

# GENERAL SECTION OF THE SUPERVISOR-SPECIFIC RISK ASSESSMENT PURSUANT TO THE ANTI-MONEY LAUNDERING ACT

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# 1. DESCRIPTION OF THE GENERAL SECTION OF THE RISK ASSESSMENT

## 1.1. PURPOSE

This general section of the risk assessment has several purposes and goals, each of which aim to prevent money laundering and terrorist financing in gambling. The purpose is to examine and identify risks, assess their probability and impact, and present control measures for money laundering and terrorist financing risks in gambling.

Another purpose of this document and sections connected to this document is to fulfil the requirement set for a supervisor-specific risk assessment in the Act on Preventing Money Laundering and Terrorist Financing (444/2017, hereinafter “the Anti-Money Laundering Act”). According to chapter 2, section 2 of the Anti-Money Laundering Act, a competent supervisory authority must prepare a risk assessment, covering money laundering and terrorist financing risks associated with obliged entities within the scope of its supervisory responsibility. This document is a gambling sector risk assessment prepared by the National Police Board’s Gambling Administration in compliance with the Anti-Money Laundering Act. According to the Anti-Money Laundering Act, the National Police Board supervises the gambling operator referred to in section 11 of the Lotteries Act, as well as traders and corporations that supply registration and charges for participation in gambling provided by the gambling operator in question. It should be noted that the traders and corporations that supply registration and charges for participation in gambling are not obliged entities according to the Anti-Money Laundering Act but specific sections of the act apply.

The goal of the risk assessment is to identify and assess money laundering risks associated with gambling. While not all risks can be identified, the goal is to identify the most probable and significant gambling-related money laundering risks. Another goal of the risk assessment is to present certain means to reduce risks. As a result, the risk assessment analyses risks as well as presents risk control measures. Furthermore, the risk assessment assesses the probability and impact or severity of identified risks. Risks have been examined by analysing the gambling sector in general, in Finland and abroad. However, the national perspective takes priority with regard to risks and any control measures.

The risk assessment is a tool for supervisory activities. It helps to target supervision aimed to prevent money laundering and terrorist financing (AML/CFT) to the functions that have been found to involve the most significant risks. In supervisory activities, this type of targeting is referred to as risk-based supervision. Then again, it is also important to identify and assess smaller risks to see the big picture and to understand all money laundering and terrorist financing risks that are associated with gambling.

The risk assessment is the supervisory authority’s view of factors and events that threaten gambling from AML/CFT perspective. The risk assessment also serves as a tool for the gambling operator. For example, gambling operator can compare this risk assessment with risk assessments it has prepared regarding their activities and determine whether it has considered all the risks presented in the supervisory authority’s risk assessment and how the supervisory authority has assessed risks and control measures.

The general section, consisting of five chapters, presents the purpose and goal of the risk assessment and illustrates the special characteristics of gambling services provided in mainland Finland. In addition, this document defines the sources and methodology used in the assessment. Sections that discuss individual risks and the most significant risks have been divided

into separate sections, general section and summary, to enable the documents to be revised flexibly.

## 1.2. PUBLICITY

The general section of the risk assessment is public. The risk assessment is a document classified as secret pursuant to section 24(1), paragraphs 15 and 20 of the Act on the Openness of Government Activities (621/1999). The risk assessment contains material, which includes information about a private business secret, the disclosure of which would produce financial losses for the party in question. In addition, the risk assessment includes factors significant for official supervisory activities, the disclosure of which might endanger the supervisory activities and their purpose. Therefore, in addition to this general section of the risk assessment a public summary of the risk assessment has been drafted.

## 1.3. REVISING THE RISK ASSESSMENT

The risk assessment must be up to date for it to be effective. The risk assessment will be revised every autumn by the end of October and whenever there are significant factors or changes in the activities of gambling operator or in gambling activities that affect the supervisor-specific risk assessment, or if the risk assessment needs to be revised due to revisions to the supranational or national risk assessment or changes in laws. The National Police Board's Gambling Administration is responsible for preparing and revising the document. In practice, officials in charge of the prevention of money laundering and terrorist financing within the group that supervises the implementation of gambling activities are responsible for keeping the risk assessment up to date.

