advisense

A high-level survey of measures against money laundering in the Swedish online gambling industry 2024

Contents

Foreword

The gambling market should be a place for joy, entertainment, and excitement – along with the occasional big win. Criminal activities must be rooted out. Our tolerance for money laundering in the gambling industry is zero. Together with Advisense, we shine a spotlight on ourselves and our efforts to combat money laundering in this report. What do we need to improve? The report also highlights opportunities for improvement and development in the relationship between the gambling industry and its close stakeholders, such as its supervisory authorities. The aim is to make it clear how the fight against money laundering in the gambling industry can be improved. This benefits us all.

Gustaf Hoffstedt, Secretary General

The Swedish Trade Association for Online Gambling

Disclaimer

All opinions and statements expressed in this report, unless otherwise stated, are based on the respondents' views, perceived situations and discussions. Nothing in the report, apart from what is written in the sections "Background", "Summary reflections" and "Recommendations," reflect the opinions or view of the author, i.e., Advisense.

Abbreviations

B2C – Business to Consumer, offering gambling products/services directly to consumers

CTF – Counter-Terrorist Financing

EDD – Enhanced Due Diligence (in-depth customer due diligence)

EBA – European Banking Authority, the EU banking authority

ICA – International Compliance Association, a leading UK-based organization offering standardized training in anti-money laundering, financial crime, and compliance

KPI – Key Performance Indicator, key performance metrics

KYC – Know Your Customer

Operator – A company in the gambling industry, primarily with a B2C business model

SAR – Suspicious Activity Report

SGA – Spelinspektionen (Swedish Gambling Authority), the authority tasked with ensuring regulatory compliance in the Swedish gambling market

SFSA – Swedish Financial Supervisory Authority (Finansinspektionen)

Supervisory Authority – An authority or body overseeing a specific industry or business activity

TM – Transaction Monitoring

UBO – Unique Beneficiary Owner

Background

The European Commission considers the risk level for money laundering within online gambling to be significant. In November 2022, the risk level was raised to level four, the highest level. Moneyval, the Council of Europe's expert committee for evaluating measures against money laundering and terrorist financing (AML/CTF), assesses that the risk of money laundering through online gambling stems from several factors, including:

- **Online gambling is entirely digital**, without direct face-to-face interaction with customers. Gambling setups may involve customers using multiple accounts, with payments processed through various payment services, creating challenges in achieving customer due diligence. According to Moneyval, transparency is further complicated by the use of master accounts, VIP accounts, and mixed gambling chains.
- **Transactions in online gambling are rapid and cross-border.** The ability to trace transactions and link them to specific individuals can, in some cases, be very limited.
- **The number of investigations and prosecutions for money laundering (ML) and terrorist financing (TF) is low.**

According to the report *National Risk Assessment of Money Laundering and Terrorist Financing in Sweden 2020/2021*, the risk of money laundering in the gambling industry is assessed as high. This threat level within gambling is based on factors such as high accessibility and the ability to process relatively large sums of money in a short time. The report states that gambling companies are exploited for money laundering without detection by the operators themselves or the banks involved. It is also assessed that there is a risk of terrorist financing through gambling companies due to the possibility of both international transactions and a degree of anonymity.

Based on recent sanction decisions by the Swedish Gambling Authority (Spelinspektionen) against operators, several areas where deficiencies appear to exist are noted. These include:

- **Insufficient understanding of the risk of money laundering** and how it can materialize, including how risk assessments are structured to track potential threats through to actionable measures.
- **The need for improvements in requirement specifications, audit, and follow-up procedures.**
- **Customer Due Diligence (KYC)** and setting appropriate automated AML thresholds.
- **Control of third-party checks,** meaning oversight of controls carried out by partner companies or subsidiaries.
- **Documentation of evidence** and implementing effective and appropriate measures.

To set the scene, in Sweden, gambling companies are required since 2017 to comply with anti-money laundering (AML) legislation. On January 1st 2019, the Swedish gambling market was re-regulated. A new regulatory framework was introduced, allowing private operators to offer gambling services in Sweden through a licensing system. Today, there are close to ninety companies with Swedish gambling licenses, generating a total turnover of just over SEK 27 billion.

Initiative Behind This Study

As the online gambling market continues to grow, new risks of money laundering emerge. This means new challenges, which are reflected in recent sanctions by regulatory authorities not only in Sweden, but also internationally. The tolerance for money laundering within the gambling industry is zero. Against this backdrop, the Swedish Trade Association for Online Gambling (BOS) commissioned the consulting firm Advisense to conduct a unique survey of current AML efforts among its members. The objective is get an overview and recommendations which can allow BOS and its stakeholders to contribute to the further strengthening of anti-money laundering and counter terrorist financing measures in the industry.

For this purpose, responsible functions within BOS member companies were invited to participate in anonymous interviews conducted by Advisense. The interviews were based on five rating questions and six open-ended questions and took approximately 30 minutes per respondent.

Respondents include representatives from nine companies, in roles such as Money Laundering Reporting Officer, Chief Compliance Officer and AML Manager. The interviews were conducted in October-November 2024.

The Fight Against Money Laundering: Key Discussions and Observations

The fight against money laundering regardless of business sector is generally discussed in reference to a combination of the Anti-Money Laundering Act, regulations from supervisory authorities, guidance from the European Banking Authority (EBA Guidelines), and financial supervisory practices. Jointly, these are referred to as the "Anti-Money Laundering Regulatory Framework."

To meet the requirements of the AML regulatory framework and pass supervisory reviews, businesses must demonstrate a documented, holistic approach. This is not always straightforward, and experts working with both financial and non-financial companies under supervision agree that navigating the fragmented set of rules is challenging.

It is important to note that the business model for online gambling differs from that of various financial companies. The B2C online gambling offering is simpler, and customer incentives are distinct. Consequently, the methods of laundering money through online gambling also differ from those in the financial sector. The findings of the study can be summarized into a few key observations as below.

Guidance for Ensuring Effective Anti-Money Laundering Efforts

A recurring theme in the interviews for this report, is the need for clarity of requirements and better guidance from the Swedish Gambling Authority (Spelinspektionen) as to what constitutes an adequate AML program. Current conditions make it difficult for operators to achieve a risk-based approach. According to respondents, it is often unclear what an optimal AML program should look like, particularly in terms of effective implementation and sufficient measures.

