

FinCEN Director Blanco Addresses AML Compliance and Casinos

Article By:

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FinCEN Director Kenneth A. Blanco delivered [prepared remarks](#) on August 13 at the 12th Annual Las Vegas Anti-Money Laundering Conference. We previously have [blogged repeatedly](#) on the **anti-money laundering** (“AML”) and **Bank Secrecy Act** (“BSA”) challenges facing the **gaming industry**. This post will discuss Director Blanco’s comments at a high level only, consistent with the generality of his prepared speech.

Director Blanco summarized the topics of his remarks thusly:

1. First, I will share my perspective on how new technologies are impacting AML/CFT and financial crime detection, particularly sports betting and mobile gaming;
2. Second, I will discuss how FinCEN’s recent guidance on Convertible Virtual Currency is something that casinos need to pay attention to;
3. Third, I will revisit the importance of a strong culture of compliance within casinos; and
4. Lastly, I will provide an overview of our ongoing work related to regulatory reform, innovation, and BSA value.

In regards to the issue of new technologies, Director Blanco stated that FinCEN expects that casinos and card clubs are monitoring their sports betting and mobile gaming programs for all suspicious activity, according to traditional AML obligations.

Director Blanco also addressed “so-called [convertible virtual currency, or CVC] casinos on the Internet,” as well as “physical casinos and card clubs that accept CVC for gaming.” In part, he referenced the [May 2019 Guidance by FinCEN regarding CVC](#), and then stated:

[I]nternet gaming sites that operate online but that are not duly licensed or authorized to do business as casinos in the United States are not “casinos” for purposes of regulations implementing the BSA. Rather, it is likely they are operating as money transmitters. [Money transmitters have their own obligations under the BSA](#) and its implementing regulations, which includes a formal registration with

FinCEN. This applies equally to domestic money transmitters and to foreign-located money transmitters that do business wholly or in substantial part within the United States.

For casinos and card clubs accepting CVC from customers either on location or through your mobile applications, you need to ensure that this is accounted for in your policies, procedures, and internal controls—as well as your risk assessments. You should also consider how you will review and conduct due diligence on transactions in CVC. How will you conduct blockchain analytics to determine the source of the CVC? How will you incorporate CVC-related indicators into your SAR filings as appropriate?

In regards to the constant AML theme of a “culture of compliance,” Director Blanco stated in part:

There is a misconception that just because FinCEN has not publicly issued an enforcement action against a casino or card club since last year that FinCEN is not looking at this financial sector. Let me assure you, this is not the case. FinCEN is continually looking at compliance across all financial institutions and will not hesitate to act when it identifies financial institutions that violate the BSA. It is also important to note that not all enforcement actions are public—FinCEN often closes cases with warning letters sent to financial institutions or refers cases to our delegated examiners to conduct additional examinations.

Director Blanco next addressed — [again perhaps as a defensive measure](#) — the ongoing issue of [BSA regulatory and legislative reform](#). In part, he stressed the value of BSA reporting:

In January 2019, FinCEN began an ambitious project to catalogue the value of BSA reporting across the entire value chain of its creation and use. The project will result in a comprehensive and quantitative understanding of the broad value of BSA reporting and other BSA information to all types of consumers of that information.

We already know that BSA data plays a critical role in keeping our country strong, our financial system secure, and our families safe from harm. But FinCEN is using the BSA Value Project to improve how we communicate the way BSA information is valued and used, and to develop metrics to track and measure the value of its use on an ongoing basis. The project has included hundreds of interviews with stakeholder groups, including casinos.

So far, the study has confirmed there are extensive and extremely varied uses of BSA information across all stakeholders (including by the private sector) consistent with their missions.

BSA reporting is essential to these activities. Everyone has also agreed that the work of your skilled analysts and investigators (as well as frontline staff, such as those working in the money cages at your casinos) contributes greatly to the value of BSA reporting. Stakeholders also have underscored how there can be equally important value derived from specific fields within a single BSA report (even one filed years ago) and the aggregation of all the information in FinCEN’s database.

Finally, Director Blanco offered some interesting statistics, again in [apparent defense of the value of the onerous BSA reporting regime](#), the [utility of which has been subject to increasing critiques](#):

All FBI subject names are run against the BSA database. More than 21 percent of FBI investigations use BSA data, and for some types of crime, like organized crime, nearly 60 percent of FBI investigations use BSA data. Roughly 20 percent of FBI international terrorism cases utilize BSA data.

The Internal Revenue Service-Criminal Investigation section alone conducts more than 126,000 BSA database inquiries each year. And as much as 24 percent of its investigations involving criminal tax, money laundering, and other BSA violations are directly initiated by, or associated with, a BSA report.

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