## 1.4. LIMITATIONS

According to section 11 of the Lotteries Act, Veikkaus Oy has the exclusive right to provide gambling services in mainland Finland. According to chapter 7, section 1 of the Anti-Money Laundering Act, the supervisory activities of the National Police Board supervises the operations of Veikkaus and of the traders and corporations that supply registration and charges for participation in gambling provided by Veikkaus (i.e. Veikkaus's retailers, hereinafter "gambling retailers"). Therefore, the National Police Board's risk assessment pursuant to the Anti-Money Laundering Act applies to gambling activities. According to the Lotteries Act, Veikkaus is the only operator that can legally provide gambling services in mainland Finland, including gambling taking place in Veikkaus retailer outlets.

The Anti-Money Laundering Act imposes an obligation on the National Police Board to also supervise the gambling operator referred to in laws enacted by the Government of Åland. However, the National Police Board's supervisory activities pursuant to the Anti-Money Laundering Act do not extend to the autonomous province of the Åland Islands. The supervision of compliance with anti-money laundering laws in gambling (gambling operator and retailers) in Åland has been transferred to the Åland lottery supervisory authority (Ålands lotteriinspektion) under a consentaneous decree referred to in section 32 of the Act on the Autonomy of Åland.<sup>1</sup>

Because the National Police Board's supervisory activities pursuant to the Anti-Money Laundering Act are only targeted at a single gambling operator and its retailers, risks are assessed at a general level in this risk assessment, considering what money laundering and terrorist

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1 Consentaneous decree 500/2018

financing risks can be associated with the legal provision of gambling services in Finland. This risk assessment (the general section and the summary) does not discuss what types of risks have been expressly identified in the activities of Veikkaus, what control measures Veikkaus carries out to prevent risks or what concrete supervisory activities the National Police Board implements to fulfil its supervisory responsibility laid down in the Anti-Money Laundering Act. This means that the risk assessment does not process any information that comprises business secrets of Veikkaus or would endanger the purpose of the National Police Board's supervisory activities and is, therefore, to be kept secret.

The scope of application of the Anti-Money Laundering Act does not include slot machines outside casinos that can be played using cash or debit cards. According to the Government Proposal on the Anti-Money Laundering Act (228/2016), slot machines outside casinos are excluded from the scope of application, because they are regarded as services involving a low money laundering risk. Risks in the use of slot machines are affected by the use of cash, the return rate, the level of bets and any use of different payment functions provided by slot machines.<sup>2</sup> Notwithstanding the exclusion of slot machines from the scope of application of the Anti-Money Laundering Act, any changes in slot machine activities will be monitored closely in the National Police Board's risk assessment, and they will be assessed from the perspectives of money laundering and terrorist financing.<sup>3</sup>

Furthermore, this assessment of money laundering and terrorist financing risks does not apply to non-money lotteries, bingo or promotional games. Promotional games are not lotteries defined in Lotteries Act and thus not part of the National Police Boards supervision. These are not part of gambling activities and, therefore, not within the scope of supervisory activities pursuant to the Anti-Money Laundering Act.

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2 Government Proposal 228/2016, p. 93.

3 On 17 May 2019, the Anti-Money Laundering Act was revised regarding slot machines. The Anti-Money Laundering Act applies if slot machines are used in gambling outlets when the customer has been identified as referred to in section 14 c of the Lotteries Act. This section will enter into force on 1 January 2022.

