

**CHONGIE ENTERTAINMENT LIMITED**

**PROCEEDS OF CRIME & ANTI MONEY LAUNDERING POLICY**

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## **1 POLICY PURPOSE**

The purpose of this document is to detail the responsibilities of the Company and its staff in relation to the Proceeds of Crime Act 2002 (POCA), Terrorism Act 2000 and to uphold the licensing objective of 'Preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime' as outlined within the Gambling Act 2005.

In addition, the contents of the document will outline our Company's policies and procedures to prevent the Company being used in connection with money laundering or terrorist financing as well as our continued compliance with anti-money laundering, counter terrorist financing, licensing and legislative requirements.

Chongie Entertainment Limited is committed to ensuring that all necessary safeguards are in place in regard to the receipt of money in order to avoid it being used to launder money that may originate from the proceeds of crime.

## **2 PROCEEDS OF CRIME & MONEY LAUNDERING**

### **2.1 *Proceeds of Crime***

The Proceeds of Crime can be broadly defined as property from which a person benefits directly or indirectly, by being party to criminal activity - i.e. stolen money, money from drug dealing, tax evasion or stolen, thieved or robbed property. It includes property that a person gains by spending the proceeds of criminal activity, for example, if a person used money gained in a bank robbery to gamble.

### **2.2 *Money Laundering***

Money Laundering is a term used to describe the practice of converting money that has been unlawfully or criminally obtained into legitimate funds, concealing and disguising the original source of the funds.

### **2.3 *Differences***

The law does not make any distinction between these two activities. The action we should take, and the penalties for not taking action are the same for both.

## **3 PROCEEDS OF CRIME ACT (POCA) OFFENCES & PENALTIES**

There are 3 key offences under the POCA that are applicable to anyone who knows or suspects that property relates to the Proceeds of Crime:

- Section 327 states that a person commits an offence if they conceal, disguise, convert, or transfer criminal property in the UK.
- Section 328 provides that a person commits an offence if he or she enters into or becomes concerned in an arrangement which he or she knows or suspects facilitates, by whatever means, the acquisition, retention, use or control of criminal property to or on behalf of another person.
- Section 329 states that a person commits an offence if he or she acquires, uses, or has possession of criminal property.

The above offences can be committed by any person, including employees who have knowledge or suspicion that a customer is using the POC. The penalty upon conviction of these sections is a maximum term of 14 years imprisonment, a fine, or both.

There is a defence available for a person to show that they made an authorised disclosure under sections 338 and 339, either for an employee to report to the Compliance Team, and further for responsible parties in the Compliance Team to assess and report where they believe knowledge or suspicion exists to the National Crime Agency (NCA).

Once a report has been made, responsible parties in the Compliance Team will consider whether they hold knowledge or suspicion based on the information provided. However, responsible parties in the Compliance Team may commit an offence under section 332 if there is a failure to report knowledge or suspicion to the NCA as soon as reasonably practicable after the information has been received. The sanction under POCA is a prison term up to 5 years, a fine, or both.

It is also an offence under section 342 to disclose knowledge of the existence of any investigation prior to or following a report which could prejudice the investigation' (this is often related to as 'tipping off' though this is not to be confused with the actual offence of tipping off which is only an offence in the regulated sector). The penalty upon conviction is a maximum of 5 years imprisonment.

#### **4 KNOWLEDGE OR SUSPICION**

Chongie Entertainment Limited and its employees have an obligation to report when we either have knowledge or suspicion that another person is using the POC or engaged in ML.

The POCA regulations do not define knowledge or suspicion, but case law has provided guidance.

Common sense provides that if, for example, a customer confirms they are laundering money or using money from a robbery, the member of staff would in fact know rather than suspect. Courts have previously gone further and also defined knowledge to include situations where the facts would be clear to an honest and reasonable person. It could also include a member of staff turning a blind eye, for example, if staff do not make normal enquiries of a customer where they believe they already know the answer and do not want to hear it.

Suspicion is subjective and may be based on picking up something unusual or where facts do not tally up. Suspicion does not need to be based on actual facts, but there needs to be some satisfaction beyond speculation that the customer is involved in the use of the POC or ML. A feeling of unease does not amount to suspicion.

#### **5 RESPONSIBILITIES**

The POCA and AML regime within Chongie Entertainment Limited is managed within the Compliance Team and supported by the operational management.

All staff have a role to play in combatting the use of criminal proceeds and ML, and are trained to pick up triggers which may lead to concern and further suspicion or knowledge.

Staff are also trained to report general concerns or otherwise knowledge or suspicion to the Compliance Team. Where knowledge or suspicion of money laundering is believed to exist, the Head

of Compliance will determine whether a Suspicious Activity Report (SAR) should be raised with the NCA.

## **6 PRODUCTS & RISK MITIGATION**

Chongie Entertainment Limited intends to run Adult Gaming Centre facilities in the UK.

To identify and manage the risks associated with the above products, Chongie Entertainment Limited applies controls in four broad ways.

*RISK TRIGGERS:* Training key staff to be aware of risk triggers which may be indicative of ML or the use of POC and how to report concerns.

*CUSTOMER MONITORING:* Providing facilities to allow Chongie Entertainment Limited to monitor customers, allowing staff to log consumer information, transactions and emerging concerns.

*SYSTEM CONTROLS:* Implementing controls to mitigate areas of potential risk and highlight potential irregularities.

*PROACTIVE ANALYSIS:* Carrying out proactive analysis of purchasing activity to help detect unusual activity and risk triggers. This is supported by record keeping, monitoring and customer reviews.

