Payment solutions that are less traceable.
- Payment solutions that can be misused.
- Payment solutions that allow you to make quick and large withdrawals from your gambling account.
- Use of multiple debit cards for betting deposits and for withdrawals of funds from the gambling account.
- Frequent shifts in the use of payment solutions.

**Geographical risks**

- The geographical location of the trader.

**Other relevant risk factors**

- The gambling operator's own employees are complicit in money laundering.
- The gambling operator's own employees deliberately do not follow the gambling operator's business procedures.
- The gambling operator's own employees are not sufficiently trained in the requirements of the AML Act.
- The gambling operator's betting products are misused for money laundering linked to match-fixing.

Below is an elaboration of some of the above risk factors.

Please note that some of the listed risk factors are considered together.

### 3.7.3.2 Politically exposed persons, family members, and close associates

Politically Exposed Persons (PEPs) are individuals who hold a special public position of trust. Due to the PEP's special position and influence in society, there is a risk that their office could be misused for laundering criminal proceeds. There is also an increased risk that the PEP's funds originate from either corruption or bribery, which through gambling can appear as legal gambling winnings.

The PEP category includes several different customer types, each of which may pose a separate inherent risk of money laundering and financing of terrorism. Foreign PEPs from countries that, for example, have a high level of corruption or strategic deficiencies in relation to AML/CFT will often pose a higher inherent risk compared to a domestic PEP, where the company's business model will be less exposed to money laundering and financing of terrorism.

For further information and definition of PEP, family members and close associates, see section 6.5.3.

### 3.7.3.3 The customer is reluctant to provide information

It is a basic requirement of the AML Act that the gambling operator must have knowledge of its customers. The gambling operator will often be obliged to obtain relevant information from the customer themselves, among other things. This can happen, for example, if the gambling operator requests the customer to submit documentation on how the customer finances their gambling consumption, or if the gambling operator needs to verify the identity of a customer who poses an increased risk.

If the gambling operator finds that the customer in the examples mentioned is reluctant to provide the requested information, or if the customer ignores the request altogether, there is a risk that the customer's intention is to misuse the gambling operator's business for money laundering. The customer's refusal or reluctant behaviour in connection with the gambling operator's customer due diligence procedures or investigations may indicate that the customer is trying to conceal their true identity and that the customer's funds are, for example, criminal proceeds.

If the customer takes some time to provide the requested information or documentation, it may also indicate that the customer is using the request deadline to obtain or fabricate the required information.

### 3.7.3.4 Risk factors associated with customer gambling behaviour

For example, if the gambling operator offers fixed odds betting, the customer often has the opportunity to make deposits on low odds bets. When betting on low odds, there is a relatively high probability that the customer will receive winnings for their deposit, which will subsequently be credited to the account. The customer then has the option to have the funds deposited in the gambling account paid out to their bank account, which will then appear as legal gambling winnings.

The same applies if, for example, the customer often uses Cash-Out or if the customer places deposits on all outcomes of an event. Similarly, the specific gambling behaviour poses a risk that the customer misuses the gambling operator's gambling products with a high RTP to have criminal proceeds credited to his gambling account without risking excessive losses, which can subsequently be transferred to the customer's financial institution.

### 3.7.3.5 Use of retailers for offering land-based betting

Land-based betting operators can sell their products at their own retailers and/or external retailers. A gambling operator's own retailers are the gambling operator's own betting shops, whereas an external retailer could be a gas station or a grocery store.

If the gambling operator sells products through its own retailers, this is not outsourcing as it is part of the gambling operator's own business.

If gambling operators sell their products at external retailers, the gambling operator must be aware of the extent to which they outsource AML obligations. For example, the extent to which they outsource the obligation to implement customer due diligence procedures.

An external retailer is not subject to the AML Act, and an external retailer will thus not be subject to liability in the event of a breach of anti-money laundering legislation. It is the gambling operator that is subject to section 1(1)(19) of the AML Act, and it is therefore the gambling operator that is the subject of liability, even if an obligation has been outsourced to an external retailer. In cases where the gambling operator uses outsourcing, the gambling operator must be aware of whether outsourcing has an impact on the gambling operator's risks.

Land-based betting operators should be aware that the presence and assessment of the risks below may depend on the gambling operator's business model, including, for example, where and how the products are sold.

The supply chain poses a number of independent risks. The risks can be assessed differently depending on whether you are dealing with your own retailers or external retailers.

Employees at retailers may have a number of other duties and responsibilities that are not related to selling gambling products and conducting customer due diligence procedures. The fact that employees have other duties and responsibilities may mean that they pay less attention to preventing and combating money laundering. This could mean, for example, that they are not aware of customers' suspicious behaviour, that they do not carry out customer due diligence procedures according to the AML Act, or that they do not pass on relevant information to the gambling operator.

In some cases, the retailer's employees are employed for shorter periods of time, so there is a risk that the lack of continuity may result in employees not gaining sufficient knowledge and experience in preventing and combating money laundering.

There is a risk that the employees at the retailers are not sufficiently trained in the requirements of the AML Act or that the retailer does not implement the latest changes in business procedures. The retailer can therefore unknowingly facilitate money laundering through gambling.

Since the retailer receives revenue from the sale of the gambling operator's land-based betting, the retailer has an economic interest in selling the gambling operator's products. The retailer's own financial interest may cause the retailer to relax, for example, the implementation of customer due diligence procedures. This risk may be increased if the retailer is geographically located close to other competitors who also sell land-based betting. The retailer may therefore have an interest in providing their customers with an easy, fast and seamless consumer experience.

In addition, there is a risk that the retailer may knowingly use the business for money laundering. This can be done, for example, by the retailer or the retailer's employees themselves laundering money through gambling and deliberately not implementing customer due diligence procedures.

With the introduction of the Player ID, gambling operators can to a greater extent create customer accounts themselves and perform customer due diligence procedures because customers must have an account with the gambling operator. The gambling operator can do this, for example via its app or website. The gambling operator can still choose to outsource some tasks to a retailer.

See section 5.2.1 on retailer training and section 7.3.6 on outsourcing to external retailers.

#### 3.7.3.6 Use of means of identification (Player ID)

It is mandatory for all customers to identify themselves with a means of identification when placing bets at a physical retailer, among other things. The means of identification can be a physical card issued by the gambling operator, or it can be a virtual card that appears in an app, for example.

Even though placing a bet is linked to a specific identified customer, there are still a number of risks associated with the customer having to use a physical or virtual means of identification. For example, the gambling operator must consider the extent to which the means of identification can be misused and then assess the impact on the gambling operator's inherent risk of being misused for money laundering and financing of terrorism. Misuse can take place by making the Player ID with the associated gambling account available to criminals either under duress, for a fee or voluntarily. Therefore, the gambling operator cannot assume with certainty that it is the registered customer who actually buys a betting product at the physical retailer or who requests the withdrawal of funds from the gambling account.

### 3.7.3.7 Self-service terminals

Gambling operators offering betting via self-service terminals must conduct a thorough risk assessment of how offering betting via self-service terminals affects the gambling operator's inherent risk of being misused for money laundering and financing of terrorism. The fact that the retailer has no direct contact with a customer when placing a bet increases the risk of money laundering attempts. The use of self-service terminals can make it challenging for the retailer to detect suspicious customer behaviour when placing a bet. Suspicious customer behaviour can be, for example, that the customer is escorted and instructed by a third party, or that the customer has little knowledge of the nature and content of the gambling product.

The risk associated with self-service terminals should be seen in the context that the retailer may have a number of other tasks and responsibilities that are not related to selling games and carrying out customer due diligence procedures. The fact that the retailer may also have other duties may mean that in practice, the retailer may have challenges detecting suspicious behaviour at the self-service terminal. This is especially true if the retailer has to serve a customer at the checkout while another customer is placing a bet on the self-service terminal.

#### **Betting terminals**

The Danish Gambling Authority characterises any betting terminal as self-service if you can place bets without being in contact with the shop's staff.

### 3.7.3.8 Cash purchases of land-based betting products

The gambling operator shall identify and assess the risk of customers being able to use cash to buy betting products at the land-based retailer. Cash, in isolation, poses a significant risk as it leaves no digital footprint. The use of cash allows the customer to make anonymous payments. The fact that cash is an anonymous payment solution increases the risk that the funds originate from criminal activity. This can be the case, for example, when paying for undeclared work in cash or the proceeds of drug sales in cash.

Cash purchases of betting products are credited to the customer's gambling account if the bet is won. Subsequently, the winnings can be paid out to the customer's bank account which poses an increased risk, as criminal proceeds can be placed in the financial system in this way. The payment from the gambling operator to the customer's bank account will also help to disguise the criminal proceeds, as the transfer will appear as gambling winnings instead. It is not possible to deposit cash to a gambling account at a land-based retailer. Cash can be used to purchase betting products after which any winnings can be credited to the customer's gambling account.

### 3.7.3.9 Large betting stakes and large withdrawals from the customer's gambling account

There is a risk that customers who deposit large amounts on betting and who withdraw significant amounts from their gambling account may not be able to demonstrate to the gambling operator from where the customer's funds originate.

If the customer cannot prove that the funds originate from legal economic activities, there is a risk that the customer's funds instead originate from a criminal offense and that the customer is therefore trying to misuse the gambling operator's business for money laundering. It is up to the gambling operator to assess when the size of the customer's transactions is so significant that there is a risk that the customer cannot document the origin of the funds.

Crucially, the gambling operator must be aware that deposits and withdrawals of large amounts can have an impact on the gambling operator's inherent risk of being misused for money laundering.

#### 3.7.3.10 Change in customer spending patterns

When the gambling operator's customer has been a customer of the gambling operator for a longer period of time, the gambling operator has had the opportunity to get a good knowledge of the customer's usual consumption pattern. If the gambling operator at some point can establish that there are changes in the customer's usual spending pattern, there is a risk that it is someone other than the identified customer who, for example, has started making betting deposits or who requests the gambling operator to withdraw funds from the gambling account.

Changes in the customer's usual spending pattern may be that the customer starts making deposits on betting using a payment solution that the customer has not used before. This could be the case, for example, if a customer who has always purchased bets using a debit card starts financing their bets with cash.

##### **Example**

Customer A regularly buys bets and always pays for the bet with his debit card. However, in the past month, gambling operator X has noticed that customer A's stakes have been made in cash instead and that the deposit has also been higher than usual.

The changes can also take the form of the customer starting to make use of new gambling products or if the customer starts making significantly larger stakes on the gambling operator's betting products.

#### 3.7.3.11 The gambling operator's betting products are misused for money laundering linked to match-fixing

In their latest risk assessment of money laundering from 2022, the Financial Intelligence Unit said that money laundering through gambling can also be connected to match-fixing. Match-fixing increases the chances of a sure win since the result of the sports event is fixed before the event takes place with one or more of the participants of the sports event.

# **Policies, business procedures and controls**

# 4

## 4.1 Introduction

The gambling operator must establish written policies, business procedures and controls. It appears from section 8(1) of the AML Act.

The gambling operator's policies, business procedures and controls must be based on the risk assessment prepared by the gambling operator. This means that the gambling operator can only decide on the content of policies, business procedures and controls once the company has completed its risk assessment.

When the gambling operator has prepared their risk assessment, the gambling operator must consider the risks that exist in the gambling operator's company and consider how their risks can be reduced and how to ensure that the preventive measures are commensurate with the risks to which the company is exposed.

The gambling operator's policies, business procedures and controls are the gambling operator's mitigation or risk reduction measures - what the gambling operator does to reduce the inherent risk of the business. The risk that may remain after the mitigating measures are taken is referred to as 'residual risk'. That is, the risk that the gambling operator ultimately runs of being misused for money laundering and financing of terrorism.

See the model in section 3.1, which illustrates the process from identifying the inherent risk to identifying the risk that remains once the gambling operator has prepared policies, business procedures, etc.

There are no formal requirements other than being in writing. The written requirement means that policies, procedures and controls must be documented, which can be both in writing and, for example, in the form of videos. They must also be accessible and effective for the gambling operator and its employees.

As a minimum, the policies, business procedures and controls shall include:

- risk management
- customer due diligence procedures
- duty to investigate, record and notify
- storage obligation
- employee screening and
- internal control.

When developing policies and business procedures, the gambling operator must take into account that the company's own business model may mean that there are other issues that need to be included in the policies and business procedures.