Respondents believe that better guidance and open dialogue between The Swedish Gambling Authority and market actors could also help the supervision gain a deeper understanding of how AML efforts are conducted in practice. Some respondents expressed frustration over investing significant resources to address what they perceive as an exaggerated problem. Overall, it can be said that the driving force behind AML measures among operators is the fear of failing to meet regulatory requirements.

That said, the expressed need for more detailed legal guidance and references to ensure compliance may indicate varying levels of maturity among operators. A clear reliance on the assistance from supervisory authorities to navigate all aspects of AML efforts could result in risk management being centered around strict adherence to detailed rules and regulations, often referred to as "checkbox compliance," rather than following broader

ethical principles or guidelines tailored to the unique circumstances of individual businesses.

A "checkbox compliance" approach can reduce the likelihood of effectively achieving the primary goal—preventing money laundering. A corresponding strong focus on procedures and documentation to meet regulatory requirements can overshadow the goal of mitigating money laundering risks. This is however not unique to online gambling, it is observed in several industries, according to the experience of Advisense.

AML and/or Responsible Gambling

When identifying money laundering risks, most operators primarily work with threshold values. Understanding these thresholds and behavioral patterns is considered much more important than assessing risk based on deposits.

Spending money on gambling as entertainment or lifestyle is markedly different from gambling with the purpose of laundering money. Respondents discussed the relationship between deposits, income, affordability, responsible and safe gambling, and how these factors are linked to indicators of money laundering. Going forward, it would be beneficial to discuss how data in these two domains could be better leveraged.

Payment Methods

The risk of money laundering has been significantly reduced by moving away from card transactions to only allowing Swish and certain payment solution providers (e.g., Trustly). This is based on the premise that information about the sender and recipient should be available in the Swish payment process.

Virtual and cryptocurrencies are seen as a threat that is not expected to diminish in the future. At the same time, respondents indicated that they are not in a position to avoid accepting cryptocurrency payments, as doing so would limit business opportunities.

Terrorist Financing

Just like money laundering, terrorist financing is a moving target. The ability to understand typologies must be continuously developed, and respondents highlighted an increased focus on countering terrorist financing (CTF) within the industry in recent times. This, combined with support from law enforcement authorities, has strengthened the ability to identify more typologies specific to the gambling industry.

The challenge nevertheless remains that online gambling is still considered an easy way for individuals to deposit and withdraw funds, making it difficult to identify terrorist financing.

Know Your Customer (KYC)

In Sweden, information about private individuals is readily accessible in the public domain, which is relatively unique. In discussions about enhanced due diligence and customer risk classification, respondents noted that 50–90% of customers who are asked to provide additional information fail to respond and are consequently lost.

Another observation is that more customers are increasingly prone to hide their identities, for instance, by omitting address details. Over the past six months in particular, it has become more difficult to obtain proof of address as customers appear less willing to share personal information.

KPIs and Effectiveness

When asked about Key Performance Indicators (KPIs) to evaluate the effectiveness of their anti-money laundering (AML) programs, most respondents focused on implemented procedures and measures, such as individual checks, sampling, and reporting to the board. Respondents expressed that their AML programs are too resource-intensive and that they are doing more than necessary.

On the other hand, at a high level, there is an inherent conflict of interest within the business. Operators who report a high number of suspicious transactions risk losing market share. Essentially, proactive AML efforts can negatively impact a company's revenue.

The greatest challenge lies in achieving a risk-based approach, which is to a large extent is due to the regulatory landscape. Considering the report's limited scope and the time allocated for each interview, it was observed that few respondents discussed how the efficiency of specific measures and control activities is assessed. Discussions also did not delve into model evaluation, quality control, and appropriateness in relation to efficiency. As a side note, KPIs and risk appetite are also evaluated in the rating questions at the end of this report.

Communication with Banks and Other Stakeholders

Communication with banks is a central issue for operators, and this challenge is not unique to Sweden. The challenge is double-sided. Respondents reported difficulties in explaining to banks the security measures and controls they have in place. On the other hand, operators on their side need to better understand the risk assessments that they are subjected to by banks.

Respondents expressed concerns about the potential for de-risking. De-risking refers to financial institutions refusing to provide services to certain customer groups or ceasing to serve them altogether because they perceive the risk of money laundering as too high. Entire customer groups or segments are thus collectively excluded.

Additionally, respondents generally expressed the need for more and better information sharing within the industry to drive the development of improved capabilities and contribute to enhanced fraud prevention.

Q1: Progress and challenges as regards the general risk assessment

The first question explores progress and ongoing challenges in conducting general risk assessments. Like the financial sector, the gambling industry has to deal with the fast-paced evolution of the criminal economy and how organized crime finds new methods and breaks new ground. Critical global issues include how organized crime exploits AI, the use of crypto assets, and how different geographical market risks should be assessed.

Awareness of money laundering risks has significantly improved. Discussions within the industry now almost always include this topic, and there is widespread understanding of the associated requirements. As one respondent put it, this focus has become so pervasive that it now feels excessive.

Meanwhile, some respondents believe that online gambling is not a primary industry for money laundering, aside from isolated incidents of money laundering more likely to occur in casinos.

Respondent:

"We have no inactive accounts with money. No large sums are transferred. The biggest challenge is finding balance and avoiding spending excessive resources that yield no results."

Conducting a general risk assessment is critical to establishing a successful AML-program. Deficiencies in such assessments have been a recent cause for sanctions by the Swedish Gambling Authority. According to respondents, risk assessment practices have seen dramatic improvements in recent years. Five years ago, it was common to rely on a simple Word document with scores in two columns to derive an overall risk and control rating. While some operators still work like this today, others have developed their own tools to achieve sufficient detail and understand the potential consequences of risk exposure.

Interaction with Regulatory Authorities

Much of the discussion throughout interviews revolved around the role of regulatory authorities and how the requirements of the AML directives in the EU and globally are adapted and translated into a national jurisdictional context. A common perception is that regulatory authorities tend to target smaller players rather than focusing on the bigger entities, making the gambling industry an easy target.