## 2. BACKGROUND

The purposes, goals and limitations of the risk assessment are presented in the previous section. Every supervisor referred to in the Anti-Money Laundering Act must prepare a risk assessment, covering risks in the sector of the obliged entity within the scope of their supervisory activities. The requirement for a supervisor-specific risk assessment is defined in the Anti-Money Laundering Act as follows:

According to chapter 2, section 2 of the Anti-Money Laundering Act (444/2017):

*The competent supervisory authority and association of lawyers must prepare a risk assessment, covering the money laundering and terrorist financing risks of parties subject to the reporting obligation within the scope of its supervisory activities (supervisor-specific risk assessment). When preparing the risk assessment, the competent supervisory authority and association of lawyers must consider:*

- 1) the supranational risk assessment of the money laundering and terrorist financing risks prepared by the European Commission, and the money laundering and terrorist financing risks defined therein;*
- 2) the national risk assessment, and the money laundering and terrorist financing risks defined therein;*
- 3) money laundering and terrorist financing risks associated with parties subject to the reporting obligation within the sector being supervised and their customers, products and services.*

*When planning the scope and recurrence of supervisory activities, the competent supervisory authority and association of lawyers must address their risk assessment, any derogations concerning the activities of parties subject to the reporting obligation and the sector-specific risks referred to in subsection 1, paragraph 3.*

*The competent supervisory authority and association of lawyers must revise the supervisor-specific risk assessment regularly and whenever there are significant factors or changes in the activities of parties subject to the reporting obligation affecting the supervisor-specific risk assessment.*

*The competent supervisory authority and association of lawyers must publish a summary of their risk assessment.*

This provision is based on Article 48 of directive (EU) 2015/849 of the European Parliament and of the Council on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (hereinafter “the fourth anti-money laundering directive”) and Recommendation 1 of the Financial Action Task Force (FATF), an intergovernmental organisation established for the prevention of money laundering and terrorist financing. The fourth anti-money laundering directive sets an obligation to prepare a supervisor-specific risk assessment and a national risk assessment. The FATF recommendation requires FATF member states to identify and understand money laundering and terrorist financing risks. In addition, the activities of the authorities must be proportional to the identified risks.

The fourth anti-money laundering directive expanded the scope of application of gambling services from casinos to all other gambling. With regard to Finland, the previous Anti-Money Laundering Act (503/2008) already applied to all forms of gambling, apart from slot machines located outside casinos.

## 2.1. THE EU'S SUPRANATIONAL RISK ASSESSMENT PREPARED BY THE EUROPEAN COMMISSION

According to Article 6 of the fourth anti-money laundering directive, the Commission shall conduct an assessment of the risks of money laundering and terrorist financing affecting the internal market and relating to cross-border activities. The supranational risk assessment must assess risks, considering at least the most high-risk areas in the internal market, sector-specific risks and the most commonly used means used by perpetrators to launder illicit proceeds.

The Gambling Administration's risk assessment is partly based on the gambling section of the EU's supranational risk assessment (SNRA) prepared by the European Commission. The supervisory authority's risk assessment has been prepared using risk scenarios defined in the SNRA. The risk assessment addresses the geographical limitation of national gambling activities to mainland Finland and other national characteristics of gambling activities. These are presented separately in this document.

## 2.2. NATIONAL RISK ASSESSMENT

According to chapter 2, section 1 of the Anti-Money Laundering Act, the Ministry of Finance and the Ministry of the Interior act as national authorities that coordinate the preparation of the national assessment of money laundering and terrorist financing risks.<sup>4</sup> The purpose of the national risk assessment is to identify money laundering and terrorist financing risks in different sectors, support the prevention of money laundering and terrorist financing and the allocation of resources, as well as improve their efficiency, support the preparation of harmonised procedures for different sectors and provide information in support of risk assessments prepared by the obliged entities. The national risk assessment must address the outcomes presented in the European Commission's risk assessment.

The national risk assessment describes typical schemes and methods of money laundering and terrorist financing and vulnerabilities in different societal sectors and the financial system. In addition, the risk assessment includes evaluations of the generality and severity of different schemes and methods.

## 2.3. RISK ASSESSMENT OF OBLIGED ENTITY

According to chapter 2, section 3 of the Anti-Money Laundering Act, an obliged entity shall prepare a risk assessment to identify and assess money laundering and terrorist financing risks. Therefore, the obligation to prepare a risk assessment applies to Veikkaus, among others. Instead, retailers of Veikkaus do not have any legal obligation to prepare a risk assessment.