## 4.2 Update

The gambling operator's policies, business procedures and controls must be kept up to date. As a minimum, updates must be made if there are changes in the risk assessment that affect the gambling operator's policies and business procedures, including changes in the business model. This could be, for example, if the gambling operator starts offering a new product or if the risk profile in society changes. It must also be updated if there are changes in how the tasks are to be performed. This could be, for example, if the gambling operator's procedure for internal processing of cases requiring notification is changed.

## Section 8(1) of the AML Act

## 4.3 Policies

A policy must include the identification, assessment and delineation of the gambling operator's risk factors as well as the overall strategic objectives for the prevention of money laundering and financing of terrorism based on the gambling operator's risk assessment.

In the policies, the gambling operator must decide which risks the gambling operator will take on, how these will be managed, how it is ensured that new risks are detected and managed, and how the strategic goals are achieved.

The policies must therefore describe whether there are risks that the company does not want to take on. For example, risks associated with a specific customer type, geographical area or product.

A risk management policy forms the overall basis for strategic and operational risk management and defines, among other things, the purpose, risk areas, division of responsibilities, willingness to take risks and the organisational anchoring of risk management and governance.

### Example

For example, the policy may state how the gambling operator manages the overall risks associated with the use of self-service terminals or chip dumping.

## 4.4 Business procedures

A gambling operator must have business procedures that describe the activities that the gambling operator must perform in order to ensure compliance with legislation and other regulations, as well as compliance with the gambling operator's policies and guidelines. The business procedures are the gambling operator's concrete and operational implementation of the policies. They must therefore describe the specific actions to prevent the gambling operator from being misused for money laundering and financing of terrorism.

The business procedures must be based on the gambling operator's business model and clearly describe how the gambling operator must comply with the rules. The business procedures must describe the individual activities in the task execution of each area. It is a requirement that the business procedures are easily accessible and clear to employees. The business procedures must specify who is responsible for the individual tasks and how the tasks are to be performed.

The procedures must be operationally applicable, so after reading them, employees must know how to perform the task at hand.

### 4.4.1 Risk management

The gambling operator must describe its risk management in a business procedure. This means how risk management should be carried out in practice, including who is responsible for the area, how the gambling operator monitors and detects changes in the risk profile, how to react to new risks that the gambling operator may be misused for money laundering or financing of terrorism, and how new risks are incorporated. The procedure should also describe how to respond to violations of the gambling operator's policies and business procedures.

The risk management must be based on the gambling operator's business model and the risks that the gambling operator has identified in the risk assessment.

**Example**

For example, it may be stated in the business procedure that the company's anti-money laundering officer is responsible for ensuring that new identified risks are incorporated into the gambling operator's risk assessment.

**4.4.2 Customer due diligence procedures**

The gambling operator must describe their customer due diligence procedures in their business procedures, including when customer due diligence procedures are to be carried out, what the customer due diligence procedure includes and how the individual activities to be carried out are handled in practice.

This could be a detailed description of what identity information is to be collected and how it is to be collected and subsequently verified. It may also detail how the gambling operator updates their information about their customers, how the gambling operator monitors their customers and how the gambling operator assesses the risk of each customer. It can also be a more detailed description of how the gambling operator determines if a customer poses an increased risk.

For more information on customer due diligence procedures, see section 6.

**4.4.3 Duty to investigate and register**

The gambling operator must investigate certain transactions and activities. The gambling operator must therefore have business procedures in place that detail when an investigation is required, how the gambling operator becomes aware of the transactions and activities that are required to be investigated, and how the investigation is to be conducted.

There is an obligation to register the results of the investigations that are carried out. The gambling operator's business procedures must therefore also describe when to register, what to register, and how and where to register.

For example, it could be described that employees should register observations and information on the customer's customer profile and at what interval this should be done, possibly based on the customer's gambling activity.

For more information on the duty to investigate and register, see section 8.

**4.4.4 Duty to report**

The gambling operator must prepare business procedures that describe the obligation to report in more detail. This means that the business procedure must describe in more detail in which situations to report, what to report, how to report, and who should make the report.

It is important that after reading the procedure, employees are aware of what a report is and what steps need to be taken.

See section 9 for more information on the obligation to report.

#### 4.4.5 Storage obligation

The gambling operator must store certain information about its customers. Procedures for the storage obligation must therefore contain a description of the storage obligation, including what information must be stored, where it must be stored, how long it must be stored and how it must be deleted again.

See section 10 for more information on the storage obligation.

#### 4.4.6 Employee screening

The gambling operator must prevent its employees from abusing their position for money laundering or financing of terrorism. The gambling operator must therefore have procedures in place that detail how they screen their employees.

The screening requirement has two elements:

1. The gambling operator must ensure that the employee has not been convicted of a criminal offense that increases the risk that the employee may abuse his or her position with the gambling operator.
2. The gambling operator must ensure that the employee has sufficient qualifications to fulfil the position. This means that the employee must have the necessary knowledge in the field of money laundering to be able to perform their duties safely.

Ad 1)

The gambling operator must ensure that the employee has not been convicted of a criminal offense which would increase the risk of the employee misusing his or her position for money laundering. This can be ensured, for example, by obtaining and checking the employee's criminal record prior to employment. It is important that the screening is done before hiring the employee in question.

The screening requirement also means that the gambling operator must ensure that the gambling operator becomes aware if an employee is convicted of a criminal offense during their employment that increases the risk of abuse. This can be ensured, for example, by the gambling operator inserting a requirement that the employee must disclose if he or she is convicted of a criminal offense during employment, or by obtaining all or selected employees' criminal records at a fixed interval.

It is up to the gambling operator to decide which procedure best suits their business. The procedure chosen must be stated in the business procedures.

It should be noted that screening should be based on a risk-based approach and be proportionate. It is not a requirement that all employees are screened. It depends on what function the employee will be performing. The gambling operator must therefore consider which functions and work areas that require a screening.

For example, it will not be relevant to screen employees who do not perform functions to ensure compliance with the AML Act. However, it is relevant to always screen employees if the employee, by virtue of their position, can directly or indirectly abuse their position to contribute to money laundering or financing of terrorism.

Ad 2)

The gambling operator must ensure that the employee has the necessary knowledge and qualifications to fulfill their position. This may be fulfilled at the time of employment, but the requirement can also be fulfilled by training the employee after employment.

The gambling operator's business procedures for screening employees must therefore describe in detail how the gambling operator will ensure compliance with the above.

For people who are hired in a position where the person may directly or indirectly misuse the position for money laundering or financing of terrorism, it will always be relevant to investigate the person prior to employment. Employees in managerial and/or trusted positions will also be particularly relevant to screen.

**Screening of employees can also be relevant, for example, if the employee:**

- performs customer due diligence procedures
- have access to make transactions
- have been delegated tasks from the anti-money laundering officer
- employees working in the company's compliance function and employees working in the company's internal audit or internal audit function.

## 4.5 Controls

The gambling operator must establish an internal control to verify that the gambling operator complies with the requirements of the AML Act and follows their policies and business procedures. The internal control must be described in the gambling operator's business procedures, including what is to be controlled, how and when it is to be carried out and by whom.

The gambling operator must tailor the internal controls to the size of the gambling operator and the risks associated with the gambling operator's business model.

Controls must be carried out at appropriate time intervals in the following areas:

- Risk management
- Customer due diligence procedures
- Duty to investigate, register and notify
- Storage obligation and
- Employee screening.

It is up to the gambling operator to decide how the controls are to be carried out. This can be done, for example, by taking random samples to check whether sufficient customer due diligence procedures have been carried out in accordance with the business procedures or whether correct registrations have been made in connection with an investigation of a customer.

**Example**

Gambling operator X's internal control procedure states that the head of the compliance team must perform an internal control once a month on whether the customer service team has followed the procedures for implementing customer due diligence procedures

It is important that there is sufficient independence between the person performing the control and the person being controlled.

### 4.5.1 Control with the controls

The requirement for controls to be carried out also implies a requirement to control that controls are being carried out in the areas in question and that the controls are appropriate. This means that the gambling operator must follow up on whether controls are carried out as

planned and that the controls cover all the areas listed above. This must also be described in the gambling operator's internal control procedures.

**Example**

Gambling operator X has a business procedure that stipulates that internal controls must be checked for completeness and suitability once every six months. The gambling operator's anti-money laundering officer is responsible for this verification of the controls.

**4.5.2 Documentation**

The gambling operator must be able to document the controls that have been carried out. This means that the gambling operator must be able to document both that internal controls have been carried out and that it has been followed up on that the controls have been carried out.

# Responsibility, training and groups

5

## 5.1 Responsibility for legal compliance

The overall responsibility for the gambling operator to comply with the money laundering legislation rests with the gambling operator's top management. The management should ensure that its involvement in issues of money laundering and financing of terrorism is visible to the board and to all employees and business partners. Management has a personal responsibility to ensure that there are adequate control measures and procedures in place at the company.

It is not required that gambling operators appoint an employee who has the authority to make decisions on behalf of the company cf. section 7(2) of the AML Act.

### 5.1.1 Responsible board member

If it is deemed relevant, the gambling operator must appoint a board member to be responsible for the company's implementation of the legal requirements of the AML Act.

It is not required that gambling operators without a board must appoint a person with this function.

The obligation of the responsible board member is, especially, to ensure that the gambling operator complies with the rules of the AML Act. For example, meetings can be held with the employees who are tasked with supervising the customers' gambling activities and similar in order to obtain a status on legal compliance.

## 5.2 Training

Gambling operators must ensure that their employees and management receive sufficient training in the requirement of the AML Act, rules enacted under the AML Act and relevant data protection provisions. It appears from section 8(6) of the AML Act.

It is not adequate to merely hand out the gambling operator's written policies and procedures to the employees for them to read. Nor is it sufficient for the training only to be based on the legal requirements. The training must also deal with the gambling operator's company and the specific factors associated with this in relation to combating money laundering and financing of terrorism.

It is only required that training is conducted within the field of work relevant to the individual employees. This means that the gambling operator must consider which employees must be trained in the requirements of the AML Act. Training is not required for employees who do not perform duties related to anti-money laundering or financing of terrorism.

The training must ensure that the relevant employees know the rules and duties that apply to the AML area so that they can perform their job adequately and in accordance with the requirements of the legislation.

The requirement for sufficient training also means that further training of the employees and management must take place at appropriate intervals, including, for example, when updating the gambling operator's risk assessment and business procedures, when it affects the employee's job function.

It is important that the gambling operator ensures that the employees in fact participate in the training.

## Section 8(6) of the AML Act

### 5.2.1 Land-based betting retailers

#### 5.2.1.1 Internal retailers

As specified in section 5.2, the gambling operator is obligated to train their own employees in accordance with section 8(6) of the AML Act.

A gambling operator's own employees also cover the operator's internal retailers of land-based betting – i.e., retailers and employees at the operator's own shops.

#### 5.2.1.2 External retailers

An external retailer and the retailer's employees are not considered employees of gambling operators, contrary to employees in the gambling operator's own shops. This means that the obligation to train in section 8(6) of the AML Act cannot be extended to the external retailers.

If a gambling operator sells its own products via an external retailer and thereby, for example, outsource the performance of customer due diligence procedures to the external retailer, the gambling operator must ensure that the retailer is sufficiently able to perform the job in a satisfactory way. The gambling operator may do this, for example, by training the external retailer.

See section 7.3.6 on the gambling operator's option of training external retailers and the retailer's employees when an obligation under the AML Act has been outsourced.

## 5.3 Consolidated companies

It is required that consolidated companies, in addition to the requirements in section 8 of the AML Act, also have written policies and procedures for data protection and exchange of information exchanged for the purpose of combating money laundering and financing of terrorism within the group. It appears from section 9 of the AML Act.

It is important to emphasise that the requirements only apply to those companies within the group that are covered by the AML Act. For example, a subsidiary which is not covered by the AML Act is not subject to these requirements either.

The procedures for the exchange of information within the group must comply with the data protection legislation rules.

There is also a requirement that risk assessment, policies and procedures in a parent company cover the entire group, of course only the parts that are covered by the AML Act. In practice, this means that the procedures can be prepared centrally in, for example, the parent company, but it is however, required that the individual procedures are adapted to the specific circumstances of the legal entity.

