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CIRCULAR LETTER TO:

ALL GAMING MACHINE OPERATORS - GAMING LOUNGES

- Chief Executive Officers
- Chief Operating Officers
- Nominated Employees
- Compliance Officers
- Other Principal Senior Officers
- Other Relevant Personnel

REF: CIR-004-06-2023

Roles and Responsibilities of the Nominated Employee

1. Policy statement and objective

This document is intended to provide a framework for the Nominated Employees (NE) of the designated non-financial institutions (DNFI) within the gaming sector to support them in complying with the laws associated with setting up an effective anti-money Laundering, counter terrorism financing and counter proliferation financing (AML/CFT/CFP) programme.

The Betting Gaming and Lotteries Commission (BGLC) expects all NE to implement effective compliance programmes that include effective transaction monitoring, customer due diligence and adequate risk assessment of its activities. Therefore, this document outlines the roles and responsibilities of NE in gaming lounges, informing their job descriptions and emphasizing the qualifications required for this position. This should take into consideration the relevant legislation and best practices.

2. The appointment of the Nominated Employee

A gaming operator must designate an employee who holds a senior management position as the NE. This employee is responsible for ensuring the effective implementation of the established policies, programmes, procedures and controls to prevent and detect money laundering, terrorist financing and financing of proliferation activities in accordance with the relevant statutes. The NE must:

- Possess knowledge of the AML/CFT/CFP laws, frameworks, global practices, and trends to guide the institution in establishing and maintaining appropriate controls, policies, and procedures according to statutory requirements.
- Undertake the responsibility for ongoing monitoring of the institution's fulfillment of AML/CFT/CFP duties.
- Be independent of the institution's business lines to allow for objective assessment, monitoring, and enforcement of the institution's operations and decision-making in accordance with its AML/CFT/CFP obligations under the country's framework and the institution's own AML/CFT/CFP policies and procedures.
- Satisfies the minimum qualification such as Certified Anti-Money Laundering Specialist (ACAMS), International Compliance Associate (ICA) Certified or any other equivalent.

Additionally, gaming operators should consider these other factors when appointing a NE:

- I. The NE should not have any convictions for offences involving dishonesty or offences listed in the Second Schedule of Proceeds of Crime Act (POCA) or any other applicable legislation;
- II. The NE should have sound integrity, competence, diligence, and sound judgment in fulfilling their functions in relation to the licensee ensuring the interests of clients are not compromised;
- III. The NE should possess the knowledge, skills and experience required to perform their intended functions;
- IV. The NE should not have engaged in any fraudulent, oppressive, or otherwise improper business practices;
- V. The NE should not have violated any provision of any enactment designed to protect the public against economic loss due to dishonesty, incompetence, or malpractice; and
- VI. The NE should have an employment history that does not raise suspicions of any wrongdoing in the provision of services or entity management.

The BGLC will evaluate the fitness of the NE using the criteria listed below to offer a non-objection to the NE's appointment:

- Competence using the resume' & evidence of training/certification
- Reputation – using the police report

Gaming operators must inform the BGLC in writing within seven (7) days of the NE's appointment.

3. Roles and Responsibilities

The NE is responsible for the day-to-day monitoring of the gaming machine operator's compliance with AML/CFT/CFP laws, regulations, and industry best practices. This employee should possess the requisite skills, qualifications, and expertise to perform the assigned tasks. Additionally, the NE should have access to all operational areas, seniority and authority to independently report to the board. This duty must be independent of the internal audit function. The roles and responsibilities of the NE should, at a minimum, include the following:

1. Act as a liaison between the gaming lounge, the BGLC, the FID and other authorities concerning compliance matters and investigations.
2. Ensure that:
 - i. Risk assessments are conducted for the gaming operator.
 - ii. appropriate risk profiles for its customers are established.
 - iii. the relevant measures and mechanisms commensurate with the risks assessed are implemented; and
 - iv. these assessments are kept up-to-date and relevant.
3. Evaluate new products and services (gaming devices, gaming services) to determine the risk exposure to the gaming lounge. This is because new products have the potential to alter the AML threat to an entity. It is imperative that the NE evaluate that threat.
4. Assist business units in implementing the compliance programme, including informing staff and board members of regulatory changes resulting from AML/CFT/CFP developments. NE should update their policies and procedures to reflect these changes.
5. Ensure the existence of adequate procedures for client identification and verification and detection of unusual and suspicious transactions. These procedures are imperative in mitigating the risk of suspicious activities. The NE must ensure the entity can establish and maintain comprehensive customer due diligence records.
6. Receive and evaluate internal reports of suspicious/unusual transactions. The NE should provide a confidential channel for staff within the organization to report suspicious activities.

7. Timely file Suspicious Transaction Reports (STRs), Suspicious Activity Reports (SARs), Proscribed Entity Reports and Listed Entity Reports (LERs) to the Designated Authority¹ at the prescribed times. The filings must be done correctly, as incorrect submissions will be rejected by the Designated Authority.
8. Regularly report on the efficacy of the operator's AML/CFT/CFP framework to senior management and the board of directors. This report should also address compliance levels with directives pertaining to independent audits and examinations conducted by the Competent Authority. The objective is to keep the Board constantly aware of the operator's risks related to money laundering, terrorism financing and proliferation financing, as well as the effectiveness of the risk-management procedures.
9. Take action to address noncompliance and create realistic plans to overcome deficiencies. Once recommendations and directives are given to an operator by the Competent Authority, the operator must make every effort to address procedure deficiencies in a timely manner.
10. Prepare and update policies and procedures that are readily accessible to the gaming operator's board, management, staff, and other relevant personnel or parties involved in the operations.
11. Utilize monitoring and audit systems to ensure compliance with all AML/CFT/CFP laws and requirements.
12. Provide or organize AML training for all employees including board members.
13. Acknowledge and retain all written requests received from law enforcement. These requests must be kept as evidence by the NE and treated with strict confidentiality.²

4. Obligations

The statutory AML obligations under the POCA regime can be found in the POCA and in the POC (MLP) Regulations. Additionally, there are AML/CFT/CFP obligations under the TPA³ regulations and the UNSCRIA⁴ regulations. The requirements are as follows:

- a) File required disclosures (Suspicious Transaction Reports) as applicable, following the prescribed circumstances and manner.
- b) File Protected and Authorized Disclosures and request appropriate consent

¹ Financial Investigations Division

² POCA section 94.