As the supervisory authority, the National Police Board ensures that Veikkaus fulfils the requirements set for it in the Anti-Money Laundering Act, such as the preparation of a risk assessment. According to the Anti-Money Laundering Act, Veikkaus must supply its risk assessment and any changes to it to the National Police Board without undue delay upon request.

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4 According to chapter 2, section 1 of the Anti-Money Laundering Act, the Ministry of Finance and the Ministry of the Interior act as national authorities that coordinate the preparation of the national risk assessment of money laundering and terrorist financing. The Ministry of the Interior is responsible for the preparation the national assessment of terrorist financing risks, while the Ministry of Finance is responsible for the preparation of the national assessment of money laundering risks.

However, the National Police Board's supervisor-specific risk assessment does not discuss the risk assessment of Veikkaus, the publicity of which can be determined by Veikkaus. If Veikkaus identifies risks associated with money laundering and/or terrorist financing in its risk assessment with regard to its gambling activities, which the National Police Board has not previously identified, these risks may also be included in the National Police Board's supervisor-specific risk assessment. However, all risks are discussed at a general level, without endangering the business secrets of Veikkaus.

## 2.4. FINANCIAL ACTION TASK FORCE

The Financial Action Task Force (FATF) is an intergovernmental body, which sets standards and develops ways to prevent money laundering and terrorist financing. Originally in 1990, the FATF issued 40 recommendations to prevent financial systems from being exploited in the laundering of funds obtained from narcotics sales.

FATF Recommendation 1 concerns the assessment of risks and a risk-based approach that, according to the recommendation, must form the basis of all actions taken to prevent money laundering and terrorist financing. On the basis of the recommendation, countries should identify, assess and understand money laundering and terrorist financing risks for the country. Based on this assessment, actions taken to reduce risks must be correctly proportional to identified risks. The recommendations, or standards, have been revised several times along the years. The standards issued in February 2012 include a recommendation to assess risks at a national level to ensure that any vulnerabilities can be identified and understood. In addition, the recommendations state that, on the basis of assessments, the authorities can target their activities on the basis of risks. The FATF standards are used in more than 180 countries. Finland is also a member of the FATF. With regard to gambling, the FATF recommendations apply to casinos (including online casinos and casinos on ships). The FATF conducts country-specific evaluations to evaluate the sufficiency of national actions taken to prevent money laundering and terrorist financing.



### 3. A RISK-BASED APPROACH AND CO-OPERATION

The fourth anti-money laundering directive emphasises a risk-based approach in the prevention of money laundering by the obliged entities and in the activities of the authorities that supervise obliged entities activities. The risk-based approach forms the basis of the FATF recommendations and is also highlighted in the Anti-Money Laundering Act. The National Police Board's risk assessment must not only fulfil the obligation of preparing a risk assessment laid down in the Anti-Money Laundering Act, but also truly identify money laundering risks associated with gambling activities, assess these and identify risk control measures. If these goals are achieved, the risk assessment also serves as a tool for the supervisory authority in defining focus areas of supervisory activities. However, it should be noted that supervisory activities cannot be based on a risk assessment alone, being only focused on functions assessed to involve the highest risks. Instead, supervisory activities must also always include spot checks to ensure that the activities cover all functions.

The risk assessment must be based on the aforementioned FATF recommendations and its evaluations concerning Finland, the European Commission's supranational risk assessment (SNRA) and the money laundering and terrorist financing risks identified therein, however considering national special characteristics of the gambling environment. The national risk assessment has also been used in the preparation of the risk assessment. In addition, other related material was also considered when preparing the risk assessment, such as the 2009 FATF report "Vulnerabilities of Casinos and Gaming Sector" and risk assessments of other supervisory authorities (see the list of sources for more information).