The current focus on money laundering is seen as going far beyond what is necessary. Respondents argued that a general fear has led to operators´ hiding behind forms and documentation, suggesting that AML work has become excessively burdensome. Meanwhile, money laundering is by some respondents not considered the key issue in the online gambling industry. For unconfirmed reasons, one respondent emphasized that their company has not contributed to the rapid increase in suspicious activity reports (SARs) to the Financial Intelligence Unit (FIU).

Instead, the primary challenge lies in consumer protection and responsible gambling. A critical consideration is the customers' income and source of income, as this links money laundering with responsible gambling. The process for operators typically begins with examining responsible gambling and then addressing money laundering.

Clarity from the Swedish Gambling Authority (Spelinspektionen)

Some respondents expressed satisfaction with the Swedish Gambling Authority's existing guidelines, describing these to be comprehensive, supportive, and relatively accessible. However, those less satisfied stated that the questions they receive from the Swedish Gambling Authority suggest a limited understanding of customer due diligence and monitoring. Operators feel they are being treated like banks, which they believe is unfair, as the logic behind bank customers differs from that of gambling customers. It is essential for a regulatory authority to understand these grey areas and significantly improve its follow-up activities.

Comparison with Other Regulatory Authorities

Respondents also compared the Swedish Gambling Authority to regulatory authorities in other countries, pointing out that it has a relatively limited understanding of the industry. The implementation of regulatory requirements and guidance is noted as better in countries such as Denmark, Malta, and Spain than in Sweden.

Payment Methods

A significant positive change is that card transactions are no longer allowed. By permitting only Swish and payment service providers such as Trustly, the risks of money laundering

are considered to have been significantly reduced. Swish is a very popular payment method and, as it is linked to banks, is regarded as low risk. However, Swish could be improved substantially if it became more transparent. Currently, operators only receive a number from a bank statement, which they can match with publicly available data (e.g., from websites like hitta.se) to gather income information and assess the risk of potentially irresponsible gambling. Respondents expressed a desire to identify the sender, obtain their residential address, and view their bank statements, though they acknowledged that this ambition might be overly intrusive.

Money laundering can only be identified using traditional indicators such as proceeds of crime, gambling addiction, and tax evasion if bank statements are accessible. This means that banks can detect these issues before gambling operators can. However, according to one respondent, gambling companies report tax evasion before banks do.

Virtual Currencies

Operators that accept cryptocurrency as a payment method are a cause for concern within the industry, despite the ability to trace payments back to e-wallets. Commercially, the pressure on more operators to start accepting crypto and virtual currencies is expected to grow. The pace of innovation is fast, and cryptocurrencies are not going away. This presents a clear challenge for the gambling industry as a whole. One respondent noted that operators could choose to de-risk entirely, but this would also be challenging from a market and competitive perspective.

Measures Against Terrorist Financing

Recently, there has been increased focus on measures to counter terrorist financing. Online gambling remains an easy way for individuals to deposit and withdraw funds, though detecting these risks in the industry is very challenging. More typologies have been identified in this area, thanks in part to collaboration with law enforcement agencies and other stakeholders.

Moving forward, more focus is needed to continuously identify typologies specific to the gambling industry. It is also positive for operators that there is now a clearer national focus on measures against terrorist financing.

Q2: Progress and remaining challenges as regards the Know Your Customer process (KYC)

Customer Information Collection and Risk Assessment

The process of collecting customer information and assessing customer risk was discussed in terms of progress and challenges, as well as third-party risk, strategies for enhanced due diligence, and ongoing monitoring. The goal of operators is to make the customer journey as simple as possible, considering that online gambling is inherently an environment where physical face-to-face interactions do not occur. According to respondents, less scrupulous actors will continue to find new ways to infiltrate systems, and this pace will only increase due to the use of new applications, including AI and identity theft. The responsibility of operators is to detect and mitigate risks, keeping up with technological developments and utilizing third-party data providers.

On the topic of data, Sweden is considered unique due to the availability of open-source data in the public domain and the use of BankID to verify payments. Respondents noted that thanks to BankID, they are very satisfied with their customer due diligence (CDD) processes. Achieving customer identification is not considered a problem. In practice, the CDD process is outsourced to the payment service provider, which completes the identification process before handing it over to the operator. The operator then supplements information as needed within their own system. For customers assessed as "low risk," the process is quick and straightforward. For those at a "normal" risk level, additional data, such as personal credit information and pay slips, are collected. Operators use Swish and payment service providers like Trustly, enabling a strict process that reduces risks, duplicate accounts, and checks personal identity numbers for every transaction.

Enhanced Due Diligence (EDD)

When enhanced due diligence is required, the conditions change significantly. Many customers who are asked too many questions disengage. Between 50-90 percent of customers asked to provide additional information fail to respond, resulting in their accounts being closed. One operator, who discussed a 90 percent drop-off rate during the enhanced due diligence process, also noted that any "criminal amounts" would be "stopped at low levels".

Potential and existing customers are often reluctant to share additional information when it comes to entertainment products, which differs fundamentally from their approach to

banking services. Customers are more cooperative when requested for more information by a bank. Furthermore, operators lack the comprehensive view of customers that banks can access.

Handling customers with little or no taxable income is particularly challenging. This includes individuals who have moved to another country or whose income has recently changed. Such cases require enhanced due diligence or proof of taxable income to establish a normal spending pattern. Building a customer profile and establishing questions to prevent circumvention involves requesting information such as the country of birth. For certain income groups, operators may also cross-reference the information they have with public Swedish statistics, according to one respondent. In their case, 50 percent of customers do not respond.

A clear trend is that more customers seek to conceal their identity, for example, by omitting residential address information. Over the past six months, obtaining proof of address has become increasingly difficult, and customers seem to be less willing to share personal data. Respondents also reported an increase in criminals using fake accounts. However, actions involving small amounts or account activity are not flagged; only large-scale activities, such as managing 100 accounts, are detected.

The Swedish Gambling Authority's stance as regards the Customer Due Diligence Process

Most requirements regarding customer due diligence (CDD) are clear in terms of the Swedish Gambling Authority's expectations, including ongoing screening, monitoring of Politically Exposed Persons (PEPs), and more. The challenge for operators now lies in developing methods to minimize manual checks as much as possible.