## Section 9 of the AML Act

# Customer due diligence procedures

6

## 6.1 The purpose of customer due diligence procedures

It is a basic requirement of the AML Act that gambling operators must know their customers. This applies to both online and land-based gambling operators. The purpose of customer due diligence procedures is for the gambling operator to know who the company's customers are and what the customer's purpose of the customer relationship is. For a gambling operator, it is therefore important to ensure that the customer's purpose of gambling is not to try to launder money or finance terrorism.

The gambling operator must respond to changes in the customer relationship to an extent that should attract attention, e.g., if a customer who normally only participates in betting suddenly only gambles on gaming machines. To ensure this, the gambling operator needs to know their customers and have procedures in place for what to observe and take action if there are indications of money laundering or financing of terrorism attempts.

The rules for customer due diligence procedures are set out in chapter 3, sections 10-21 of the AML Act.

It should be noted that there are a number of executive orders<sup>5</sup> that regulate the specific provision of gambling, and that these also contain a number of rules on customer due diligence. Gambling operators must therefore be aware of this and make sure they comply with all regulations.

For example, gambling operators should be aware that even though there are a number of similarities between the identity information that must be obtained about the customer, compliance with the requirements of the gambling legislation does not necessarily mean that the operator meets the requirements of the AML Act. For example, the requirement for the quality of documentation sources is higher under the AML Act than it is in relation to the gambling legislation.

## 6.2 When to implement customer due diligence procedures?

A gambling operator must implement customer due diligence procedures in the following situations:

1. When a business relationship is established
2. When a customer's relevant circumstances change
3. At appropriate times
4. When offering games where the stake or payout of winnings (or both) is at least €2,000
5. Suspicion of money laundering or financing of terrorism
6. In case of doubt about previously obtained information about the customer

Below is a more detailed explanation of the above situations.

### 6.2.1 When a business relationship is established

The gambling operator must implement customer due diligence procedures when establishing a business relationship. A business relationship is defined as a customer relationship that, at the time of establishment, is expected to be of a certain duration. It appears from section 2(1)(3) of the AML Act.

## Sections 10-18 of the AML Act

## Sections 10 of the AML Act

<sup>5</sup> Executive Order on online casino, Executive Order on online betting, Executive Order on land-based betting and Executive Order on land-based casinos

A business relationship will be established if the company believes that the customer will use the company's services repeatedly and will therefore be a regular repeat customer. A business relationship is always established if a customer opens an account, including a gambling account or similar, with the company.

In contrast, in the case of one-off transactions or activities for customers as referred to in section 10(3) of the AML Act, there is no expectation that the customer relationship will be of a certain duration. When a customer relationship is not categorised as a business relationship, the customer relationship is characterised as a one-off transaction.

#### 6.2.1.1 Online gambling

In order to be registered as a customer with an online gambling operator, it is a requirement that the customer registers and a gambling account is created. A gambling operator therefore establishes a business relationship with a customer the moment a gambling account is created for the customer.

#### 6.2.1.2 Land-based betting

In order to place a bet with a land-based betting operator, it is a condition that the customer is registered with the gambling operator. In this connection, the customer is issued a means of identification (Player ID) to which an account is linked. A business relationship is thus established with the customer by creating a Player ID with an associated gambling account.

#### 6.2.1.3 Land-based casino

At a land-based casino, all customers are registered upon arrival. However, it varies whether the customer is considered a business relationship or a one-off transaction is made for the customer for the purposes of the AML Act.

As stated in section 6.2.1, in order for a customer to be considered a business relationship, it must be expected that the relationship between the gambling operator and the customer will have a certain duration. What exactly constitutes "a certain duration" is up to the gambling operator to define. However, it is to be expected that the relationship is of a certain duration, and thus covered by the definition of a business relationship, if the same customer returns regularly to the same casino.

If the customer has a weekly, monthly or annual pass, the customer is considered a business relationship.

On the other hand, customers who do not have a weekly, monthly or annual pass and where the relationship with the customer is not expected to have a certain duration should be considered as one-off transactions. This could include occasional customers such as tourists, etc.

It should be noted that according to the executive order on land-based casinos, a casino is obliged to register and check the name, address, civil registration number and time of arrival of all customers, regardless of whether it is a business relationship or a one-off transaction.

### 6.2.2 When a customer's relevant circumstances change

The gambling operator shall re-perform customer due diligence procedures if the relevant circumstances of a business relationship change. For example, if a customer becomes a politically exposed person (PEP) or if the customer's behaviour/gambling pattern changes significantly, e.g., the customer starts gambling in a different way and for higher amounts than before. Based on a risk assessment, the gambling operator must decide whether, due to the changed circumstances, new data on the customer, including, for example, identity information or similar must be obtained again. The data to be obtained depends on the specific situation. For example, it can be sufficient to perform further procedures to verify a

customer's identity if the gambling operator becomes aware that a customer has changed their name or civil registration number. In other situations, for example if the customer's behaviour changes, it may not be sufficient to verify the customer's identity information.

The customer due diligence procedure must be carried out when the gambling operator becomes aware of the changed circumstances, for example through the gambling operator's ongoing monitoring of the customer.

### **6.2.3 At appropriate times**

There is also an obligation on the gambling operator to carry out customer due diligence procedures at appropriate times, i.e., at appropriate fixed intervals in the customer relationship with the business associate. This is to ensure that the information the gambling operator has about the customer is correct and sufficient. Therefore, in addition to carrying out customer due diligence procedures if a customer's relevant circumstances change, the gambling operator must also ensure that this happens at appropriate regular intervals.

The requirement cannot be waived, and the gambling operator must determine what appropriate intervals are on a risk-based basis. This means that the interval can be determined based on a risk assessment of the individual customer and customers can be divided into groups (e.g., limited, medium or increased risk) depending on, for example, gambling activity, gambling consumption, etc. Ranges can then be set for the relevant customer groups, e.g., one range for medium risk customers and another range for increased risk customers. The assessment cannot lead to the conclusion that customer due diligence procedures do not need to be implemented.

The risk-based approach means that gambling operators must apply their resources where there is increased risk, so for lower-risk customers there may not necessarily be a need for as frequent repetitive procedures. The scope of the customer due diligence procedure is determined based on a risk assessment of the customer relationship. There are no requirements for how the customer due diligence procedure is carried out, so it can be either automated or manual. The requirements for the gambling operator's processes depend on the size of the business, which means that the requirements for large gambling operators' processes are more extensive.

### **6.2.4 Offering games where the stake or payout of winnings (or both) is at least €2,000**

The gambling operator is obliged to implement customer due diligence procedures in cases where the customer places a bet, is paid a prize or both of at least €2,000, whether the transaction occurs in one go or as several transactions that appear to be interrelated. However, this only applies in cases where a business relationship has not been established and thus customer due diligence procedures have already been carried out.

### **6.2.5 Suspicion of money laundering or financing of terrorism**

It is a requirement that the gambling operator performs customer due diligence procedures in cases where the gambling operator has knowledge or suspicion of money laundering or financing of terrorism. The requirement applies even if a stake or payout of a prize or both is less than €2000.

If the customer refuses to provide the necessary information to complete the customer due diligence procedure, the gambling operator must notify the Danish Financial Intelligence Unit with the information in the gambling operator's possession.

In section 6.6, you can read more about termination of an established customer relationship and inadequate information and in section 9 you can read more about the duty of notification.

### **6.2.6 In case of doubt about previously obtained information about the customer**

If the gambling operator has reason to doubt the correctness or sufficiency of previously obtained information about the customer, the gambling operator is obliged to carry out customer due diligence procedures again.

A concrete assessment must be made of what information is necessary to obtain. The gambling operator must assess, based on a risk assessment, whether all or only parts of the customer due diligence procedure should be repeated. This may also depend on whether the information is insufficient or incorrect.

## 6.3 What do customer due diligence procedures consist of?

The general requirements for customer due diligence procedures are set out in section 11 of the AML Act.

Gambling operators need to do two things. They must obtain identity information on the customer and verify the identity information obtained.

### **6.3.1 Obtaining identity information**

Gambling operators must obtain a customer's identity information. This includes the customer's name and civil registration number or similar. If the customer does not have a civil registration number or similar, the gambling operator must obtain the customer's date of birth.

For customers who do not live in Denmark, an alternative to a civil registration number could be a national ID number. If a customer's national ID number is used, it is essential that it is a unique number and that the number is permanent or at least the customer's active national number. Date of birth can only be used in the relatively rare case where a unique number is not available.

### **6.3.2 Verifying identity information**

The identity information obtained from the customer must be verified by documents, data or information obtained from a reliable and independent source. This means, for example, electronic means of identification, relevant trust services or any other secure form of remote identification process or electronic identification process that is regulated, recognised, approved or accepted by the competent national authorities. This means that the verification of the customer's information must be done through a source other than the customer.

The gambling operator must ensure that the source is current, which is particularly relevant when it comes to ID documents and their validity. This could be ID documents such as passports, driving licences, national ID cards and the like.

If the gambling operator assesses that there is an increased risk to the customer, further action must be taken, regardless of whether the customer's identity information has been verified. It is also a specific assessment of how much documentation must be available in order for there to be sufficient verification of the customer's information. However, in the specific situation, there must be no reason to doubt that the customer is the person the customer claims to be.

## **Section 11 of the AML Act**

Additional documentation can be:

- searching a database like the CPR register
- Submission of photo identification
- Requirement that the first deposit is made by a transfer from the customer's account at a financial institution where the customer has identified themselves
- the customer is contacted by phone, as the phone number must be verified by reliable lookup.

In situations where the customer is physically present, verification in the form of photo identification will give the gambling operator increased assurance that the customer is who they claim to be.

In situations where the customer and the gambling operator do not meet physically (remote customer relationship), there is an increased need for the gambling operator to have mitigating measures to ensure that the customer is actually the person they claim to be.

Regarding MitID and its use as a verification source, it is noted that MitID can stand alone as an electronic verification source for customers who are not subject to enhanced customer due diligence procedures. This means that the gambling operator can obtain and verify identity information for customers who pose a limited or medium risk, but not for customers who pose an increased risk. If the gambling operator has assessed that a customer poses an increased risk, the gambling operator must carry out further checks of the customer's identity information. The additional control can be, for example, that the gambling operator requires additional documents from the customer, searches external sources or requires the first deposit to be made as a bank transfer. For more information about MitID as a control source, please refer to the Danish FSA's guidelines on the use of MitID as a control source in customer due diligence procedures.

#### 6.3.2.1 Specifically for land-based casinos

When registering in person, the customer must present identification that confirms the registered information about the customer. For example, a passport or driving license.

The casino must be convinced that the customer is who they say they are. There must not be any circumstances that could give rise to doubt that the customer is the person appearing from the identification documents.

#### 6.3.2.2 Temporary accounts

If the gambling operator cannot immediately check the customer's identity information upon registration of the customer, a temporary account can be created. It appears from section 14(4) of the AML Act. If the gambling operator's control of the identity information is carried out immediately, for example when MitID is used, the account is a verified account and not a temporary account.

If the gambling operator has created a temporary account for the customer, the control of the customer's identity information must be carried out as soon as possible and within 30 days at the latest after the registration of the customer. If the verification of the identity information cannot be completed, the temporary account must be closed. The rules on temporary accounts are regulated by the gambling legislation.

If the gambling operator cannot complete the verification of the identity information for instance because the customer has provided false identity information, it can in itself pose as suspicious behaviour. The same may apply if the gambling operator for other reasons cannot complete the control of the identity information. In such cases, the gambling operator must consider if it should be reported to the Danish Financial Intelligence Unit.

### 6.3.3 Purpose and intended nature

Gambling operators shall assess and, where appropriate, obtain information about the purpose and intended nature of a business relationship. It appears from section 11(1)(4) of the AML Act.

The assessment must be made at the establishment of the business relationship and regularly throughout the customer relationship. This means that the gambling operator must carry out the assessment when the customer creates an online gambling account or, for example, a weekly, monthly or annual pass to a land-based casino.

Thus, in all cases, gambling operators must assess the purpose and intended nature of the business relationship. Only if applicable, the gambling operator must also obtain this information from the customer. Whether it is relevant to obtain information from the customer is a case-by-case assessment.

When the gambling operator has knowledge of the customer's purpose and intended nature, the gambling operator can better assess whether the customer's purpose of using the company is legitimate and thus gain a better insight into the customer's risk profile.