The National Police Board's Gambling Administration assesses risks, for example, in the light of information collected through supervisory activities. The National Police Board broadly supervises the provision of gambling services on the basis of the powers granted to it in the Anti-Money Laundering Act to ensure the legal protection of the lottery participants, to prevent misuse and crime and to reduce the social and health-related harm resulting from lotteries (Lotteries Act, section 42). In practice, supervisory activities pursuant to the Lotteries Act are closely linked to supervisory activities for the prevention of money laundering. For example, the Gambling Administration already assesses new gambling services of Veikkaus starting from their development stage and issues statements on rules of services, terms and conditions of online player accounts and responsibilities associated with the provision of gambling services. The National Police Board automatically receives the majority of data related to online gambling services of Veikkaus in its monitoring data system. Furthermore, online gambling services used via player accounts become valid after data about the services has been saved in the National Police Board's monitoring system. Data is saved nearly in real time, which ensures the integrity of the data.

The National Police Board maintains active contact with the gambling operator and monitors its risk assessment. In addition, the National Police Board monitors any changes in the gambling operator's risk assessment and the control measures the gambling operator carries out to eliminate and control risks.

Risks associated with gambling and the assessment of these risks have been discussed and are discussed with the Financial Intelligence Unit. The National Police Board and the Financial Intelligence Unit hold mutual meetings and, if necessary, the National Police Board requests statements from the Financial Intelligence Unit on pending matters. In addition, the two authorities maintain informal contact by telephone and via email, as well as in conjunction with various events. The position of the Gambling Administration as part of the police organisation helps to enter in a confidential dialogue and engage in cooperation with the National Bureau of Investigation and the National Police Board, as well as with other actors that aim to prevent money laundering.

On 18 December 2019, the Ministry of Finance and the Ministry of the Interior established a national cooperation group for the prevention of money laundering and terrorist financing. The National Police Board's Gambling Administration is one of its members. The cooperation group was established indefinitely, and it meets regularly once a month. The purpose of the cooperation group is to develop the prevention of money laundering and terrorist financing at a national level and improve its efficiency. The cooperation group may establish sub-groups. The cooperation group has established a sub-group of supervisors referred to in the Anti-Money Laundering Act. The National Police Board's Gambling Administration is also one of its members. This sub-group of supervisors also meets regularly to discuss current events related to money laundering and terrorist financing and other themes related to supervisory activities.

In addition, the Gambling Administration is engaged in a dialogue with international colleagues and national supervisors via email and in conjunction with various events. Cooperation and dialogue also ensure an updated understanding of risks and a broad approach to any money laundering risks associated with gambling and to prevention and control practices. Furthermore, cooperation and dialogue help to form shared views.

Through the comprehensive supervision of running of gambling services, the National Police Board's Gambling Administration has highly accurate information about the running and details of gambling services, as well as long-term experience-based knowledge of the backgrounds of different solutions. As a result of this knowledge gained through its supervisory experience and on the basis of well-functioning cooperation between different authorities, the National Police Board's Gambling Administration can, very accurately and comprehensively, assess money laundering risks associated with gambling services provided legally in Finland.

## 4. NATIONAL CHARACTERISTICS OF THE FINNISH GAMBLING ENVIRONMENT

Gambling activities in mainland Finland differ from other gambling activities in Europe. Veikkaus, the national gambling operator, is wholly owned by the State of Finland, and it holds a monopoly in the gambling market. The operator entitled to provide gambling services is defined by law. According to section 11 of the Lotteries Act, Veikkaus has the exclusive right to provide gambling services in Mainland Finland. Pursuant to chapter 6, section 9 of the Limited Liability Companies Act, the annual general meeting selects the company's board of directors.

