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## MONEY LAUNDERING AND THE LOTTERY INDUSTRY IN GHANA: THE NEED FOR REGULATION

The lottery industry in Ghana has over the years witnessed tremendous growth in its membership and continues to provide revenue needed for national development. However, the lottery industry lives much to be desired in the area of regulations. Recent news of underhand dealings in the industry provides a conduit for money launderers to perpetuate their illegal activities.

Whenever large sums of money change hands, criminals and terrorists may attempt to Manipulate the system to disguise their illegal activities. Lottery organizations must therefore be aware that their operations could be targeted by money launderers. Whether that risk is real or perceived, the cost of inaction could be unacceptably high.

Today, the stated-controlled sector of the gaming economy has the opportunity to demonstrate responsible leadership in the fight against money laundering, differentiating itself as a force for

public good at the same time as limiting its legal liability. Regulators and owners of the lottery industry must as a matter of grave concern adopt the following measures as a way of helping lottery organizations to implement general provisions into practice.

### **A. Internal controls, policies and procedures**

#### *Responsibilities and accountabilities*

Lotteries should establish clear responsibilities and accountabilities to ensure that policies, procedures and controls are introduced and maintained to deter criminals from using the lottery facilities for money laundering, thus ensuring that the organization complies with its legal obligations. It is difficult to achieve this objective unless a person within each lottery organization is given responsibility and the necessary authority for carrying out this function.

Lotteries should therefore appoint a compliance officer to undertake this role. In addition, this compliance officer should be the central point of contact with the relevant authority tasked to supervise money laundering activities. The functions of the compliance officer should be to:

- receive and vet suspicious activity reports from staff
- file suspicious transaction reports with the authority
- develop an anti-money laundering compliance program including a formal policy and strategy to be approved by the lottery executive committee
- ensure that the anti-money laundering compliance program is implemented, monitored and continuously improved
- coordinate training of staff and retailers in anti-money laundering awareness, detection methods, etc.
- monitor any updates or major changes in anti-money-laundering laws and regulations

### *Recommended procedures*

All lottery organizations should:

- have procedures in place relating to the identification of their players and the verification of player identity in instances where significant amounts of money are involved
- have procedures in place for prompt validation of suspicions and subsequent reporting to the relevant authority
- provide the compliance officer with necessary access to systems and records to fulfill his duties
- maintain close cooperation and liaison with the relevant authority .Lotteries should make arrangements for regularly verifying compliance with policies, procedures and controls relating to money laundering activities in order to satisfy the lottery executive management that the requirement to maintain such procedures has been followed. Larger lotteries may wish to ask their internal control department to undertake this role, while smaller organizations may wish to introduce a regular review by management.

It is important that the processes and responsibilities for monitoring compliance with and the effectiveness of anti-money laundering policies and procedures are clearly documented in the form of policy and internal procedural documents. These documents should address:

- assessment of the risk (regarding the activities and the organization of the lottery)
- due diligence
- monitoring
- reporting procedures/guidelines
- training and awareness
- cooperation with authorities in charge of money laundering problems
- anti-money laundering annual report

## **B .Identification procedures**

### *Know your customer (KYC)*

As new distribution channels are adopted, it is increasingly important for lottery organizations to know their customers – not only to verify compliance with age or territorial restrictions, for example, but also now to mitigate the potential risks of placement of dirty money. Player identification and registration procedures, and the possibility of including specific provisions in the rules and regulations of lottery games, all need to be taken into account if lottery organizations are to protect themselves from money laundering risks, real or perceived. A policy and related procedures should be developed to document the organization’s approach to player and winner identification. The “Know your customer” requirements consist in obtaining full particulars of the identity of players (which may need to be verified in certain circumstances) and a sound knowledge of the game type and sales channel in which the player is seeking to participate. This knowledge effectively allows for proper risk analysis. The need for lotteries to know their players is important for the prevention of money laundering. A player might establish an account under a false identity to ensure that they cannot be traced or linked to the proceeds of the crime that the lottery is being used to launder.

In particular, the identity of players should be obtained and, if possible, verified in the following instances:

- if a player opens a player account with the lottery organization
- if a player account remains inactive for a year or more and the player wishes to recommence playing activity

- if payments are made for participation in games (or game types) above a certain value, which should be determined in accordance with legal and regulatory requirements and/or as determined by risk assessment

*What is “Identity”?*

To allow for proper investigation in case of suspicious activities, lottery organizations should collect full details of a player’s identity. The following details are recommended as minimum requirements:

- full name
- other names used
- residential address
- country of citizenship
- date of birth (also for age control)
- if appropriate, social security number/national insurance number

Lottery organizations should consider means to formally verify the identity information given by players (e.g. checking banking details for the payment of prizes against with the player details given, etc.).

*Trust, nominee and fiduciary accounts*

Trust, nominee and fiduciary accounts are a popular vehicle for criminals wishing to avoid the identification procedures and mask the origin of the criminal money they wish to launder.

In addition to the usual procedures relating to the identification of the account holder, measures should be taken to establish and verify the identity of the underlying beneficiary on whose behalf an applicant for prize payment is acting. A request for payment on behalf of a

beneficiary without the applicant's identifying their trust or nominee capacity should be regarded as suspicious and should lead to further enquiries.

