

(Unofficial Translation)

**The National Committee for
Anti-Money Laundering and Counter-Financing of Terrorism**



**Report on National Money Laundering
and Terrorist Financing Risk
Assessment of the Lao PDR
(Casino)**

Casino:

1. Overview of Casino

Casino is a sector that is in the non-financial institutions established under the laws of the Lao PDR, through actual collection, casinos were at **high** risk to be used as a source of money laundering, which in this assessment had identified a significant gap in employee perceptions, the implementation according to the laws and regulations were not effective.

Currently, the total casinos in Lao PDR have 03 places with registered capital about 830,000,000,000 billion kip, compared to GDP of the country equivalent to 0.87% in 2014, 0.70% in 2015 and 0.64% in 2016. Two casinos were owned by foreign investors (China, Malaysia Through various procedures for obtaining business licenses from the government) and one place was government share with 20%. Most of the customers who used the casino service were foreigners, accounting for about 95% of all customers.

Casinos were not managed as effective as they should be in the implementation of anti-money laundering and financing for terrorist. At the same time, understanding of the implementation of the laws of personnel in the casino with the risk of money laundering was not as deep as it should be.

Challenges to be taken are included:

- 1) Casino is a cash-operative business, open 24 hours and has many cash transactions;
- 2) The movement of money related to gaming and capital movements of casino did not have a clear number or figure;
- 3) The casino personnel lacked insight into monitoring and checking transactions that might have occurred due to the lack of regular training for staff.

Casinos are a part of the business with a lot of cash, but movement activities were a form of gambling. Foreign currency exchange in most casinos is exchanged via a banking unit or imported foreign currencies into directly. The location of the casino is in the border area that can be easily crossed. However, the movements of customers entering the casino service had not yet collected any customer information, such as customer history, the amount of money to be paid, the sources of money and the customer's winning and lost statistics. These problems would create gaps that criminals would use for money laundering.

2. The results of risk assessment shows that:

The casino's assessment in Lao PDR, which was owned by foreign private company and operated joint venture between government and foreign investors owned and was under the management of the Government of Lao PDR, according to the Law on Investment Promotion No. 02 / NA dated 08 July 2009. It was licensed to invest in contract No. 022-14 dated 5 May 2014, in the areas of Phoukhaokhouay mountain - Nam Ngum catchment areas, Vientiane Province, Lao PDR, under contract No. 040-16 dated 19 August 2016 in the special economic zone of Savanh-Seno, Kaysone Phomvihane District, Savannakhet Province, and contract No. 911/ກ ຄ ຂ ພ ສ , dated 02 October 2015 in the special economic zone, Golden Triangle, Thonpheung District, Bokeo Province, Lao PDR.

Gross revenue of the government from the casino sector was estimated at US \$ 17,000,000 a year from 2014-2016 (tax with one-time paid), 0.14% compared to GDP / 2014, 0.11% compared to GDP / 2015 and 0.10% of GDP / 2016.

Through the risk assessment of casinos about the work on Anti-Money Laundering and Financing of Terrorist, it was at a **high-risk** level. Because of the quality of policies, the quality of the work movements and the operational steps of the work on anti-money laundering and financing of terrorist had the vulnerability and this was placed at a **high-risk** level.

2.1 The quality of the implementation of the casino is relatively low as a result:

A. compliance with the laws of employees or business owners

- Law implementation of employees and business operators was lacking in knowledge of anti-money laundering and financing for terrorism;
- Criminal penalties on casinos cases related to the casino sector had not yet happened;
- The implementation of the internal rules and the management of employees or business operators was still not tightened and sufficient that may cause vulnerability in the business and as a gap for abusive criminals;
- There had been no specific internal regulations on anti-money laundering and financing for terrorism. Legislation and regulatory framework for managing casino business. As of now there is no clear manager, whose business is based on the implementation of the government operating license agreement and the implementation was carried out as it related to the relevant ministries and dissemination of knowledge about anti-money laundering and financing for casinos and the management were not reachable

B. Commitment and Leadership of the Executives

- Effectiveness of controlling business operation activities was based on the laws of Lao PDR and the concession registration certificate issued by the Ministry of Planning and Investment;
- Quality of management about anti-money laundering and the financing of terrorism to the casino was **low** because: 1) has not managed clearly and the dissemination work on anti- money laundering and financing of terrorism to the sector had not deep enough, 2) capacity and enforcement of administrative measures which currently was based on existing regulations, if the offense really would be warned and fined according to rules if the offense even more serious this would be suspended or dissolved doing business and implemented according to the laws and regulations;
- Criminal penalties for money laundering and financing of terrorism related to the casinos currently have not yet happened.