According to section 5 of the State Shareholdings and Ownership Steering Act (1368/2007), the ministry responsible for ownership steering shall handle and decide matters relating to the appointment of state representatives at general meetings and the operating guidelines issued to them, the exercise of the State's rights as a shareholder, other ownership steering of companies and the State's contribution to an arrangement that results in the State's proportion of votes carried by all of the shares of a company, other than one wholly owned by the State, changing in a way other than that referred to in section 4(1), paragraph 3<sup>5</sup>. This special characteristic affects money laundering and terrorist financing risks associated with Finnish gambling activities in various way. Perpetrators or their associates cannot have ownership in companies that provide gambling services in any way.<sup>6</sup>

The provisions of running of gambling services is generally laid down in the Lotteries Act. Pursuant to the Lotteries Act, decrees and regulations on significant matters related to the provisions of gambling services have also been issued. A Government decree on games operated by Veikkaus has been issued, defining service-specific return rates to be paid to lottery participant in the form of winnings. The rules of gambling services are laid down in a decree issued by the Ministry of the Interior. Governing the provisions of gambling services by law

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5 More information is provided in the detailed justification of preliminary work for the Government proposal (80/2007, starting from p. 19). According to the Government proposal, "the ministry responsible for ownership steering decides matters relating to the appointment of state representatives at general meetings and the operating guidelines issued to them. The minister responsible for ownership steering either represents the state at general meetings or appoints a substitute. In practice, the representative or their substitute is the ministry's permanent secretary, the head of the department or unit responsible for ownership steering or other official engaged in ownership steering. While representatives at general meetings are very rarely provided with any formal instructions, the state's statements on matters handled at general meetings are prepared beforehand and approved by ministers if they differ from established practices. The rights of the state as a shareholder are primarily exercised at general meetings, while the state may also have a right, based on the articles of association or a shareholder agreement, to approve or reject members appointed to bodies of companies. The responsible ministry exercises the shareholder's right to speak and all other rights belonging to the state on the basis of law, the articles of association or a shareholder agreement. "Other ownership steering" means contact outside general meetings with the company and its managers and other significant shareholders, as well as the preparation of the shareholder's statements on related matters. Part of this cooperation is associated with the shared preparation of matters to be discussed at general meetings, while part is associated with the managers' needs to ensure the stance of shareholders and their support for projects under preparation."

6 No specific requirements for professional competence or reliability have been set for the gambling sector. However, the state, as a shareholder of Veikkaus Oy, has separate processes for the appointment of members of the company's board of directors. Furthermore, Veikkaus has separate processes for ensuring the professional competence and reliability of its employees.

helps to reduce the misuse of gambling activities for purposes of money laundering and terrorist financing as certain measures are not at the gambling operator's discretion.

#### 4.1. RULES OF GAMBLING SERVICES

The rules of gambling services are laid down in a decree issued by the Ministry of the Interior. The rules of gambling services include detailed rules for all gambling services provided by Veikkaus. The rules of gambling services include several elements that affect the attraction of gambling services for money laundering. For example, the rules include restrictions on the amount of bets and winnings.

#### 4.2. GOVERNMENT DECREE ON GAMES OPERATED BY VEIKKAUS OY

Return rates of gambling services may be of significance when assessing potential money laundering risks associated with gambling. The return rates of gambling services are laid down in the Government decree on games operated by Veikkaus Oy (1414/2016). The decree also lays down provisions on participation in gambling services, the rounding off winnings, any unclaimed winning and the maximum number of slot machines and specific game rooms.

The number of casinos is also prescribed in the decree. According to section 11 of the decree, the gambling operator can operate casino activities at a single casino in the Helsinki region and at a single casino in the Tampere region.

Currently, there is one casino, Casino Helsinki, located in Mainland Finland (in Helsinki). Veikkaus has announced its intention to open a second casino in Tampere. According to information provided by the company in 2019, the second casino is planned to be opened in 2021.

Defining the maximum number of casinos in government decree is a special characteristic that affects any money laundering risks associated with Finnish gambling activities. Because in Finland there are no international casino chains which have outlets in several jurisdictions, funds cannot be transferred to other countries via casino accounts. Players do not have any casino accounts at Finland's only casino.