³ Terrorism Prevention Act

⁴ United Nations Security Council Resolutions Implementation Act

- c) Comply with the directions of the Designated Authority in relation to required disclosures.
- d) Comply with any requirements or directions issued by the Competent Authority
- e) Comply with other AML operational and regulatory controls under the POC (MLP) Regulations, 2007 & 2019.
- f) File prescribed UNSCRIA submissions to the Designated Authority under relevant acts.⁵
- g) Comply with the requirements to submit the Listed Entity Report to the FID within the prescribed period.⁶

5. Confidentiality

The NE responsible for the ML/TF/PF reporting must ensure that the procedure is confidential. This confidentiality must be maintained, especially when investigations into ML/TF/PF or other financial crimes are ongoing, and the entity is subject to any investigatory order or reporting obligations. The NE should take the following measures to maintain confidentiality:

1. **Limit access:** Only authorized personnel directly involved in the reporting process should have access to sensitive information related to ML/TF/PF reporting. Access should be granted on a need-to-know basis.
2. **Secure storage:** All documents, reports, and records related to ML/TF/PF reporting should be stored in a secure and controlled environment, such as locked filing cabinets or password-protected electronic systems.
3. **Confidentiality agreements:** Ensure that all employees involved in ML/TF/PF reporting sign confidentiality agreements, emphasizing the importance of maintaining the confidentiality of information and the consequences of unauthorized disclosure.
4. **Communication channels:** Use secure and encrypted communication channels when sharing sensitive information related to ML/TF/PF reporting. Avoid discussing confidential matters in public or open spaces where conversations can be overheard.
5. **Discretion in reporting:** When filing Suspicious Transaction Reports or other disclosures, avoid including unnecessary details that could potentially compromise the identity of the reporting entity or any ongoing investigations.
6. **Record keeping:** Maintain proper records of all ML/TF/PF reporting activities, including the date and time of filing, copies of filed reports, and any relevant correspondence. Ensure that these records are securely stored and accessible only to authorized personnel.

⁵ Section 5(2)(3) (3A) & (3B) of the United Nations Security Council Resolutions Implementation Act 2013 and 2019 and Section 4 & 5 of the United Nations Security Council Resolutions Implementation Act 2019.

⁶ Section 15 (2) (3) & (4) of the Terrorism Prevention Act 2005.

7. **Training and awareness:** Conduct regular training sessions and awareness programs for employees to reinforce the importance of confidentiality in ML/TF/PF reporting. This should include guidelines on how to handle sensitive information and the consequences of breaching confidentiality.
8. **Incident response:** Establish protocols for handling breaches of confidentiality, including reporting procedures, internal investigations, and disciplinary actions if necessary. Promptly address any breaches and take appropriate measures to prevent future occurrences.

By adhering to strict confidentiality practices, the NE can safeguard sensitive information, protect ongoing investigations, and maintain the integrity of the AML/CFT/CFP framework within the gaming lounge.

6. Failure to Comply

It is essential for the NE to comply with all applicable AML/CFT/CFP laws, regulations, and industry best practices. Failure to do so may result in severe consequences, including criminal prosecution, commercial losses, and reputational damage. The consequences of non-compliance are as follows:

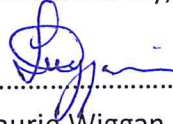
1. **Criminal Prosecution:** Breaches of ML/TF/FP prevention legislations and guidance notes can lead to criminal prosecution. The BGLC has the power to establish a fixed penalty regime for such breaches under the POCA. Nominated individuals, gaming lounges, and their employees may face penalties and legal consequences for non-compliance.
2. **Commercial Losses:** Non-compliance with AML/CFT/CFP obligations can result in significant financial costs for the institution. This includes expenses associated with addressing issues arising from investigations into alleged ML/TF/FP activities, costs to defend prosecutions, and efforts to repair the institution's public image. These commercial losses can have a detrimental impact on the financial stability and reputation of the gaming operator.
3. **Loss of Reputation:** Involvement, even inadvertently, in ML/TF/FP activities can lead to the loss of reputation for the gaming operator. Media coverage of such circumstances can damage the institution's standing in the market and erode public trust. It is crucial to maintain a strong reputation by adhering to AML/CFT laws and demonstrating a commitment to combating financial crimes.

To mitigate these risks and ensure compliance, the NE must diligently fulfill their roles and responsibilities as outlined in this policy. By implementing robust AML/CFT/CFP measures, conducting regular risk assessments, maintaining effective transaction monitoring systems, and facilitating staff training, the NE can contribute to a culture of compliance within the gaming lounge.

The Commission is therefore anticipating that all gaming operators comply with all legislative laws when appointing a Nominated Employee. These regulations must also be observed once he/she begins to carry out his/her duties in the day-to-day running of the entity's AML/CFT/CFP compliance programme. The Commission will take enforcement action if the gaming operator is found to be in breach of this direction or any other direction given.

Please be guided accordingly.

Yours sincerely,



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Laurie Wiggan

Director, Compliance & Regulatory

BETTING, GAMING & LOTTERIES COMMISSION