When a customer creates a gambling account or visits a casino, the starting point is that the customer's purpose is to gamble. This is because the business model of gambling operators is limited to providing gambling products only.

When assessing the customer's purpose of the business relationship, the gambling operator may include information on the number, size and scope of the transactions that the customer is expected to carry out. That is, how much money the customer intends to gamble and how often the customer will gamble. The gambling operator can make the assessment based on the information they already have about the customer, e.g. deposit limit information or by asking the customer for the information.

In addition, gambling operators must assess the intended nature of the business relationship. This means that the gambling operator must know the characteristics and circumstances that together give the business relationship its distinctive character. In this context, it may be relevant to understand the customer's income and assets, i.e. how the customer will finance their gambling.

The gambling operator must use the information about the customer's funds to assess whether the customer's income is in line with the customer's expected and current spending. For example, if the gambling operator is aware that the customer does not have an income, this information must be included in the gambling operator's organisation of the monitoring of the customer so that the gambling operator can become aware if the customer's gambling consumption does not harmonise with the customer's income and assets.

It will often be necessary for the gambling operator to obtain the information from the customer, as it can otherwise be difficult to determine the customer's financial situation, e.g., by using open-source searches.

### 6.3.4 Continuous monitoring

Gambling operators must continuously monitor an established business relationship. It appears from section 11(1)(5) of the AML Act. The requirement applies both to transactions made by the customer and to the customer's other activities, generally referred to as customer behaviour.

It is up to the gambling operator how the monitoring should be done, and this can be done both manually and systemically. For a gambling operator, monitoring will typically require an effective IT solution due to the volume of customers and the complexity of products and transactions, but this is not a requirement if it is ensured that the necessary monitoring is carried out.

The purpose of the monitoring is to ensure that the transactions are in accordance with the gambling operator's knowledge of the customer and the customer's business and risk profile, including, where necessary, the origin of the funds. This means that the gambling operator must continuously monitor for unusual transactions or activities. This could for example be unusual transactions or activity on the customer's gambling account in relation to the knowledge that the gambling operator has about the customer, and at the same time whether the customer's transactions and activities are consistent with other customers with the same business and risk profile.

The customer's business profile is defined as information about the purpose of the business relationship, the scope and size of transactions, frequency and duration.

The customer's risk profile means that the monitoring must be based on the profile of the customer that the gambling operator has arrived at based on its risk assessment of the customer. A risk assessment can never lead to a business relationship not being monitored.

The gambling operator must adapt the monitoring to the individual customer. The monitoring must be continuously adjusted based on the gambling operator's knowledge of the customer, including if the customer's risk profile changes. If a customer's business and risk profile changes, the gambling operator must adjust the monitoring of the customer. If the company has conducted an investigation of the customer based on suspicious circumstances, it may be relevant to extend the monitoring. See section 8.1.2. In order to be able to set up and implement adequate monitoring of the individual customer, it is essential that the information that the gambling operator has about the customer is up-to-date and correct.

If a transaction is unusual based on the gambling operator's knowledge of the customer's assets, the gambling operator must, based on a risk assessment, obtain information about the origin of the customer's funds. In this case, the gambling operator must know the origin of the funds. It will typically not be sufficient to simply obtain additional information from the customer about the origin of the funds. The gambling operator must obtain documentation, e.g., in the form of pay slips, annual statements, estate inventory or similar.

The origin of funds covers information about,

- from where the customer's wealth originates,
- from which the funds involved in the transaction originate, or
- from where the funds that are part of the business relationship originate.

It is therefore relevant to investigate what assets or wealth the customer has and how the customer earns their money. In the context of a transaction, it may therefore be necessary to examine all three factors to determine whether a transaction is usual or unusual for the customer in question. This gives the gambling operator the opportunity to confirm or disprove a suspicion of money laundering. For example, if a customer has deposited a large amount of money that the gambling operator believes is unusual for the customer, the gambling operator may, for example, obtain information and documentation on the origin of the funds deposited by the customer. In relation to the enhanced customer due diligence requirements, it may be necessary in relation to customers who are assessed as higher risk to know the origin of funds before transactions are made for the customer.

#### 6.3.4.1 Specifically for land-based casinos

Some customers at a land-based casino will need to be considered as one-off transactions. Some customers, however, may be business associates that the casino is obliged to monitor

on an ongoing basis. As stated above, it is up to the casino how the casino will organise the monitoring, including whether this should be done manually, systemically or by a combination of these. What is essential is that the monitoring put in place is sufficient to monitor the customer's transactions and behaviour, as stated above.

## 6.4 Customer risk assessment

The gambling operator must complete all customer due diligence requirements under section 11(1) and (2) of the AML Act. The extent of the customer due diligence procedures depends on a risk assessment. It appears from section 11(3).

The gambling operator must be aware that a risk assessment of the customer can never lead to not implementing customer due diligence procedures. This means that even in cases where the gambling operator has assessed that a customer poses a limited risk, the gambling operator cannot fail to verify the customer's identity information.

As a minimum, the gambling operator must include the following in the risk assessment of the customer:

- Purpose
- Scope
- Regularity
- Duration

The gambling operator must make an assessment of the risk of the individual customer when the gambling operator establishes a business relationship. That is, when a customer creates an account or, for example, a weekly, monthly or annual pass to a land-based casino. In addition, the gambling operator must identify relevant customer risk factors in order to assess the scope of the customer due diligence procedures to be implemented. The gambling operator must use the overall risk assessment according to section 7(1) of the AML Act to assess the level of the customer due diligence procedure in the individual customer relationship.

The purpose of the customer risk assessment is for the gambling operator to understand where and to what extent the individual customer may misuse the gambling operator for money laundering and financing of terrorism. The customer risk assessment should be used to determine the scope of the customer due diligence procedure. For customers who pose an increased risk, this means that additional measures need to be taken.

The customer risk assessment means that the gambling operator must identify and assess risk factors that may affect the risk of the customer. Annexes 2 and 3 of the AML Act list a number of risk factors that can lead to limited and increased risk, respectively. The gambling operator must use the risk factors listed in the annexes as a starting point. This means that the gambling operator's risk assessment of the customer must cover information on whether the customer is a resident in countries listed on FATF's grey and black lists and which thereby contributes to increasing the risk of the customer. However, it is important to emphasise that these are not exhaustive lists which is why the gambling operator if necessary must involve and collect other relevant information about the customer to ensure that all relevant risk factors are covered. The gambling operator can, for example, include the products and payment solutions used by the customer.

Risk factor assessment means that the gambling operator must holistically assess the extent to which the identified risk factors expose the company to being misused for money laundering or financing of terrorism. One way to assess risk is to weight the individual risk factors that lead to the overall risk assessment of the customer. The result of the assessment of the relevant risk factors then reflects the risk assessment of the customer. In practice, the gambling operator can choose to categorise customers into different levels or risk profiles, such as limited risk, medium risk and increased risk.

**Example**

A customer creates a gambling account with a gambling operator that offers online casino and betting. The customer exclusively plays games against other customers and finances their game with several different payment solutions, including debit cards and e-wallet. The customer is a resident of Denmark and has indicated that he/she expects to gamble for DKK 15,000 per month. Based on the specific information about the customer and the gambling operator's business model in general, the gambling operator assesses that the customer poses an increased risk.

Section 11(4) of the AML Act states that the gambling operator must be able to demonstrate that the risk assessment of the individual customer is sufficient in relation to the risk of money laundering and financing of terrorism. This means that the gambling operator must ensure that the gambling operator uses sufficient information to make an objective risk assessment of the customer, where all relevant risk factors are taken into account.

The gambling operator must be aware that the customer's risk profile may change during the customer relationship. For example, the gambling operator may find out that the customer has become a politically exposed person or that the customer starts using the gambling operator's products and payment solutions that are associated with an increased risk. Another example is if the customer repeatedly places bets on events that are observed in your own or external alarm systems as a potentially manipulated event (match-fixing). The new information about the customer may result in the customer's risk profile changing from limited risk to increased risk or vice versa.

The gambling operator's obligation to implement customer due diligence procedures must be fulfilled throughout the entire customer relationship. The gambling operator is therefore obliged to continuously update the customer's risk profile.

## 6.5 Enhanced customer due diligence procedures

There is a requirement for enhanced customer due diligence procedures in a number of cases where there is deemed to be an increased risk of money laundering or financing of terrorism.

It will be up to the gambling operator to define what the enhanced customer due diligence procedures should consist of based on the risk assessment made by the gambling operator with regard to the situations where there are enhanced requirements.

In addition, enhanced customer due diligence procedures are required if the customer is based in a country on the European Commission's list of high-risk third countries or if the customer is a politically exposed person. Both circumstances are discussed below in sections 6.5.2 and 6.5.3.

### 6.5.1 Customers who pose an increased risk of money laundering

Enhanced customer due diligence procedures must be implemented if a gambling operator assesses that a customer poses an increased risk of money laundering or financing of terrorism. It appears from section 17(1) of the AML Act.

Enhanced customer due diligence procedures are applied in addition to the standard customer due diligence procedures set out in section 11 of the AML Act. This means that the enhanced customer due diligence procedures supplement the regular procedures in situations where there is an increased risk of money laundering and financing of terrorism. Based on a risk assessment of the customer, the gambling operator must decide which additional measures are required to manage the increased risk posed by the customer.

## Section 17(1) of the AML Act

Thus, enhanced customer due diligence procedures mean that the gambling operator must take additional measures to manage the increased risks posed by the specific customer.

It is up to the gambling operator to assess whether there is an increased risk, but in the assessment, the gambling operator must take into account the high-risk factors listed in Annex 3 to the AML Act, as well as other high-risk factors that are considered relevant.

Therefore, it is not possible to give an exhaustive list of which situations entail enhanced customer due diligence procedures and what these should ultimately include, as it is the gambling operator who, based on its risk assessment, must assess what can limit the increased risk of money laundering and/or financing of terrorism. It is the overall assessment of all risk factors that determines the risk of each customer. Appendix 3 is a non-exhaustive list, and the gambling operator must include other risk factors depending on the gambling operator's products, customer types, etc. cf. section 7 of the AML Act. However, as a starting point, increased monitoring of a customer that poses an increased risk should always be initiated in order to determine if transactions or activities are suspicious.

The gambling operator must be able to demonstrate that the measures implemented in relation to customer due diligence are sufficient in relation to the risk of money laundering and financing of terrorism.

#### 6.5.1.1 When should the assessment be done?

In connection with the establishment of the business relationship, the gambling operator must assess whether the customer poses an increased risk.

Enhanced customer due diligence procedures must be implemented throughout the entire customer relationship. The risk assessment of the individual customer may change during the customer relationship, e.g., if the customer no longer uses a product that has caused the customer to be assessed as posing an increased risk or if the customer's transaction pattern changes.

On the other hand, a customer who has not previously posed an increased risk may, for example, change transaction patterns or have an unusual gambling pattern compared to before, and where the gambling operator therefore assesses that the customer now poses an increased risk. In such cases, the gambling operator must implement enhanced customer due diligence procedures even if the customer has not previously posed an increased risk. The fact that the gambling operator has notified the Danish Financial Intelligence Unit several times about the customer may also be included in the assessment of whether the customer poses an increased risk.

As a result of the ongoing monitoring of the customer, the gambling operator may, for example, become aware that the customer changes transaction patterns. This would constitute a risk that could lead to the gambling operator implementing enhanced customer due diligence procedures towards the customer in question. In this connection, the gambling operator can, for example, obtain information about the origin of the funds, i.e., how the customer finances their gambling.

#### 6.5.1.2 What do enhanced customer due diligence procedures consist of?

As stated, it is not possible to provide an exhaustive list of what enhanced customer due diligence procedures consist of.

Based on the assessment of the customer, the gambling operator must decide which measures to implement.

**Enhanced customer due diligence procedures can be, for example**

- Obtaining address or place of birth information (address information may also be necessary to identify risk factors in the customer relationship).
- Obtaining additional information about the customer (purpose and intended nature).
- Verification of customer identity information by multiple independent and trusted sources.
- Obtaining information about the customer's assets and the origin of funds.
- Conducting customer due diligence procedures at a shorter interval.
- Ongoing investigation of customer transactions.