### *3.2.2 Know your staff and retailers*

Because most lottery operators limit the prizes that can be paid out by retailers, major wins are cashed at the lottery headquarters or prize payment center, where strict procedures should be in place to verify the prize and the winner's identity. These procedures should be in place at every point in the operation where the winner could be identified and intercepted before claiming a prize (e.g. at lottery headquarters, at call centers, etc.). Personnel who deal directly with winners should be carefully vetted. Winner databases should be monitored continuously so that the lottery organization is alerted in a timely fashion to patterns of repeat wins that defy the laws of probability or for payment of major prizes. No lottery organization can rule out the possibility of collusion between a money launderer and a retailer or lottery employee in an attempt either to disclose winners' identities or transfer paid-out prizes to a money launderer at a premium.

## **C. Registration, record keeping and monitoring processes**

### *Registration of players*

In line with the identification procedures above, lottery organizations should consider implementing formal player registration procedures for certain games or game types.

Registration can be combined with loyalty card initiatives, which can act as a helpful marketing tool. Gaming products offered via the Internet should always involve a player account based on formal registration. Such player accounts should be monitored and payments to such accounts for participation in games should be limited per transaction and period.

### *Payments from players*

Payments to player accounts should preferably be made by credit/debit card, electronic transfer, wire transfer, check or vouchers previously purchased via a lottery retailer. Such payments based on financial transactions should only be accepted if they are processed through properly established, reputable and well-regulated financial institutions. Payments above a certain value in cash should be reviewed. Lottery retailers should therefore be well-trained and aware that such transactions could be suspicious and report these to the lottery.

### *Payments to players*

Payments to registered players should only be made to the bank account provided (and verified) or to the address shown to be their residential address. Under no circumstances should payments be made to third parties or to jurisdictions other than the jurisdiction from which the money for participation was paid into the players account. Any attempt by a player to structure payments to avoid any reporting requirements to the authorities should be the subject of a suspicious transaction investigation. Lottery organizations should observe any legal or regulatory reporting requirements to authorities for payments above a certain amount.

### *Record keeping*

For future investigations or to document transaction history, it is important for lottery

organizations to securely maintain records of all financial transactions in accordance with the law and regulatory requirements. Lottery organizations should maintain such records in a way sufficient to permit reconstruction of individual transactions (including amounts involved) so as to provide, if necessary, evidence for prosecution of criminal behavior.

### *Monitoring and reporting processes*

#### *Monitoring of player and retailer activity*

Regular monitoring of transactions is vital for ensuring effectiveness of the anti-money laundering procedures. This is only possible if the lottery organization has an understanding of the normal activity of the players and the retailers so that any deviant transactions or activities can be identified. Lottery organizations should proactively and regularly review player transactions to identify potential patterns or suspicious activities – in particular for high-stakes players. Lotteries should also consider including a statement regarding the monitoring of player activities in the play rules. Careful monitoring of retailer activity – excessive prize payments, for example, as well as excessive sales – is needed to alert the lottery organization of suspicious activity, and appropriate procedures should be in place to ensure that this monitoring is effective. Therefore, lottery organizations should:

- carry out retailer background checks before issuing a contract or a license to the retailer, primarily to establish his financial situation and criminal history
  - carefully monitor retailer activity and proactively review and analyze transactions
  - investigate if retailers are winners
  - provide ongoing training and awareness programs for lottery retailers and staff
- based on best business practice

### *Reporting of suspicious activities*

Lottery organizations should take appropriate steps to enable suspicious transactions to be recognized and have formal procedures in place for reporting suspicious transactions.

Any suspicious transaction should be immediately reported to the compliance officer or any other designated management staff. Reports should make specific reference to the player, the transaction(s) and the nature of the suspicion. However, the player should not be told of the report/suspicion and lottery staff or retailers should maintain normal dealings with the player until receiving instructions to the contrary.

Once the transaction has been reported to the compliance officer, it becomes the responsibility of the compliance officer to take action as appropriate and, if deemed necessary, to report the activity to the relevant authority. The method for reporting to the authority should be formally established. Examples of suspicious transactions include:

- playing on non risky odds in sports betting games
- requesting payouts to be sent to third parties, particularly in jurisdictions other than the player's jurisdiction of domicile
- depositing significant sums in player accounts and then withdrawing the money without having undertaken much gaming activity

### **D. Education, training and compliance**

The effectiveness of the procedures and recommendations contained in these Guidelines depends on the extent to which staff of lottery organizations appreciates the serious nature of the issues involved. Staff should be aware that any statutory obligations for the lottery organization to report suspicious transactions, and of their own obligation to refrain from conduct that would

amount to money laundering or aiding, abetting or being knowingly involved in money laundering by third parties. All staff should be encouraged to cooperate fully and to provide prompt records of any suspicious transactions to their compliance officer. It is therefore important that lottery organizations conduct training programs on policies and procedures established by the organization to ensure that relevant staff members are fully aware of their responsibilities. Staff and retailers should be educated in the importance of the “know your customer” requirements and suspicious transaction awareness for money laundering prevention purposes. Training programs should include updates on major changes in anti-money laundering laws and regulations. New employees or retailers dealing directly with players or their transactions in any way should be provided with the same training irrespective of their level of seniority. This training should be given at the same time as training in routine internal procedures at the beginning of the employment.

Lottery organizations should closely liaise with anti-money laundering authorities as a matter of routine. They should include related legal requirements in their contracts with suppliers and retailers, and compliance should be monitored by external auditors.