In contrast to respondents who argue that the CDD process is not problematic, others find it highly challenging due to the approach of the Swedish Gambling Authority. They believe it does not fully understand the actual risks operators are exposed to. Instead, the focus of oversight is entirely on deposits and the financing of gambling addiction. However, more common issues include smurfing[1], the use of proxies, and fraud. Identity misuse, such as identity fraud, is a significant problem.

"Take the example of the Bulgarian construction worker," said one respondent. "A combination of someone from a high-risk country living in Sweden and working in a cash-intensive industry. In the end, it's fraud—ID fraud, smurfing (money laundering by depositing

---

[1] Smurfing is a money laundering technique that involves breaking down large sums of illicit money into smaller, less suspicious amounts and depositing them into multiple accounts or transactions to avoid detection by regulatory authorities. These smaller transactions often stay below the reporting thresholds set by financial institutions or regulatory bodies, making it harder for authorities to link the funds to illegal activities.

small amounts of money into multiple accounts and transferring the funds to other accounts, often involving proxies, in different, frequently foreign, banks). You need to understand the patterns. This is a risk for the industry."

Money laundering becomes a question of gauging the spending capacity of individual customers, and that's it. According to AML regulations, knowledge of income is only relevant for high-risk categories and when there is evidence of income. However, the Swedish Gambling Authority fundamentally is perceived to be pushing responsible gambling objectives using AML goals, which respondents see as a weak and overly complicated approach. A more sophisticated view is required—for example, examining the relationship between stakes, winnings, and withdrawals. Organized crime uses many small accounts to minimize losses. Operators that report a high number of suspicious transactions lose market share, ultimately damaging their revenue.

For some operators, customer risk assessment is risk-based; for others, the evaluation of the process of the the Swedish Gambling Authority appears descriptive, relying on predefined criteria. Respondents noted that while it claims to adopt a risk-based approach, the way it is implemented comes across as prescriptive, though lacking detail. This is perceived as contradictory.

> Respondent: *"The Swedish Gambling Authority needs to decide what they want—a risk-based approach or something else. They need to establish a framework within which operators can work risk-based and have an open dialogue without fear of repercussions. There must be room for improvement!"*

Limits

Most operators primarily focus on setting appropriate thresholds. They set various thresholds, create customer profiles, and monitor customer behavior. However, according to respondents, the Swedish Gambling Authority is not interested in the technology used for this. Instead, the authority focuses on deposits and what is profiled in relation to these deposits.

Regarding thresholds, income, and affordability (responsible gambling), some operators refer to the deposit limit of 2,000 EUR, while others have significantly lower limits. Respondents expressed that the Swedish Gambling Authority should communicate more clearly about how deposit levels should relate to the customer knowledge process (KYC) to explain whether the levels are guidelines or requirements. Until this is clarified, operators remain uncertain if they are meeting expectations.

On the topic of limits and obtaining information about the source of funds and/or income, one respondent noted that the Swedish Gambling Authority is "missing something important." There is a lack of understanding about how to adjust and correlate deposits

with spending to truly understand player behavior. Setting limits would affect—according to one respondent—40% of their customer base. For example, SEK 20,000 for one person is not the same as for another. Customers open multiple accounts to receive signing bonuses, but most do not reach this level. A significant increase in checks is required, even for players who do not reach the threshold. One respondent described this as a waste of resources.

This includes assessing affordability and deposit limits exceeding SEK 20,000 within a rolling one-month period. Regardless of account activity, this is perceived as artificial since customers can change their behavior over time, and SEK 20,000 is a low sum compared to other markets from a financial perspective.

Responsible Gambling and Money Laundering

Responsible gambling and money laundering are two directly interconnected issues where risks are often intertwined. The customer due diligence process is used to understand what customers can afford. Respondents stated that the approach of the Swedish Gambling Authority implies that these two aspects cannot be combined. Responsible gambling and AML intersect, making it unclear how the authority views the relationship between them.

There is a distinction between spending as a lifestyle or entertainment and spending for the purpose of laundering money. Operators want to understand warning signs without shutting the door to business opportunities. Respondents expressed a desire for the financial police to provide a more detailed breakdown of modus operandi to the industry.

Respondent *"We focus on what the rules say—what more can we do? Is there a greater opportunity to share trends and data?"*

Q3: 1. What measures or KPIs do you use to understand if the AML Compliance framework is effectively implemented??

Background to this Issue

In recent years, regulatory authorities in both the financial and non-financial sectors have become increasingly explicit in their oversight regarding expectations for ensuring effective and risk-based implementation of anti-money laundering (AML) measures. For example, this includes the ability to demonstrate a documented, holistic approach. There is a growing consensus that organizations should move away from simple "checklist compliance" and

instead focus more on the effectiveness of measures, such as customer risk classification, false alarms in transaction monitoring, and model risks.

Key Performance Indicators (KPIs) for AML Implementation

Respondents discussed several perspectives on KPIs to ensure effective AML program implementation, such as monthly ongoing reviews of the 25 largest customers, sampling, individual checks, and board-level reporting. The general sentiment was that AML measures require excessive resources and that operators are doing more than necessary. There was less discussion about evaluating model risks and how the first and second lines of defense work together to ensure the relevance and effectiveness of AML measures, controls, and their interconnections.

Examples of KPIs Discussed by Respondents

- Customer account reviews, including accounts with incomplete information. Annual updates to the general risk assessment or when significant events occur in the industry that should be incorporated into the assessment, based on likelihood, impact, and residual risk management. If residual risk is higher than desired, actions should be outlined.
- Data points from business intelligence for risk calculations, internal service level agreements for case management (e.g., deadlines for account action). Examples of KPIs include case handling times and classification of cases as low, medium, or high risk.
- KPIs set for individual players and market exposure. Monitoring sudden increases in high-risk players, player risk scores, identifying how many are classified at different levels and payment thresholds. These are assessed in relation to net churn, deposits, and AML scorecards that include payment methods and the ratio of withdrawals to deposits. These help establish whether the activity aligns with the general risk assessment and the company's overall exposure. These controls are combined with thresholds for affordability and responsible gambling, calculated using algorithms and customer classification dashboards to identify changes in activity patterns (e.g., monthly trends like payday or weekends).
- Responsible gambling as a starting point. This includes setting limits to enable action, source-of-funds checks, and calculating income ranges and disposable income.
- Quarterly reviews of controls and information-gathering processes, focusing on warning signs such as large deposits. Additional quality control measures may also be introduced.
- Average handling times, escalations, and timelines for filing SARs (Suspicious Activity Reports), involving internal audits and, where necessary, external audits.