**6.5.2 Customers from high-risk third countries**

A gambling operator must implement enhanced customer due diligence procedures if the customer is based in a country listed on the European Commission's list of high-risk third countries. This applies regardless of the gambling operator's risk assessment of the customer. It appears from section 17(2) of the AML Act.

This means that a gambling operator must be aware of the European Commission's list and whether new or existing customers are or have been domiciled in one of the listed countries.

**6.5.2.1 What do the enhanced customer due diligence procedures include?**

If the customer is located in a high-risk third country, the enhanced customer due diligence procedures include the following:

1. Obtaining additional information about the customer
  - This could be information such as the customer's address or place of birth.
2. Obtaining additional information about the intended nature of the business relationship.
3. Obtaining information about the origin of the funds and the source of the customer's assets.
  - This means information about the source of the customer's assets, the funds involved in the transaction or the business relationship.
4. Obtaining information about the reasons for the requested transactions.
5. Increased monitoring of the business relationship by increasing the number of checks and by selecting transaction patterns that require closer investigation.
  - This means that the gambling operator must conduct in-depth monitoring of the customer and the transactions to determine whether the customer's intended nature of the business relationship is consistent with the knowledge the gambling operator has of the customer.

**6.5.3 Politically exposed persons**

Gambling operators must have procedures in place to determine whether a customer is a politically exposed person (PEP), close associate or close business partner of a politically exposed person. It appears from section 18(1) of the AML Act.

**6.5.3.1 What is a politically exposed person?**

Politically exposed persons are individuals who hold a particular public position of trust and as a result may be susceptible to bribery and other corruption.

It should be noted that the fact that a person is a PEP does not mean that the person is automatically considered susceptible to corruption and bribery. The rules are thus preventative

**Section 17(2) of the AML Act****Section 18 of the AML Act**

and should also be seen in light of the fact that bribery and corruption is a major problem globally.

Below is the definition of a PEP in the AML Act:

- Head of State, Head of Government, Minister and Deputy or Assistant Minister. This includes all ministers and heads of department.
- Member of Parliament or member of a similar legislative body. This includes both members of the Danish Parliament and members of the European Parliament.
- Member of the governing body of a political party. This includes persons in the main boards or similar governing body of the Danish parliamentary parties, if the role of the body is defined in the party's statutes.
- Supreme Court judge, member of the Constitutional Court and of another high judicial body whose decisions are subject to further review only in exceptional circumstances. In addition to Danish Supreme Court judges, this also includes Danish judges at international courts.
- Member of the audit court and supreme governing body of a central bank. This includes the Executive Board of Danmarks Nationalbank, Danish state auditors and the Danish member of the European Court of Auditors.
- Ambassador, chargé d'affaires and senior officer in the armed forces. This includes the senior commanders of the armed forces, more specifically defined as the Chief of Defense, Deputy Chief of Defense, Service Chiefs and ambassadors of Danish embassies.
- Member of the administrative, management or controlling body of a state-owned enterprise.
- Director, deputy director and member of the board of directors or person holding a similar position in an international organisation. The definition also includes the director of agencies and members of the board of directors of agencies where this group of persons has actual decision-making powers.
- Directors, deputy directors, board members and persons holding similar positions in international organisations. This includes persons nominated, appointed or employed by the government, a ministry or minister of an international organisation established by the conclusion of a formal international political agreement.

Both domestic and foreign PEPs, family members and close associates of PEPs are covered by the AML Act.

#### 6.5.3.2 Family members of a politically exposed person

A family member of a politically exposed person is defined as being:

- spouse, registered partner or cohabiting partner,
- parents and
- children and their spouses, registered partners or cohabitants.

The term does not include siblings or stepchildren and stepparents.

Family members must be identified as they may benefit from their close connection to the politically exposed person or be misused as a consequence.

Gambling operators must treat family members according to the same rules as PEPs. The specific risk assessment of a PEP is therefore crucial for how the customer due diligence procedure is organised for the PEP's family members. If the PEP has been assessed as high risk, the PEP's family members shall be considered in the same way, unless the individual risk assessment of that family member indicates otherwise.

#### 6.5.3.3 Close associate of a politically exposed person

A close associate of a politically exposed person is defined as a natural person who:

- is the beneficial owner of a company or other legal entity jointly with one or more PEPs,
- otherwise have a close business relationship with one or more PEPs, e.g. as a trading partner over a long period of time,

- is the sole beneficial owner of a company or other legal entity established solely for the benefit of a PEP.

Gambling operators must treat close associates according to the same rules as PEPs. The specific risk assessment of a PEP is therefore crucial for how the customer due diligence procedure is organised for the PEP's close associate. If the PEP has been assessed as high risk, the PEP's close associates shall be considered in the same way, unless the individual risk assessment of the close associate in question indicates otherwise.

#### 6.5.3.4 Determining PEP status

Gambling operators must have procedures in place to determine if a customer is a PEP. This applies to the establishment of a business relationship or if the business relationship changes in scope, but also to the execution of a one-off transaction.

As stated in section 6.2.1, customer due diligence procedures must be implemented when establishing a business relationship. The gambling operator must also determine whether the customer is a PEP.

Land-based casinos, regardless of whether it is a business relationship or a one-off transaction, must always screen for PEP status when registering the customer upon arrival.

It is up to the gambling operator to determine the specifics of how the gambling operator identifies that a customer is a PEP.

When a customer is identified as a PEP, gambling operators must obtain information about the customer based on a risk assessment. Although the level of customer knowledge must be considered an aggravating circumstance compared to "ordinary" customers, the gambling operator is allowed some flexibility.

The PEP itself will usually be the primary source of the information, but it is possible and sometimes necessary to obtain information from other sources.

The gambling operator must have procedures in place to ensure that the identification of whether a customer is a PEP takes place when the customer relationship is established or expanded. Among other things, the gambling operator must observe the following:

1. Seek clarification on whether a customer is a PEP, e.g., by consulting the Danish FSA's list of domestic PEPs. For foreign PEPs, this can be done by searching the internet or subscribing to service providers that offer this service.
2. The gambling operator shall take reasonable measures to identify those customers who may be related or close business partners of a PEP, e.g., by consulting the PEP.
3. The gambling operator must take reasonable measures to identify whether a customer is a foreign PEP.

#### 6.5.3.5 Reasonable measures

"Reasonable measures" include, for example, the following measures. It is up to the gambling operator in each specific case to assess what is sufficient to fulfil the requirements of the AML Act.

- The gambling operator obtains information from the PEP in question.
- The gambling operator uses the information about the customer that is already available in the operator's systems.
- The gambling operator uses the external sources that the company has access to, such as the internet and news media.
- The gambling operator subscribes to one or more of the service providers that offer information about who is a PEP, a family member of a PEP or a close associate of a PEP.

- The gambling operator actively verifies information that the company is unsure of, e.g. by asking the relevant customers.

6.5.3.6 The Danish Financial Supervisory Authority's lists of politically exposed persons  
The Danish FSA maintains, updates and publishes lists of current politically exposed persons in Denmark, Greenland and the Faroe Islands. There is a link to the lists on the Danish Gambling Authority's website under the section on "Prevention of money laundering".

The lists contain information about name, date of birth and job title. The lists do not contain information on family members or close associates of PEPs, who must therefore be identified by other means.

The lists are based on information reported to the Danish FSA. The regulation requires undertakings, agencies and organisations that have an employer-like relationship with a PEP to report information on name and to report when changes occur.

Please note that the lists are a tool for conducting a search to identify whether a customer is a PEP, but that the gambling operator may need to collect information elsewhere, e.g. from domestic PEPs and related and close business partners in order to establish that there is identity similarity and not just name similarity.

#### 6.5.3.7 Commercial providers of PEP lists

Gambling operators can subscribe to private commercial providers as part of their business processes to provide solutions for PEP lists and the identification of family members and close associates of PEPs.

Such systems can help gambling operators to obtain information on PEP status, including the status of the PEP and of a family member or close associate of a PEP. However, gambling operators must also assess whether there is a need to use other sources to obtain the information.

There is no requirement to use such systems, and it is up to the gambling operators themselves to assess whether it is a tool they want to purchase access to.

The requirements for the gambling operator's processes depend on the size of the business, which means that the requirements for large gambling operators' processes are more extensive.

#### 6.5.3.8 Determining the origin of the PEP's funds and assets

The gambling operator shall, in the case of the PEP, also take appropriate measures to determine the origin of the funds and property of the PEP involved in the business relationship or transaction. It appears from 18(2) of the AML Act. Obtaining information to determine the origin of the funds shall be based on a risk assessment of the customer relationship sought to be established by the PEP.

The risk assessment may include elements such as the customer's country of residence, the customer's position, the customer's reputation, etc. Appropriate measures may also include a risk assessment in relation to the product a customer has chosen. High-risk products with large transactions require more in-depth investigations than products with limited risk.

For example, based on the risk assessment, the gambling operator may request the PEP to provide the necessary information. This could be bank statements, pay slips or similar. It may be necessary to obtain the information from the customer if the gambling operator does not already have the information or if the information that the gambling operator has is no longer up to date.

In cases where the gambling operator has in-depth knowledge of the PEP's financial circumstances, e.g., as a result of a multi-year customer relationship, the gambling operator may, based on a risk assessment, decide that the knowledge held by the gambling operator is sufficient to determine the origin of the funds and assets covered by the business relationship. The gambling operator may also obtain information from external sources or similar, e.g., by searching the internet.

#### 6.5.3.9 Enhanced monitoring

There is a requirement for enhanced monitoring of a business relationship with a PEP, their family members and close associates. It appears from section 18(4) of the AML Act.

The extent of the enhanced monitoring can be based on a risk assessment of the PEP. Individuals from countries where there is a high level of corruption could potentially be said to pose a higher risk of money laundering or financing of terrorism, and it will therefore be necessary to pay extra attention to such individuals. Thus, it is possible to differentiate between politically exposed persons residing in Denmark and politically exposed persons residing in a country with an increased level of corruption. The risk assessment carried out cannot lead to a decision not to carry out enhanced monitoring.

An example of a breach of the provision is a company where a politically exposed person is monitored in the same way as the rest of the customer portfolio, which is not otherwise subject to enhanced monitoring.

#### Example

Enhanced monitoring of a PEP could be, for example, setting lower or more frequent thresholds for triggering an alarm for the PEP in question or updating customer knowledge more frequently.

#### 6.5.3.10 Ongoing assessment of PEP status

Even if a customer has not been identified as a PEP at the establishment of the business relationship, the customer's status may change during the course of the customer relationship. A customer who has not previously been a PEP can become a PEP.

Similarly, the status of the PEP can change over the course of the customer relationship. A PEP may cease to be a PEP during the customer relationship.

Gambling operators must therefore continuously ensure whether existing customers have either become PEPs or have ceased to be PEPs, family members or close associates of a PEP. This can be done by, for example:

- Sufficiently frequent screening of all existing customers against the FSA's list of PEPs.
- Sufficiently frequent screening of existing customers against PEP lists offered by a commercial PEP list provider.
- Manual PEP check when otherwise reviewing a customer relationship, e.g., if a customer's transactions warrant further investigation.
- Search external sources, e.g., internet and news media.

#### 6.5.3.11 Termination of PEP status

When a person no longer holds the position that made the person a PEP, the gambling operator must, for a minimum of 12 months after the termination of the person's PEP status, assess whether the person poses an increased risk of money laundering and financing of terrorism.

Enhanced customer due diligence procedures must be applied in accordance with section 17(1) of the Danish AML Act until the person is not deemed to pose an increased risk.

The assessment must include factors such as the person's continued relationship with their previous position, including relationships with former close associates and colleagues.

If the person upon termination of employment is assessed not to pose an increased risk of money laundering or financing of terrorism, the gambling operator must carry out customer due diligence procedures in accordance with section 10 of the AML Act, and the customer will again be risk assessed in accordance with section 11 of the AML Act.

This does not apply to family members or close associates of a PEP, who should generally be treated as other customers from the moment the PEP ceases to be a PEP. Family members and close associates are thus only subject to enhanced customer due diligence procedures under section 17 of the AML Act if the customer who was previously a PEP is assessed to pose an increased risk of money laundering or financing of terrorism.