C. The quality of Customer Due Diligence.

- The Anti-Money Laundering Intelligence Office cannot collect the information independently through electronic systems. The collection of information with the relevant sectors is request by paper and waiting for their response;

- Department of Family Registry and Foundation Construction, Ministry of Public Security has the strictly regulations for issuing the Identification Card (ID card) to the Lao people, you need to have the list name in the family book before request to issue the ID card. Do not have the specific regulations for issuing the new ID card in case of people moved to the new area (new address) until it expires, the most people in remote area do not need to use their ID card so they used the expired ID card or some people do not have an ID card;
- Access to ownership can be recognized because before applying for a business's casino, the applicant must apply in accordance with the current regulations of the Ministry of Planning and Investment and relative Ministry by the applicant.

D. Effectiveness of monitoring the Suspicious Transactions Reporting

Reporting transactions that suspected about money laundering and financing of terrorist of casinos currently were not reported to the Anti-Money Laundering Intelligence Office, which would have to encourage the sector to pay more attention to anti-money laundering work with concrete manner and quality.

2.2 Quality of policies and procedures of anti-money laundering work was at the low level, as a result:

A. Completeness of Legislation on Anti-Money Laundering

Legislation on management and anti-money laundering of the casino currently, legislation used to implement the anti-money laundering and financing of terrorism was in a level, for example the law on anti-money laundering and financing of terrorism, legislations under laws and other legislations related considerably. However, the actual practice of managing casino did not have a clear definition of the manager and the implementation of anti-money laundering and financing of terrorist of the casino sector, which has not been implemented properly. Because the employee or business owner had no knowledge and understanding of anti-money laundering and financing of terrorist.

B. Effectiveness of implementation of the law

The implementation of anti-money laundering activities of casino sector is neglected because the staff or business owners are not yet aware of the anti-money laundering activities and the training of managers on AML is not yet widespread. Internal audits, policies, procedures and the compliance officer on the AML activities of this business have not yet been implemented;

C. Commitment and Leadership of the Executives

- The capacity and effectiveness of the management of the conditions for applying for a business license of casino is in accordance with regulations of the Ministry of Planning and Investment issued in each application for business license;
- The quality of anti-money laundering management on casino is at a Medium-Low level as a result of lack of identifying the supervisor, the capacity and administrative measures enforcement which now according to the existing regulations if there are the real offense

they will be warned and fined in accordance with the rules, beside that it is the serious offense they will be suspended or dissolved doing business and implementation of laws;

- Criminal penalties for money laundering cases related to casino have not been prosecuted.

Summary of Assessment Results

Through the National Money Laundering risk assessment of the casino sector, the results of the assessment were at the **high** risk. Because the Law implementation of employees and business operators was lacking in knowledge of anti-money laundering and financing for terrorism, the implementation of the internal rules and the management of employees or business operators was still not tightened and sufficient that may cause vulnerability in the business and as a gap for abusive criminals, there had been no specific internal regulations on anti-money laundering and financing for terrorism, there is no clear manager, business permit requirements are based on the laws of the Lao PDR and the concession registration certificate issued by the Ministry of Planning and Investment, Criminal penalties for money laundering and financing of terrorist related to the casino currently have not yet happened and the Suspicious Transaction Reporting in the casino sector have not yet been reported to the Anti-Money Laundering Intelligent Office.

3. Action Plan:

- Pay attention to advertising, disseminating, implementing legislation and providing training to those who conduct casino business to recognize and understand the potential risks of doing business with money laundering and financing of terrorism;
- Encourage supervisor of casino business to mobilize and encourage such businesses operator to strictly implement on AML /CFT.
- Encourage the casino sector to implement on anti-money laundering and counter financing of terrorism.