Respondent: "The key KPI for gambling? The number of SARs submitted. One company claimed they were by far the best in 2019—they had 1% of the market but accounted for 20% of the reports. Other companies reported too little."

Respondent: *"It's always a challenge to adapt quickly enough. The key is ensuring you don't focus on things that pose no AML risk."*

Access to Data and Document Management

Classic indicators of money laundering are easy to detect, but determining the source of funds is more challenging. One common issue for all operators is that data is often outdated, whether it involves tax information or other records. Minimum documentation is reviewed annually, and significant changes are updated. A strong audit structure is critical, involving a set of entirely independent internal auditors and evaluations of controls and procedures.

There are clear guidelines for customer due diligence (CDD), enhanced due diligence (EDD), and transaction monitoring. Standard solutions work for these purposes and are volume-driven. However, as this is online gambling, with no face-to-face interaction with customers, special attention is required. Regular customers with relatively low transaction levels need to be monitored for significant changes, such as those linked to major events like the Super Bowl. Focus should be placed on identifying patterns, such as newly opened accounts linked to large groups of new accounts, prepaid cards, and deposits of similar amounts. These are areas where resources should be concentrated.

The overarching issue is determining what is "normal" rather than just checking boxes on a list, as the baseline for normal behavior can change by the hour.

How the availability of good Affects Effectiveness

Operators report a lack of feedback from the Financial Intelligence Unit (FIU) on the quality of their reporting and how they compare to others. There is a strong desire for industry benchmarks or practices to be established. In the absence of such metrics, operators develop their own measures based on turnover.

At the same time, it is evident that each operator is unique, making it difficult to assess performance using a consistent format. The industry needs to educate the FIU and regulatory authorities on what "normal" looks like in terms of deposits, levels, and other factors, and what can collectively be considered "typical" behavior.

Effectiveness depends on the expectations placed on operators, which vary between jurisdictions. From an operator's perspective, when expectations are vague or open to interpretation, the regulatory framework becomes less effective across the industry.

Monitoring the source of funds and customer assets can result in inconsistent practices within the sector.

Q4: 5. Are there any key concerns generally with regards to creating assurance around AML/CTF programs? For example, availability of competent resources, legacy systems, regulatory landscape.

This question was discussed to gain a broader understanding of the concerns surrounding the ability to ensure effective anti-money laundering (AML) efforts. Examples provided, though not limiting the scope of the discussion, included access to experienced and competent resources, outdated or inadequate technical systems, and the regulatory landscape.

Specialist Expertise as a Factor of Efficiency

Access to skilled resources is seen as critical for operational efficiency. Recruiting and retaining qualified staff remains a challenge due to competitive "recruitment battles." Many new employees join, and training is conducted weekly, but there is a lack of comprehensive training programs tailored to the gambling industry, creating a potential vicious cycle.

In Malta, where many respondents are based, attracting AML specialists is particularly challenging.

Some respondents feel confident in their teams, with personnel possessing 8–13 years of experience in the gambling industry, such as from land-based casinos, and holding ICA certifications with ongoing training. Others highlighted the ongoing difficulty of finding qualified talent. AML departments are expanding, but there are few senior-level candidates to recruit. Typically, it takes 6–12 months for new recruits to understand how the gambling business operates. While resources may have AML experience, they often lack industry-specific knowledge, making it difficult to find the right match. Additionally, as in other industries, there is a degree of prestige among gambling companies regarding who can attract top talent.

Systems

The online gambling industry is relatively young, meaning many operators build almost all their systems in-house. Respondents expressed a lack of trust in off-the-shelf systems

available on the market, emphasizing the need for the capability to build custom platforms. This requires skilled system architects. Some respondents also noted that legacy systems are an issue, particularly for companies operating multiple brands within the same group.

Compliance with AML regulations can create financial advantages if measures and functions are efficient. As one respondent put it: "It's up to me to communicate to management that they can save money."

As regards challenges with data, updating systems to comply with new regulatory requirements is cumbersome and can create bottlenecks due to the time-consuming process of collecting data on taxable income, registrations, and deposits, which respondents wish to automate. A significant part of the problem is that regulators do not specify which sources and data should be collected (e.g., Ratsit, Hitta.se). As a result, all this work is conducted manually.

A Risk-Based Approach

Ensuring a risk-based approach to AML is seen as the biggest challenge by some respondents, largely due to the regulatory landscape. Respondents compared the Swedish Gambling Authority to regulators in other countries, stating that communication with authorities is often more straightforward elsewhere.

In Sweden, operators feel there is a lack of guidance from the Swedish Gambling Authority regarding required actions. Little to no feedback is provided on what is considered correct or incorrect, nor how improvements can be made. Respondents called for more proactive discussions and guidance. However, it was noted that operators now have a direct line to the Swedish Financial Intelligence Unit (FIU).

Meeting the expectations of external stakeholders remains a challenge. No amount of compliance is deemed sufficient. Beyond frustrations with the Swedish Gambling Authority, operators also see room for improvement in dialogue with banks.

Respondent: *"Banks are not genuinely interested in whether we, as companies, manage our risks or not. They are moving toward de-risking regardless."*

One respondent remarked that if the same standards applied to gambling companies as to other industries, they would be classified as very low risk. Banks, however, do not follow the European Banking Authority's guidelines for de-risking. De-risking refers to financial institutions refusing to provide services to certain customer groups or ceasing services entirely, deeming them too high risk for money laundering. Whole customer groups or segments are collectively excluded.

At the same time, respondents noted they are lobbying to combat the black market, i.e., companies offering unlicensed gambling, making it difficult to maintain banking relationships. This leaves operators fighting on two fronts: at the customer level against unlicensed companies and at the banking level to manage reputational risks.

Q5: 6. What challenges / needs do operators see as regards communication with banks?

Respondents identified a positive development in banks' satisfaction with operators discontinuing customers' ability to make card payments. This is perceived as having reduced payment risks.