## 6.6 Termination of an established business relationship and inadequate information

## Sections 14(5) and 15 of the AML Act

### 6.6.1 Obligation to terminate a customer relationship

In some cases, a gambling operator is obligated to suspend or terminate an established business relationship. This is the case if the requirements of section 11(1) nos. 1-4 and 11(2) and (3) of the AML Act (customer due diligence procedures) cannot be met. It appears from section 14(5) of the AML Act.

The provision of the Act does not regulate a gambling operator's opportunity to reject a customer or terminate an established business relationship. Nevertheless, the opportunity to suspend or terminate a customer relationship can be regulated in other legislation or in the contract with the customer.

Before a gambling operator is obligated to suspend or terminate an established business relationship, the gambling operator must examine whether the customer due diligence procedures can be completed in another way in relation to the specific customer or according to the procedure normally followed by the gambling operator.

For example, it is not adequate to terminate the business relationship if the customer does not want to hand over a copy of their passport. In such situations, the gambling operator must assess whether the reason for the customer's refusal to hand over the information can cause a suspicion of money laundering or financing of terrorism. If the reason does not cause a suspicion, for example because the customer does not want the gambling operator to keep a copy of the passport, the gambling operator must attempt to collect the desired information in another way.

This means that the gambling operator is only obligated under the AML Act to suspend or terminate a business relationship if it is not possible for the gambling operator to complete the customer due diligence procedures and there is a suspicion of money laundering or financing of terrorism.

If a gambling operator decides that a business relationship must be suspended or terminated, further transactions or activities cannot be carried out for the customer. The gambling operator must at the same time examine if a notification should be made to the Danish Financial Intelligence Unit. In most situations, the gambling operator should send a notification if they suspend or terminate a customer relationship, since in principle the obligation to suspend or terminate a customer relationship only applies if there is a suspicion of money laundering or financing of terrorism.

### 6.6.2 Inadequate information

If a gambling operator becomes aware that the information collected in connection with the customer due diligence procedures are inadequate and cannot be updated, the gambling operator must take appropriate measures to mitigate the risk of money laundering and financing of terrorism, including consider whether the business connection must be terminated under section 14(5) of the AML Act as stated above.

It could, for example, be the case when the gambling operator in connection with the regular customer due diligence procedures becomes aware that the information collected are inadequate. It may also be the case if the gambling operator cannot update the information, for example because the customer does not want to hand over the information or it is not possible to get into contact with the customer.

In such cases, the gambling operator must specifically assess which measures must be taken to address the risk of money laundering or financing of terrorism in other ways.

Appropriate measures could be to not offer the customer new products, to intensify the monitoring of the customer or to limit the customer's transaction amounts. The measures taken by the gambling operator must always be appropriate relative to the specific risk of money laundering and financing of terrorism associated with the customer. The gambling operator can include in the assessment the information already collected on the customer in connection with the customer due diligence procedures.

The provision is relevant in situations where there is no authority to suspend or terminate a business relationship under section 14(5), since there may be a need for addressing the risk of money laundering and financing of terrorism in another way.

# **Assistance from third party, groups and outsourcing**

# 7

## 7.1 Assistance from third parties

Gambling operators may choose to entrust a third party with obtaining and checking information about customers in accordance with section 11(1) no. 1-4 of the AML Act. It appears from section 22 of the AML Act.

It is the one who establishes the customer relationship – that is the gambling operator – who is responsible for ensuring that the rules and obligations of the AML Act are complied with. The information that can be left to a third party to obtain is limited to information pursuant to section 11(1) nos. 1-4 of the AML Act. The gambling operator must therefore obtain information itself to supplement those provided by the third party and in addition to this apply other relevant stricter measures itself. However, a third party can assist with the information about whether a customer is a politically exposed person.

### 7.1.1 The conditions for using assistance from a third party

Gambling operators may use assistance from a third party to obtain and check identity information if the information is made available by one of the following:

- An undertaking or an individual who is subject to section 1(1) of the AML Act. This means that a gambling operator may choose to obtain information about the customer from another undertaking or individual subject to the Act if the third party has already applied customer due diligence procedures to the customer. It is not required that the undertaking must be of the same type, i.e., the gambling operator can base its knowledge about a customer's identity on information obtained from e.g., a bank.
- A third party established in an EU/EEA state or another state, which is subject to requirements for combating money laundering and financing of terrorism equivalent to the requirements following from the 4th Anti-Money Laundering Directive. It is a condition that the third party, which provides the information is subject to requirements on customer due diligence and record-keeping of information equivalent to the requirements of the 4th Anti-Money Laundering Directive and is subject to supervision of compliance with the rules.

A gambling operator cannot make use of assistance from a third party established in a country, which is listed on the European Commission's list of countries where a high risk of money laundering is assessed to be present. If a gambling operator chooses to use information obtained by a third party established in a country outside the EU, the gambling operator is responsible for assessing whether the third party is subject to customer due diligence requirements etc. equivalent to the requirements of the AML Act.

- A member organisation or consolidation or individuals as stated under items 1 and 2. Who are subject to rules on preventive measures against money laundering and financing of terrorism equivalent to the requirements following from the 4<sup>th</sup> Anti-Money Laundering Directive and is subject to supervision by an authority.

If a gambling operator makes use of a third party to obtain information, the gambling operator must ensure that the third party is obliged, upon request, to immediately provide a copy of the identity and verification information about the customer and other relevant documentation to the gambling operator. It appears from section 22(3) of the AML Act). It may be necessary that other information, including information about the scope of gambling activity and specified types of games automatically be sent to the gambling operator in order for the information to be included in the gambling operator's risk assessment or monitoring of the customer.

## Section 22 of the AML Act

If a gambling operator makes use of assistance from a third party, the gambling operator must obtain adequate information about the third party to assume that the third party complies with the requirements for customer due diligence procedures and record-keeping of information. It appears from section 22(2) of the AML Act. The gambling operator can comply with this requirement by asking the third party to account for the business procedures implemented and met by the third party to comply with the requirements of the AML Act.

It would also be relevant to obtain information on whether the third party has received orders from supervisory authorities in relation to identification of customers and if the orders have been complied with.

## 7.2 Groups

Gambling operators that are part of a group may leave it to another unit of the group to comply with the requirements of the customer due diligence procedures of section 11(1) nos. 1-4 of the AML Act. It appears from section 23 of the AML Act.

Thus, consolidated gambling companies have the option to get assistance from each other in relation to obtaining identity information and the control hereof. Thereby, an undertaking can use information about the customer's identity etc. when it has been obtained by a consolidation. However, to use this option, it is required that the group applies customer due diligence procedures, rules on record-keeping of information, and programs for combating money laundering and financing of terrorism in accordance with the requirements of the 4<sup>th</sup> Anti-Money Laundering Directive. In addition to this, it is required that an authority supervises the compliance with the requirements at a group level.

By programmes for combating money laundering and financing of terrorism is meant the groups policies and business procedures in the AML area.

Processing of personal data in connection with the use of third parties must be carried out in accordance with the rules of the general data protection legislation.

## 7.3 Outsourcing

### 7.3.1 Which tasks may be outsourced?

A gambling operator may, in accordance with section 24 of the AML Act, choose to outsource tasks to another undertaking (hereinafter referred to as the supplier) for the purpose of complying with the requirements of the AML Act. As a rule, all obligations following from the AML Act can be outsourced to a supplier. It may be tasks such as:

- Obtaining identity and control information to be used for the gambling operator's customer due diligence procedures
- Record-keeping of information
- Notifications

In relation to the data protection requirements, it is noted that a data processing agreement between the gambling operator and the supplier must be entered into. Please see the Danish Data Protection Agency's guidances, which are available on [www.datafilesynet.dk](http://www.datafilesynet.dk).

## Section 23 of the AML Act

## Section 24 of the AML Act

### 7.3.2 Conditions for outsourcing

There are certain requirements that must be met before a gambling operator can enter into a contract on outsourcing. It appears from section 24(1) of the AML Act.

Before a task can be outsourced, the gambling operator must make sure that the supplier:

- has the necessary ability and capacity to manage the task in a satisfactory way, and
- holds the necessary licence(s).

#### 7.3.2.1 The necessary knowledge and capacity

The necessary knowledge and capacity mean that the supplier must have a relevant and professional knowledge of the AML Act and the tasks which the supplier will perform for the gambling operator in accordance with the AML Act.

For example, it means that the supplier must have knowledge of how, when and why customer due diligence procedures must be performed to comply with the rules of the AML Act. The gambling operator must in this way ensure that the supplier holds sufficient knowledge and tools to perform customer due diligence procedures before the task is outsourced.

The necessary capacity means that the supplier must have the necessary resources to perform the outsourced tasks.

#### 7.3.2.2 The necessary licences

In addition, it is a condition that the supplier legally can meet the requirements of the outsourced obligation. This requirement entails that the supplier must have the necessary licences across relevant legislation to fulfil the obligation and thereby take on the task. For example, it could be a licence as a manager for the use of provision of land-based betting.

### 7.3.3 Who can take on outsourced tasks?

There are no requirements in the AML Act for who can take on outsourced tasks and it is not a condition that the supplier itself is subject to the AML Act.

However, it is important that the gambling operator ensures that the conditions for outsourcing are met before the gambling operator enters an agreement on outsourcing. A contract must exist between the gambling operator and the supplier on the tasks and obligations taken on by the supplier. The requirements which the supplier must comply with must be listed in the contract.

### 7.3.4 Control

The gambling operator must carry out an ongoing control of the supplier to ensure that the supplier meets the obligations that follow from the agreement between the parties and that the agreement on outsourcing remains justifiable. It appears from section 24(2) of the AML Act.

The provision thus requires that the gambling operator continuously checks that the supplier fulfils the obligations arising from the agreement and, in continuation of this, assesses whether the agreement entered into is still sound – i.e., whether the supplier has the necessary ability and capacity to perform the task and that the required licenses are available.

The soundness must be assessed based on the requirements imposed on the gambling operator under the AML Act. In order to fulfil the verification requirement, it is essential that the gambling operator, before entering into the agreement, ensures that the gambling operator has access to carry out the relevant verification. The frequency and scope of the controls

must be assessed based on a risk assessment, the complexity of the outsourcing agreement and the results of any previously conducted controls, etc. This could be, for example, if a supplier has previously failed to comply with requirements in the outsourcing agreement.

The gambling operator must therefore impose the same requirements on the supplier as the AML Act imposes on the gambling operator. This means that the supplier must comply with the rules on, for example, customer due diligence procedures in the same way as if the gambling operator itself was responsible for carrying out customer due diligence procedures.

It is thus a requirement that the conclusion of an outsourcing agreement does not impair the fulfilment of the legal requirements by outsourcing to a supplier.

### **7.3.5 Liability**

As mentioned, all obligations arising from the AML Act can be outsourced - but not the liability. The liability always rests with the gambling operator and means that the gambling operator always bears full responsibility for the obligations that the gambling operator has under the AML Act and other EU or data protection legislation. This means that the responsibility for ensuring that outsourced tasks are carried out in accordance with the AML Act lies with the gambling operator. The gambling operator is therefore also responsible for ensuring that the supplier follows any anti-money laundering and counter financing of terrorism procedures of the gambling operator that are relevant to the outsourced task. It appears from section 24(4) of the AML Act.

### **7.3.6 Retailer of land-based betting**

When a gambling operator provides land-based betting via an external retailer, and in that connection has outsourced Anti-Money Laundering obligations, for example, customer due diligence procedures, the retailer is considered a supplier, and, on this basis, a contract on outsourcing must be made. In addition, a data processing agreement must be entered into with the retailer in question. This must be done to ensure that the retailer is familiar with the requirements of the AML Act and the data protection legislation.

It is the retailer who meets the customer at the gambling premises and who can react in case of, for example, any suspicion of money laundering based in the customers activity and behaviour.

For the retailer to perform customer due diligence procedures in accordance with the legislation, the gambling operator must ensure that the retailer and its employees have the necessary ability and capacity to perform the task satisfactorily and thereby know how to perform the task.

The gambling operator can comply with their responsibility via the business procedures which the operator must prepare for their retailers under section 8(1) of the AML Act. For example, this can be business procedures for what is considered suspicious activity or behaviour. The business procedures must enable the retailer to find how they must control and assess whether a customer displays suspicious behaviour.

The gambling operator can also comply with their responsibility by training their retailers and the retailer's employees in the task and the rules. For example, this can appear from the outsourcing agreement.