Each is considered in turn below.

## **7 RISK TRIGGERS**

Considering the above product type, there are different types of activity or customer behaviours which could lead to cause for concern leading to the possible formulation of knowledge or suspicion that an individual is participating in gambling activity with the POC or involved in ML.

These behaviours may be identified by any employee, and are most likely to be recognised by staff working in the Adult Gaming Centres. Full training is carried out on induction and at 12 monthly refreshers. All staff are therefore fully equipped with the skills they need to identify any suspicious behaviour.

## **8 CUSTOMER MONITORING**

Chongie Entertainment Limited will record any concerns they have with its customers by using the data provided for its own internal records.

## **9 SYSTEM CONTROLS**

General system controls exist to mitigate the risk of our products and business being used from a POC or ML perspective, and create an environment in which suspicious activity may be effectively detected.

### *Cash Handling*

Location specific operating policies and procedures will be put in place with regards to accounting practices and record keeping, in particular in respect of the following:

- Monetary stakes
- Token transactions
- Customer refunds (due to machine malfunctions)
- Money removed from machines
- Ticket in ticket out functions

This is not an exhaustive list and the risks of each location will be analysed.

## **10 PROACTIVE ANALYSIS**

The Compliance Team are aware and complete pro-active analysis of the data recorded to complete the necessary checks for the purposes of POC and ML.

## **11 SUSPICIOUS ACTIVITY REPORTS (SARs)**

POCA requires SARs to be raised to the NCA in the event of knowledge or suspicion of the use of the proceeds of crime.

A SAR will be raised with the NCA by the MLRO or appropriate deputy as soon as is reasonably practicable where suspicion is held that the customer is engaged in money laundering.

## **12 SAR MONITORING AND TERMINATION OF CUSTOMER RELATIONSHIPS**

If the level of concern leading to the SAR is maintained in future transactions or has increased thereafter, then further SARs will be considered.

Chongie Entertainment Limited understands that SAR reporting and the defence of making a disclosure under section 338 of POCA is not intended to be used repeatedly in respect of the same customer.

Wherever knowledge or suspicion exists, the Head of Compliance will make an assessment with regards to the continuation of the customer relationship. This decision is made with awareness of the potential offences under POCA if transactions are allowed to continue where knowledge or suspicion exists.

In accordance with Gambling Commission guidance, advice may be sought from the NCA around the most effective approach in respect of terminating a customer relationship.

Where a relationship is terminated, steps will be taken to uphold this as effectively as possible.

## **13 PREJUDICING AN INVESTIGATION**

Staff are trained that subsequent to a report to the Compliance Team, or a SAR being raised with the NCA, it is a criminal offence under section 342 of POCA to release information about the knowledge of the existence of an investigation that may prejudice that investigation.

The Compliance Team will work particularly closely with customer facing staff to ensure that investigations are not disclosed when a payment is being held pending consent, or during the process of ceasing the relationship with a customer.

## **14 ADVERSE INFORMATION & POLICE INVOLVEMENT**

### **14.1 Previous Convictions or Previous Police Involvement**

Where information is obtained which indicates previous Police interest or convictions for a financial crime or related offence, a file will be updated and steps may be taken to gather customer information from the stages above. Where concerns remain, the customer may be requested to provide proof of identity and source of funds.

### **14.2 Current Police Investigation**

All Police requests for information are logged and a file is created in respect of customers subject to the enquiry (where a file does not already exist), and information provided.

If Police request information in respect of a financial crime enquiry, contact will be made to understand the current status of the investigation.

Provided that the following criteria are met, and there is no overriding knowledge of laundering activity, Chongie Entertainment Limited will support and formally cooperate with the Police if there is an explicit request to continue business to preserve the case and evidence.

- The Police must submit a Data Protection Act request for information;
- A formal timeframe for engagement must be established with Police;
- Assurances must be provided by Police that there is a formal investigation, and that the case will be subject to regular review dates. RIPA authority (to provide Police with investigatory and surveillance powers) must be obtained within the first 28 days of engagement;

A Disclosure will be made to the Gambling Commission to advise.

Suspicious Activity Reports will be considered by Chongie Entertainment Limited at the point of Police engagement and at each subsequent Police review date.

This cooperative approach seeks to help to ensure that crime is kept out of gambling in the longer term.

## **15 TRAINING AND SCREENING**

Chongie Entertainment Limited are committed to ensuring that all key staff understand their responsibilities in respect of POCA and this policy, and in particular the triggers to be alert to and the requirement to report concerns, knowledge, or suspicion to the Compliance Team immediately.

Staff are trained as follows:

All employees of Chongie Entertainment Limited are required to undertake and complete AML training and understand our policy and reporting processes.

*Head Office*

Key customer facing head office staff, including the compliance team, are required to understand and adhere to the Company's POCA & AML policy.

Training refreshers will be held every 12 months and new starters are trained upon induction.

Ad hoc training sessions may be provided to react to developing risks in particular areas.

## **16 MONITORING THE POLICY**

To ensure that the policy continues to be fit for purpose:

Chongie Entertainment Limited are committed to carrying out an ongoing risk assessment of its POC & ML regime, tailoring this policy and training around new products and newly identified risks as appropriate.

In the course of day to day activities and in reaction to any POC or ML cases, Chongie Entertainment Limited will continue to seek best practices and new techniques to improve the processes and procedures in place.

This policy is subject to review following any new guidance published by the Gambling Commission.