A recurring theme in the challenges with banks is the lack of clear information in account statements, including customer names, which would allow operators to identify the source of funds. One of the largest banks only provides a phone number, likely tied to gambling winnings, but labels it simply as a "transfer." Operators believe it would be ideal to see the ultimate beneficial owner of the payment recipient. The current level of transparency is low, and sharing more information would benefit overall AML efforts.

According to respondents, they struggle to understand the logic behind why this information cannot be shared.

Navigating potential pitfalls in the communication
There is a significant need to exchange information about trends and modus operandi with the Swedish Bankers' Association, the Financial Intelligence Unit (FIU), and the Swedish Trade Association for Online Gambling. Banks do not seem to understand why operators have many transactions or why Swish is widely used, despite being categorized as high risk by the FIU. For operators, this is standard procedure.

Respondents feel that banks take the easy way out and penalize operators for what they perceive as insufficient practices. There is a perceived sense of fear among banks, leading them to take the simpler route due to not fully understanding the actual requirements set by the Swedish Gambling Authority. Banks are according to respondents focusing too much on small operators, which is regarded as a waste of resources and something individual operators have little power to change.

Transparency
Respondents feel unsuccessful in explaining to banks the security measures and controls they have in place. Information requests from banks are often seen as disproportionate or irrelevant. A more structured approach is needed to help both operators and banks gain a

full understanding of each other's processes and for banks to better grasp operators' business models.

Respondents noted that they can easily identify if a customer has four or five gambling accounts, but there is no way to communicate this information to banks. A centralized contact point could resolve this issue. While respondents mentioned that they can detect unusual activity, they believe banks lack the resources to act on such insights.
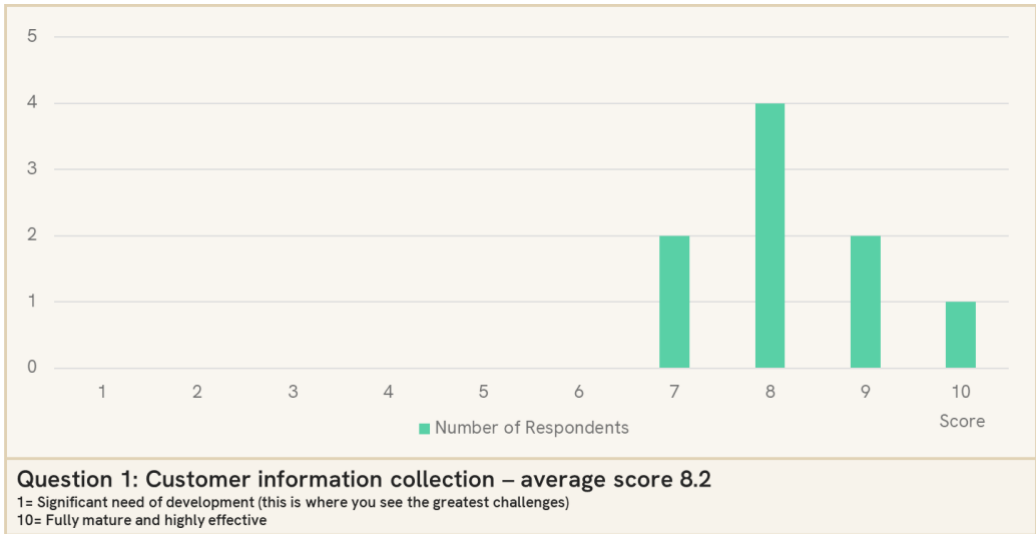
Swedish banks need to improve their fraud prevention measures and act more quickly. Additionally, there is a need to improve communication related to Swish. However, in practice, this would be challenging as it would require significant resources across many banks in Sweden.

Rating the current status of key processes in AML

In addition to the open discussions forming the basis of the content in this report, respondents were asked to answer five rating questions regarding how far the industry has progressed in key AML processes. The scale ranged from 1 to 10, where '10' represents fully developed and highly advanced processes, and '1' indicates significant challenges and a need for substantial development.

1. Customer information collection
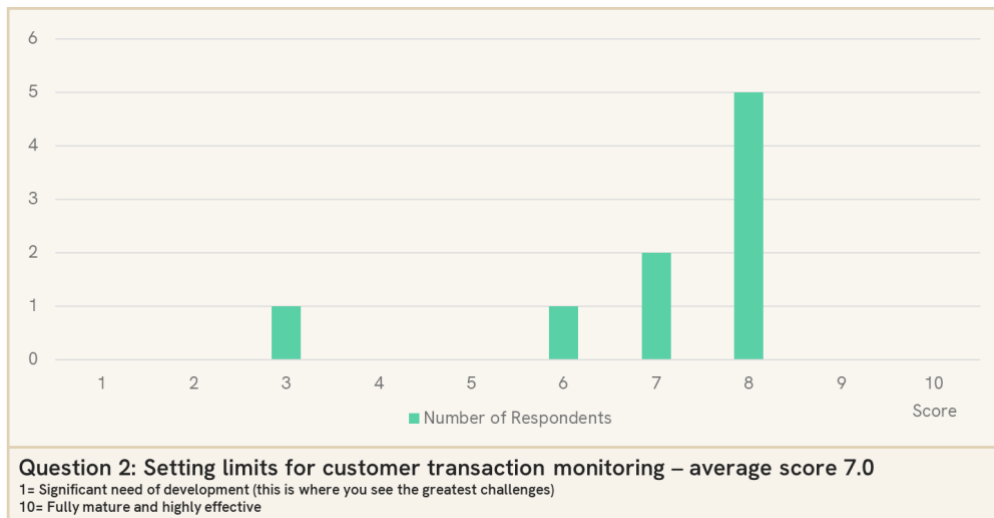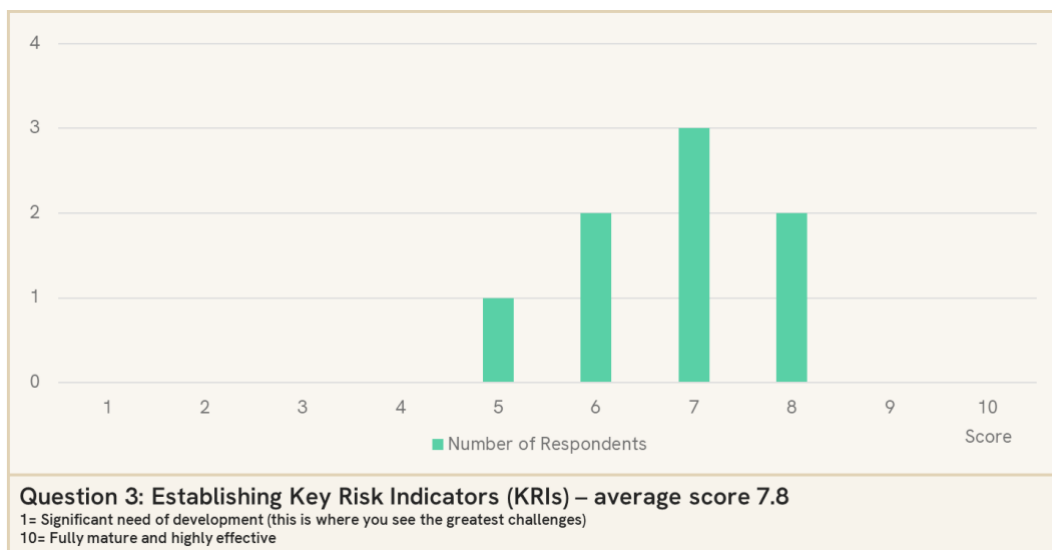
    Average score: 8,2, distribution: 7–10.