The gambling operator must continuously supervise that the retailer performs the outsourced task in accordance with the requirements of the Act, and on this basis assess whether the retailer can continue to perform the gambling operator's obligations under the AML Act. If the

gambling operator, in connection with the supervision, observes that the retailer does not fulfil the outsourced task, the operator must assess whether it is still safe to have the retailer sell the gambling operator's products.

The requirements for the scope of control also depends on how the gambling operator in its risk assessment under section 7(1) of the AML Act has identified and assessed the inherent risk connected to selling its products via external retailers.

As stated in section 7.3.5, the gambling operator is the legal entity responsible and thereby hold the responsibility if the retailer does not comply with the requirements of the legislation.

Also, see section 3.2.3 on risk factors for land-based betting and section 5.2.1 on training.

# Obligation to investigate and register

8

## 8.1 Duty to investigate

Gambling operators subject to the AML Act must, pursuant to section 25(1) of the AML Act, investigate the background and purpose of all transactions that:

- 1) are complex,
  - a) the transaction involves multiple parties or multiple jurisdictions; or
  - b) the transaction allows the customer to receive payments from an unknown third party.
- 2) are unusually large,
  - a) based on knowledge of the specific customer and their transaction patterns and product portfolio.
- 3) is made in an unusual pattern or
  - a) based on the customer's or customer type's usual behavioural patterns.
- 4) does not have an apparent economic or lawful purpose.

If even one of the above conditions is met, the gambling operator must initiate an investigation into the background and purpose of the transaction. The gambling operator must, where relevant, extend the monitoring of the customer for the purpose of determining whether the transactions or activities appear suspicious. This appears from section 25(2) of the AML Act. See more details in section 8.1.2.

The gambling operator must have procedures in place to identify the above transactions. In practice, this means that it is up to the gambling operator to define what constitutes "complex transactions", "unusually large transactions", as well as "unusual transaction patterns" and activities that "do not have an apparent economic or lawful purpose" in their context. It is therefore not enough to simply state that you are investigating unusual transactions. The gambling operator's knowledge of a customer's behaviour can also strengthen suspicions if there are unusual activities in relation to the customer's gambling account. For example, a customer might go from playing only gambling machines to suddenly start betting. This is a change in customer behaviour, and it should be investigated by the gambling operator what has caused this change. Unusual activity can also occur if the customer asks for winnings to be deposited into a different bank account than before.

If it is clear based on the customer's behaviour that a case involves money laundering or financing of terrorism, the gambling operator can notify the Danish Financial Intelligence Unit without instigating an investigation. The purpose of the investigation is to disprove or confirm an assumption or a suspicion that a transaction or an activity is or has been linked to money laundering or financing of terrorism. Consequently, the investigation can be omitted if it is clear to the gambling operator already before an investigation that it is money laundering or financing of terrorism.

### 8.1.1 What does the investigation consist of?

The starting point in an investigation of a customer will be to compare the information the gambling operator already holds on the customer, including information about purpose and the intended nature of the business relationship, with what looks suspicious. The gambling operator does not have to prove that money laundering or financing of terrorism has taken place, but only has a duty to investigate a suspicious circumstance and then react by notifying the Danish Financial Intelligence Unit if a suspicion cannot be disproved.

In addition, the gambling operator can, for example, search various search engines and directories to see if the suspicion can be disproved. This can be on social media, housing sites, Statstidende, virk.dk and the like.

## Section 25(1) and (2) of the AML Act

The gambling operator may also contact the customer to obtain information about the purpose of the transaction/activity. In many cases, the customer's explanation will not be enough to disprove a suspicion. It may therefore be relevant to ask the customer for documentation to support their explanation. This can be done by asking the customer to document the information, including the origin of the funds, e.g., by presenting/submitting copies of pay slips from an employment relationship.

In some cases, the gambling operator will be able to disprove a suspicion based on their knowledge of the customer. For example, if an employee at a land-based casino notices that a well-known poker player is making an unusually large transaction. However, the casino knows that the poker player has just won a big poker tournament, so the unusually large transaction can be explained by the winnings from the poker tournament.

If the suspicion can be disproved, there is no obligation to make a report. But it is not enough that the suspicion is merely weakened.

The requirements to disprove a suspicion do not imply that the gambling operator must launch an extensive investigation or conduct an inquiry. It also does not mean that the gambling operator must always obtain documentation from a customer when suspicions of money laundering have arisen. It simply means that the gambling operator must notify the Danish Financial Intelligence Unit when the gambling operator does not believe it can take an investigation any further within reasonable limits.

If the gambling operator assesses that an inquiry to the customer will give the customer an indication that the gambling operator has a suspicion and is therefore conducting an investigation, or if the gambling operator finds it inappropriate to contact the customer about the matter, the gambling operator must notify the Danish Financial Intelligence Unit if the suspicion cannot be disproved in any other way. See section 13 on the gambling operator's duty of confidentiality.

If the suspicion cannot be disproved by investigation, the gambling operator is obliged to notify the Danish Financial Intelligence Unit immediately.

#### **The origin of the funds**

The origin of funds covers information about

- from which the customer's assets originate
- from which the funds involved in the transaction originate, or
- from where the funds that are part of the business relationship originate.

It is therefore relevant to investigate what values or assets the customer has, as well as how the customer earns their money. In connection with a transaction, it may thus be necessary to investigate all three factors to determine whether a transaction is usual or unusual for the customer in question and thus the possibility for a gambling operator to confirm or disprove a suspicion of money laundering.

### **8.1.2 Enhanced monitoring**

Gambling operators shall, where relevant, extend the monitoring of the customer for the purpose of determining whether the transactions or activities appear suspicious, cf. section 25(2) of the AML Act.

The gambling operator is thus responsible for assessing whether, based on a risk assessment, enhanced monitoring of a customer should be initiated, e.g., if the Danish Financial Intelligence Unit has been notified.

Enhanced monitoring can, among other things, consist of the gambling operator setting a lower threshold value for when an alarm should sound in the monitoring of the customer. It will also be relevant to note on the customer's profile that their behaviour has changed and that this has triggered enhanced monitoring to make employees aware of the customer. In addition, the gambling operator may choose to check the customer's transactions more frequently to see if there are any changes in behaviour, transactions or activities.

## 8.2 Obligation to register

The results of the investigations carried out by a gambling operator under section 25(1) of the AML Act must be registered. It appears from section 25(3) of the AML Act.

The obligation to record information includes factual information about the customer and the transaction or activity, as well as a conclusion on the outcome of the investigation. The note should be sufficient to refresh memory and give others an understanding of the case and its scope. The starting point will often be the customer's own explanation of the purpose of the transaction or activity, documentation of the customer's explanation, possibly combined with explanations obtained from other employees who have contact with or tasks in relation to the customer.

The obligation to register includes both:

1. investigations that lead to the Danish Financial Intelligence Unit being notified
2. investigations that result in the suspicion being disproved, whereby no report is made to the Danish Financial Intelligence Unit.

The obligation to register does not include cases where a machine surveillance system generates so-called false positives, meaning "hits" where it can reasonably be assumed that these do not provide indications of specific suspicious individual cases.

### 8.2.1 Limitation of the right of access

The data subject does not have a right of access to personal data that has been or will be processed in connection with an investigation into suspected money laundering and financing of terrorism. This means that the customer cannot learn about ongoing or already conducted investigations. It appears from section 25(4) of the AML Act.

## Section 25(3) of the AML Act

# Obligation to report

9

## 9.1 Obligation to report

A gambling operator is obligated to report to the Danish Financial Intelligence Unit immediately if the gambling operator suspects or there are reasonable grounds to believe that a transaction, funds, or an activity is or has been linked to money laundering or financing of terrorism. It appears from section 26(1) of the AML Act.

The report must be made immediately. It means that the gambling operator must notify the Danish Financial Intelligence Unit as soon as the internal processes are completed. Internal processes mean the stage from monitoring customer transactions and identifying a suspicion to investigating and clarifying whether the suspicion is considered disproved or not. It is a condition that the gambling operator prioritises the processing of the suspicious transaction or activity so that the investigation is not delayed. Since the report must be made immediately, it is important that the gambling operator has created a user in the system (GoAML) from which the reports must be sent.

The obligation to report also applies to the cases where a possible customer is refused upon the opening of an account due to a suspicion of money laundering or financing of terrorism, just as an attempt of a transaction, which is not completed also calls for an obligation to report if the gambling operator assesses that it gives rise to a suspicion.

It should be noted that a report is not the same as a report to the police.

As a supervisory authority, the Danish Gambling Authority is also obligated to report about factors that may be linked to money laundering or financing of terrorism. This follows from section 28 of the AML Act.

## 9.2 Types of reports

Three types of reports can be made to the Danish Financial Intelligence Unit:

- **STR** (suspicious transaction report): Report on possible money laundering of transaction between undertakings or persons, cash withdrawals or cash deposits.
- **SAR** (suspicious activity report): Report on suspicious activity or behaviour.
- **TFR** (terror financing report): Report on possible financing of terrorism.

## 9.3 How to submit a report

An executive order on formal requirements for the submission of reports etc. to the Danish Financial Intelligence Unit has been issued.

Executive Order no. 657 of 26 May 2023 on the submission of reports etc. to the Danish Financial Intelligence Unit<sup>6</sup>.

Among other things, it appears from the Executive Order that a report must be submitted digitally via [www.hvidvask.dk](http://www.hvidvask.dk) and that the report must include various information.

The gambling operator must check whether the report is accepted or rejected prior to the expiry of the following banking day.

## Section 26 of the AML Act

<sup>6</sup> The Executive Order entered into force on 23 May 2023 and replaces the Executive Order no. 1403 of 1 December 2017 on submission of reports etc. to the State Prosecutor of Serious Economic and International Crime.

For more information on reports and the requirements for the content, please see the Danish Financial Intelligence Unit's website [www.hvidvask.dk](http://www.hvidvask.dk).

## 9.4 Limitation of the right of access

A registered person has no right of access to the personal data relating to him/her, and which is or will be processed in connection with a report. Moreover, a registered person has no right of access to the consideration on whether a report should be made. This follows from section 26(7) of the AML Act.

## 9.5 Suspension of transactions

### 9.5.1 Suspicion of money laundering

Regarding reports on suspicions of money laundering, the gambling operator must refrain from completing a transaction before a report is submitted to the Danish Financial Intelligence Unit if the transaction has not already been completed. It appears from section 26(3) of the AML Act.

For example, it can be in situations where the customer requests a withdrawal from an account and where the gambling operator suspects that the transaction is linked to money laundering.

However, in some situations, it may be necessary to complete a transaction before reporting to the Danish Financial Intelligence Unit. For example, if failure to complete a transaction would harm the investigation, or if a delay of a transaction or activity could pose a risk of causing the person who attempts to launder money to be suspicious. Subsequently, a report must be submitted to the Danish Financial Intelligence Unit immediately.

In some cases, for example in case of instant payments, the transaction is completed before the gambling operator becomes aware of or suspects that a transaction may be linked to money laundering. For example, if a deposit is made to an account and the transaction is completed immediately. In this case, the gambling operator must enhance the monitoring of the customer if subsequent investigations of a transaction are made.

### 9.5.2 Serious or particularly suspicious transactions

Businesses and persons must refrain from completing transactions until a report under subsection 26(1) of the AML Act has been made, and they have obtained an approval from the Danish Financial Intelligence Unit if they know of, suspect or have reason to believe that the transaction concerns money laundering and is serious or particularly suspicious. It appears from section 26(4) of the AML Act and is also called the fast-track procedure.

In the Executive Order no. 431 of 11 April 2023 on transactions subject to the fast-track procedure for AML reports, it appears that serious or suspicious transactions shall be construed as transactions of amounts of DKK 1 million or more.

It means that funds must only be withheld, and transactions must not be completed if there is a suspicion of money laundering and of the transaction concerns an amount of DKK 1 million or more.

The Danish Financial Intelligence Unit will, as soon as possible or within expiry of the following banking day at the latest, decide whether the transaction may be completed or if the transaction must be confiscated.

### **9.5.3 Suspicion of financing of terrorism**

Regarding reports of suspicions of financing of terrorism, the gambling operator must refrain from completing a transaction before a report is submitted to the Danish Financial Intelligence Unit. Subsequently, the transaction can be completed. It appears from section 26(6) of the AML Act.

The Danish Financial Intelligence Unit will, as soon as possible or within expiry of the following banking day at the latest, decide whether the transaction may be completed or if the transaction must be confiscated.

# Record-keeping

10

## 10.1 What information can be stored?

Pursuant to section 30(1) of the AML Act, the gambling operator must store the following information:

- Information collected in connection with fulfilling the requirements of chapter 3 on customer due diligence procedures.
- Documentation of registrations of transactions that are carried out as part of a business relation or a one-off transaction.
- Documents and registrations concerning investigations carried out in accordance with section 25(1) and (3) of the AML Act.

### 10.1.1 Information obtained in connection with customer due diligence procedures

The gambling operator must record information obtained in connection with customer due diligence procedures.

The identity information that the gambling operator obtains is for example name and civil registration number.

Verification information means the information obtained by the gambling operator for the purpose of verifying that the obtained identity information is correct. If an electronic ID from a Danish national identification solution or electronic databases have been used in this connection, the gambling operator must record an audit trail to document that the control in question has occurred.

In addition, it is required that a copy of the identification documents that are presented are recorded, for example copies of a passport or a driving licence. Moreover, it occurs that a copy of a credit card is submitted upon the opening of an account at an online gambling operator. Such an identification document is also covered by the rules on record-keeping.

Information on gambling profile, average deposits in accounts, level of activity, the source of funds, and information obtained to risk-assess the customer is also information that must be recorded.

### 10.1.2 Documentation and registration of transactions

The gambling operator must record documentation and registration of transactions that are conducted as part of a business relationship or as a one-off transaction. This exclusively applies to information relevant for a specific transaction, which is subject to the record-keeping obligation. For example, in the case of online gambling, documentation of transactions carried out as part of the customer's stakes on betting must be kept.

### 10.1.3 Documents and registrations regarding investigations undertaken in accordance with section 25(1) and (3) of the AML Act

Information, documents, and registration that are obtained as part of the compliance with the obligation to investigate must be recorded. This also applies to notes made regarding the result of investigations carried out under section 25.

For example, information and documentation of the origin of the customer's funds may have been obtained in connection with an investigation and this type of information must be stored.

## Section 30 of the AML Act

## 10.2 For how long must the information be stored?

The information, documents and registrations must be stored for at least five years after the termination of the business relationship or the completion of the individual transaction.

As for business relationships, it is noted that in case an account is closed, but the same customer creates a new account within five years, the former customer relationship resumes, which is why the previously obtained information must not be deleted after five years from the termination of the first customer relationship.

It should be noted that personal data must be deleted five years after the termination of the business relationship or the completion of the individual transaction unless otherwise stated in other legislation.

## 10.3 Disclosure of information

Information, documents, and registrations must be disclosed when the Danish Financial Intelligence Unit or other competent national authorities addresses the gambling operator to be informed of whether they have or in the five years prior to the enquiry have had business relationships to more specified persons and in what these connections consist or have consisted of. The disclosure must occur via a secure channel that ensures complete confidentiality of the investigations. It should be noted that the rules in the Administration of Justice Act apply in parallel to the above.

# **Whistleblower programme, employees and obligation to report**

# 11

## 11.1 Whistleblower programme

Gambling operators must establish a whistleblower programme that allows their employees to report violation or potential violations of the money laundering legislation committed by the undertaking, including employees or members of the board, via a separate, independent, and autonomous channel. All reports must be able to be submitted anonymously. It appears from section 35 of the AML Act.

The requirement on a whistleblower programme applies to all undertakings that employ more than five employees. The programme must be established no later than three months after the employment of the sixth employee. All employees with an employment contract from the gambling operator must be counted in the number of employees at the operator.

If the gambling operator already has a whistleblower programme as a result of other legislation, this programme may also cover reports according to the AML Act. However, it must be possible for the employee to report anonymously regardless of whether it is required by the legislation as a result of which the existing programme is established.

A whistleblower programme may also be outsourced to an external supplier or be established via a collective agreement, for example by establishing a programme in a trade union to which all employees of gambling operators can report.

As a supervisory authority, the Danish Gambling Authority also has a whistleblower programme, to which employees of gambling operators can report violations or potential violations of the AML Act. It is available on the Danish Gambling Authority's website under the menu "Contact". The programme offers an option of two-way communication, communication by telephone or scheduling a meeting in person. Please note that the Danish Gambling Authority's whistleblower programme does not replace the gambling operator's obligation to establish a whistleblower programme. Thereby, it only functions as a supplement. For more information on the Danish Gambling Authority's duty of confidentiality in relation to receiving reports, please see the guide on the Danish Gambling Authority's AML supervision.

### 11.1.1 Independent and autonomous

The fact that the programme must be independent and autonomous means that it must be independent of the day-to-day management and that the reports must be able to be made outside the usual procedures.

### 11.1.2 Anonymity

It may be difficult for an employee to decide to report a violation to the gambling operator if this cannot be made anonymously. Therefore, it is a requirement that complete confidentiality can be guaranteed so that it is not possible to trace the sender. In addition, the reports should only be accessible to the unit or employee who processes the reports.

#### Example

If IT based solutions are used such as an online contact form, it must be possible to send the report without stating any contact information and with no possibility of tracing the computer's IP-address or similar.

## Section 35 of the AML Act

### 11.1.3 Gambling operators with fewer than five employees

If the gambling operator has less than five employees there is no requirement for a whistleblower programme.

For employees of gambling operators with fewer than five employees, it is possible to report to the Danish Gambling Authority's whistleblower programme.

The Danish Gambling Authority can grant an exemption from the requirement for a whistleblower programme if it is assessed that it would be pointless to establish a whistleblower programme. This may be the case if the undertaking only for a limited period of time employs more than five employees, or if the undertaking is in liquidation.

### 11.1.4 Documentation

A gambling operator must follow up on reports to the programme and be able to document in writing how the reports are followed up on.

As a supervisory authority, the Danish Gambling Authority will be able to request to see the written documentation, which is recorded. As a minimum, the information must include what the report is about, documentation on how the report has been processed, and which decisions that have been made as a result of the processing.

Moreover, a gambling operator should record relevant email correspondences, internal investigation reports, and other relevant material that document that the gambling provider adequately has followed up on the reports received. The documentation must as a minimum be recorded for five years.

### 11.1.5 Retailers of land-based betting

A gambling operator that provides land-based betting should make the operator's whistleblower programme available to retailers and their employees so that they can report violations or potential violations via the gambling operator in question's whistleblower programme. In addition, it will as a supplement be possible for retailers and their employees to report to the Danish Gambling Authority's whistleblower programme.

## 11.2 Employees

An employee or a former employee who has reported to the gambling operator's or the Danish Gambling Authority's whistleblower programme must not be subject to adverse treatment or adverse consequences as a result of the report. The same is the case if an employee or former employee states an internal report on the basis of a suspicion or submit a report to the Danish Financial Intelligence Unit on a suspicion of money laundering or financing of terrorism. The same applies to the determination, allocation, and payment of variable salary to employees or former employees. It appears from section 36 of the AML Act.

It should be noted that the Danish Gambling Authority does not supervise the compliance with section 36 of the AML Act.

## Section 36 of the AML Act

### 11.2.1 Compensation

If the employee or former employee experiences being subjected to adverse treatment or adverse consequences after having submitted a report, the employee or former employee may claim a compensation from the gambling provider at the ordinary courts.

## 11.3 Obligation to report

The day-to-day management of the gambling operator must without undue delay report to the senior management body of the undertaking on warnings about money laundering or financing of terrorism received from employees or others, for example foreign authorities or whistleblowers. The same applies to key figures who without undue delay must report to the day-to-day management or the senior management body of the undertaking. It appears from section 36a of the AML Act.

The reporting requirement means that the undertaking's senior management body must be made familiar with all relevant information on the warning, including the content, the sender, (if this information is provided), and under which circumstances the warning was received.

If the report received is obviously unfounded, for example because it regards matters that are not adequately specific or if the report comes from a sender who is not assumed to have insight into the threat of money laundering or financing of terrorism, then reporting to the undertaking's senior management body should not occur, as the report in this way falls outside the warning concept. A decision not to report must be documented.

The undertaking's senior management body must relate to the warning report and on this basis and prompt the necessary and appropriate measures. It may be by stopping a suspicious transaction, notifying the Danish Financial Intelligence Unit, or conduct an internal investigation of suspicious circumstances and as a result hereof change the business procedures of the undertaking.

## Section 36a of the AML Act

# Financial sanctions

12

## 12.1 Financial sanctions

Gambling operators subject to the AML Act must comply with acts and regulations containing rules on financial sanctions against countries, persons, groups, legal persons or bodies and thereby, among other things, ensure against that the offer enables a customer's direct or indirect disposal of financial means if the customer is listed in the annexes to the specific regulation. The situation is relevant where gambling is provided in countries or to persons covered by the regulation, and if e.g., customers in Denmark can interact with these persons through P2P platforms such as poker platforms.

It means that a gambling operator must screen their customers against the lists that apply and are updated. It is up to the gambling operator to ensure that screenings are carried out. This can take place, for example, by using providers of screening tools.

All EU regulations that include sanctions are available on the EU's website. EU regulations are regularly adjusted with new individuals and the [EU has created a "Sanctions Map"](#) where all individuals directly subject to sanctions can be found. Individuals subject to requirements for freezing of assets are marked with a frost symbol.

In addition to the individuals listed in the EU regulations, gambling operators are also obligated to ensure that the businesses' customers are not listed on the UN's Security Council Consolidated Lists. The names of the individuals, groups, businesses, and units appear which the UN has either added or removed from a list. The information is not yet completed in the EU legislation. The names on the list will be removed when the EU has completed the updates in the EU regulations and published it in the EU's Official Journal. The list is available on [Danish Business Authority's website](#).

Freezing of assets is an administrative temporary action. Freezing of assets does not concern the ownership of the assets, which still belong to the owner. When the individual no longer appears from the list of sanctions, the assets must be returned to the owner. Freezing of assets must take effect immediately when an individual is added to a list of sanctions.

Updates of e.g., regulations on sanction lists may occur regularly and it is therefore important that the gambling operator makes sure that the company always uses the updated lists.

Please see the Danish Business Authority's website for more information on sanctions and freezing of assets. On their website, a guide on freezing of assets is also available.

# Duty of confidentiality

13

### 13.1 What information is subjected to confidentiality?

Gambling operators are obligated under section 38(1) of the AML Act to keep confidential the following information:

- That a report to the Danish Financial Intelligence Unit has been submitted.
- That it is considered whether a report must be submitted.
- That an investigation is conducted.
- That an investigation will be conducted.

Only the above information is covered by the duty of confidentiality. Therefore, it may occur that information about a suspicion is disclosed to other legal units of a group that are not covered by the duty of confidentiality. It may also occur that information is disclosed to other legal units that are not part of the same group, for example if a subcontractor detects a suspicious behaviour of a customer and subsequently informs the gambling operator of this. Thus, a gambling operator may also inform another gambling operator of the former's suspicion that an employee at the latter has violated the AML Act. In all cases, there are data protection rules that must be observed and complied with.

The duty of confidentiality is indefinite, which means that the gambling operator must not disclose to a customer that the gambling operator has submitted a report on the customer before, but that the report did not lead to anything.

The above information is subject to confidentiality since it will harm a potential investigation if the information is not kept secret.

### 13.2 Exemptions from the duty of confidentiality

The Danish Gambling Authority can request information for the use of the Danish Gambling Authority's supervision from gambling operators. Upon request, the gambling operator can disclose the information below to the Danish Gambling Authority under section 38(2) of the AML Act:

- That a report has been submitted to the Danish Financial Intelligence Unit.
- That it is considered whether a report must be submitted.
- That an investigation is conducted.
- That an investigation will be conducted.

The exemptions do not entail a general duty of the gambling operator to inform the Danish Gambling Authority of reports.

In addition, disclosure can be made for law enforcement purposes, which includes prevention, investigation, detection, and prosecution of criminal offences and, moreover, the protection and prevention of threats to the public security.

It is also not considered a violation of the duty of confidentiality if a gambling operator in good faith provides reports or information pursuant to the obligation to report of section 26 of the AML Act, and thus, it does not impose any form of liability on the gambling operator, its management, or employees. It appears from section 37 of the AML Act.

## Section 38(1) of the AML Act

## Sections 37 and 38(2) of the AML Act