Question 1: Customer information collection – average score 8.2
1= Significant need of development (this is where you see the greatest challenges)
10= Fully mature and highly effective

2. Setting limits for customer transaction monitoring

   Average score: 7,0, distribution: 3–8.

Question 2: Setting limits for customer transaction monitoring – average score 7.0
1= Significant need of development (this is where you see the greatest challenges)
10= Fully mature and highly effective

3. Establishing Key Risk Indicators (KRIs)

   Average score: 7,8, distribution: 5–8.

Question 3: Establishing Key Risk Indicators (KRIs) – average score 7.8
1= Significant need of development (this is where you see the greatest challenges)
10= Fully mature and highly effective

4. Establishing Key Performance Indicators (KPIs)

   Average score 6,8, distribution: 5–8.

Question 4: Establishing Key Performance Indicators (KPIs) – average score 6.8
1= Significant need of development (this is where you see the greatest challenges)
10= Fully mature and highly effective
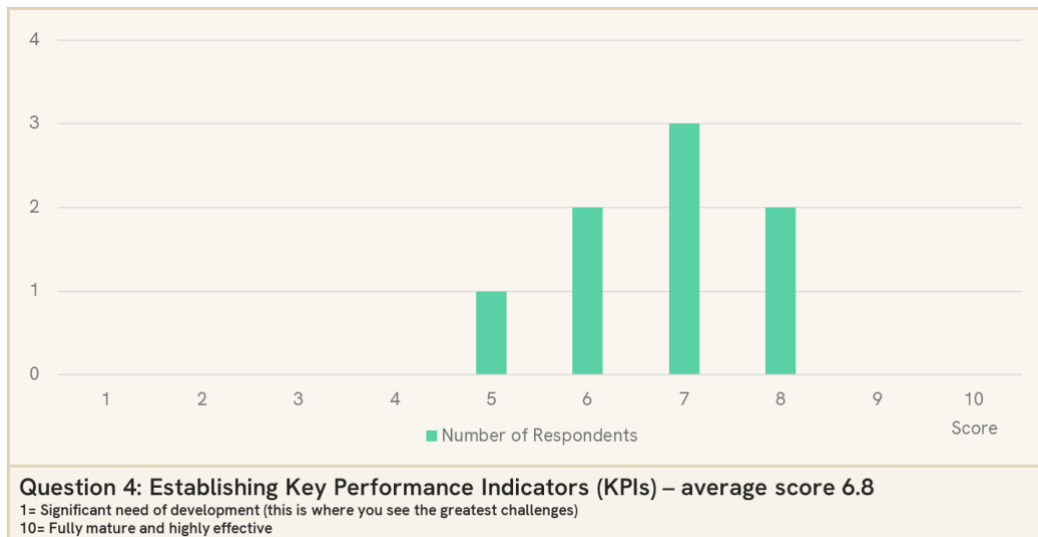
5. Setting the risk appetite

Average score: 7,1, distribution: 5–9.

Question 5: Setting the risk appetite – average score 7.1
1= Significant need of development (this is where you see the greatest challenges)
10= Fully mature and highly effective
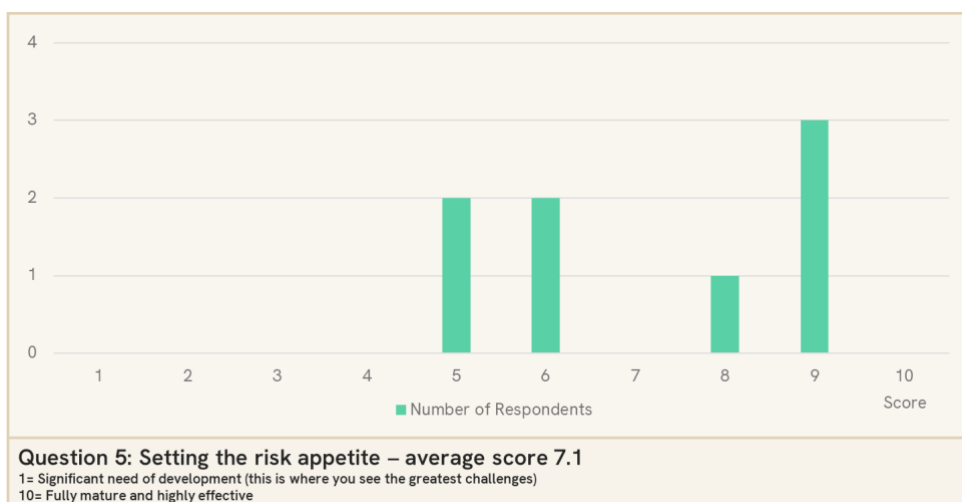
Summary reflections

In general, introspection and self-evaluation are not easy exercises for an industry or organization that has not had many years to develop and mature, particularly in an incredibly fast-changing risk environment. When discussing AML efforts, many operators tend to focus primarily on external risks and stakeholders. Few respondents in this study chose to discuss internal risks to any significant extent, which may indicate a need to further develop their internal risk classification measures. It may also suggest that the online gambling industry has room to mature further in its approach to AML.

There is a general lack of understanding among various stakeholders about how AML efforts are managed within the gambling industry. Gambling operators face fundamentally different challenges regarding money laundering compared to the financial sector. Exactly how these challenges differ needs to be better understood—not only by banks and the Swedish Gambling Authority but also by gambling operators themselves. This primarily stems from the nature of customer relationships. Bank customers are typically driven by a need for a product, whereas gambling customers are motivated by a desire to use the product. This means gambling operators must be far more meticulous at every stage of their AML and counter-terrorist financing (CTF) efforts—such as customer due diligence (CDD) and ongoing monitoring—to meet regulatory requirements while maintaining a viable business.

Operators continue to face challenges in meeting expectations from the Swedish Gambling Authority's supervisory efforts. This may be due to unclear risk boundaries, insufficient guidance, and limited interaction between the parties. For instance, similar frustrations are recognized in the relationship between financial institutions in Sweden and the Swedish Financial Supervisory Authority. A comparable situation exists in Denmark, but Sweden may appear somewhat particular by international comparison.

There is no doubt that operators are often misunderstood. Nor is there any doubt that customers have different incentives for engaging in online gambling compared to banking services. To differentiate between risks, an organization must first have a sufficient understanding of the risks it is exposed to. Going forward, the gambling industry would greatly benefit from being able to share more information, including with the Financial Intelligence Unit (FIU).

Operators tend to be more data-driven and flexible than banks, which gives them an advantage in making progress and achieving superiority over banks burdened by the complexity of their services and outdated systems requiring upgrades or replacements. While operators have this advantage, the challenge lies in the fact that parts of their AML models—such as customer risk classification, customer due diligence and risk assessments—are not fully integrated.

At the same time, operators must balance responsible gambling and anti-money laundering efforts simultaneously, under pressure from both banks and the public.

Recommendations

Recommendations for the Financial Intelligence Unit's (FIU)

There is a demand for better information sharing on operational setups and modus operandi. Within banking and finance, there is a general sense of insufficient feedback and dialogue with the police compared to what is needed.

Positive experiences from the banking sector could be transferred to the gambling industry. Since 2020, the banking sector, through several banks and the Swedish Bankers' Association, has collaborated with the Police Intelligence Unit under the National Operations Department via SAMLIT (Swedish Anti-Money Laundering Intelligence Task Force).

SAMLIT's purpose is to improve the ability to identify and combat money laundering, organized crime, and terrorist financing. The initiative aims to gather stronger evidence to prosecute individuals and businesses involved in criminal networks. This collaboration has been deemed successful and is now a formal part of AML efforts. A similar collaboration between the gambling industry and the police is recommended.

Recommendations in relation to the Swedish Gambling Authority

Respondents consistently called for more detailed guidance from the SGA on various AML processes, pointing to the relatively low maturity of the industry. However, there is a reluctance to ask questions during inspections, as doing so often results in those areas being scrutinized. This fear inhibits constructive dialogue during inspections.

Based on the above experience and drawing on what is practiced in other jurisdictions, we recommend for further evaluation possible measure such as:

- Enhanced guidance on AML prevention. By way of example, the Danish Gambling Authority offers an 89-page guide on this.
- Guidance on the inspection process.
- Joint technical workshops with other regulatory authorities to share expertise and best practices.
- Conferences or seminars targeting Money Laundering Reporting Officers (MLROs) or their equivalents in Sweden.
- Support for risk assessment work, such as templates or questionnaires.
- Recommendations for Banks

Recommendations in relation to financial institutes

Respondents expressed frustration with their dialogue with banks. Currently, operators struggle to understand how banks assess their risk and feel they are subject to "de-risking." This refers to financial institutions denying or ceasing services to certain customer groups due to perceived high money laundering risks. De-risking often targets entire customer groups rather than individual assessments, as seen in the EU with payment service providers and non-profit organizations.

In 2023, the European Banking Authority (EBA) issued new guidelines to ensure customers have access to necessary financial services. Banks cannot deny or terminate services without a valid reason or without first taking steps to mitigate risks.
While EBA's AML/CTF guidelines apply broadly to financial institutions and designated non-financial businesses and professions (DNFBPs), including gambling operators, they do not provide sector-specific guidance for the gambling industry. Operators must consult both EBA's general guidelines and those tailored by the European Gambling and Betting Association (EGBA).

Advisense recommends enhancing collaboration between operators and banks, potentially through the PEG group within the Swedish Bankers' Association or in partnership with the FIU.

Recommendations in relation to operators in the online gambling industry

Shift to alternative payment methods. Moving away from card payments to methods like Swish and Trustly has reduced money laundering risks but also concentrated risks. Operators must recognize that Swish does not fall under AML regulations and requires careful oversight.

Holistic approach to responsible gambling and AML. These goals are not mutually exclusive. Operators should aim for a comprehensive customer risk classification system that integrates both AML risks and the likelihood of irresponsible gambling, similar to how banks balance credit risks and AML risks.

Focus on internal AML risks. Operators should deepen their understanding of their specific money laundering risks, enabling better communication with regulators and stakeholders. Recommendations for Improving AML Models and Effectiveness

Respondents provided limited insights into how specific measures and controls are evaluated for effectiveness. There was little discussion of model assessment or quality control of AML models as a whole. Advisense recommends adopting a holistic perspective on effectiveness to enable management and boards to address AML risks in line with their

risk appetite and make more efficient use of resources. Findings from survey, with reservations for the limitation in depth and scope, suggest that operators may need to develop a deeper understanding of their own AML risks. This would also help educate other stakeholders with regards to their needs for regulatory clarification.

About Advisense

Advisense is a leading governance, risk and compliance powerhouse, offering best-in-class services and tech solutions to the European industry. Since 2008, we have combined regulatory, security, technological and risk management expertise to advise and challenge the industry with leading edge insights and experience. We navigate a changing and complex environment, supporting our clients in every step from analysis and advice to implementation and operations. Advisense has more than 450 employees based in Bergen, Brussels, Copenhagen, Gothenburg, Frankfurt, Helsinki, Malmö, Oslo, Riga, Stockholm and Vilnius.

www.advisense.com