#### 4.3. HIGHLY ADVANCED IT MONITORING

IT monitoring is one of the central monitoring methods in modern online gambling activities. The National Police Board uses a highly advanced IT monitoring system for the running of gambling services. The system has been used to monitor the activities of Veikkaus since 1989, and it is developed continuously. The system underwent a major upgrade in 2015 when the monitoring system's hardware and software were updated to correspond to the current number of gambling services and the modern fast-paced gambling activities. IT monitoring system underwent a major upgrade also in 2020 when the monitoring system's hardware infrastructure was equipped to meet the unification goals of the combined Veikkaus gaming systems more agilely.

The IT monitoring of gambling services is primarily based on monitoring the authenticity of services. The majority of gambling data is transferred to the supervisory authority almost in real time, i.e. to the centralised IT monitoring system of the National Police Board's Gambling Administration. In cases of disturbances or any suspected misuse, the operation of the online gambling system and selections made by players can be verified and investigated from the reliable gambling data held by the Gambling Administration. Through these measures, the supervisory authority aims to ensure the legal protection of players and prevent any misuse

and crime. If necessary, the Gambling Administration will issue recommendations and statements based on gambling data<sup>7</sup>.

Currently, the IT monitoring system is used to supervise the running of gambling services in accordance with the Lotteries Act. The gambling data collected in the system may also be used for monitoring and reporting pursuant to the Anti-Money Laundering Act in the future.

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7 According to section 48(1) of the Lotteries Act, a player may submit a request in writing to the National Police Board for a recommended decision on a dispute with a gambling operator concerning the payment of winnings.

## 5. IDENTIFICATION AND ASSESSMENT OF RISKS

The themes to be covered in the risk assessment have been divided as shown in the following table:



The table is intended to clarify the themes to be covered in the risk assessment. The table header is “Gambling” in accordance with the operational environment being assessed. Gambling has been divided into five sections (products, distribution channels, customers, payment arrangements and operator), each of which includes several subsections (not all subsections have been listed here due to their large quantity). The purpose of the risk assessment is to extensively identify risks associated with gambling products, distribution channels, payment instruments, customers and the gambling operator, as well as any consequences of risks.

### 5.1. RISK ASSESSMENT TOOL

The Gambling Administration’s risk assessment has been prepared using the risk assessment tool of the Ministry of Finance’s Vahti function. It is an Excel-based spreadsheet, which includes identified risks, results of a risk analysis and a list of control measures. The risk as-

assessment tool is based on the SFS-ISO 31000 risk management standard, which has been adapted for the purposes of public administration. In this risk assessment, the risk assessment tool has been adapted further for the assessment of gambling risks.

## 5.2. DESCRIPTION OF PROCESSES/METHODS

The description of the risk management process and the definition of process phases are based on the Ministry of Finance’s Vahti publication “Ohje riskienhallintaan” (Risk management instructions)<sup>8</sup>, where applicable. This assessment of gambling operations risks differs from a normal risk assessment in that the risk assessment concerns the activities of another operator, not directly the risks associated with the National Police Board’s supervisory activities.

The first step of the risk management process, i.e. the definition of the operational environment, has been partly carried out in this document.<sup>9</sup> The subsequent risk assessment process can be described in the following process diagram:



The diagram represents the overall risk assessment process, ranging from the identification of risks to risk control measures. The phases presented in the diagram are the identification of risks, the analysis of identified risks (i.e. the assessment of the probability and severity/impact of risks), the assessment of the significance of risks, consisting of the multiplier of the probability and severity, and risk control measures. When the risk assessment is updated, the process starts again. For example, the deployment of a specific control measure may reduce the probability or consequences of a risk or the addition of a new feature to a product may increase vulnerabilities, or the probability of a risk. It is certainly possible that a risk is completely eliminated as a result of changes in a distribution channel or the removal of a product. Even though the process is presented to progress from one header to the next, the preparation of a risk assessment is a comprehensive process, in which all the phases presented in the

8 Ministry of Finance 2017, Ohje riskienhallintaan (Risk management instructions), Ministry of Finance’s publications 22/2017.

9 Ministry of Finance, Ohje riskienhallintaan (Risk management instructions) 22/2017, p. 19, operating environment for risk management: “In the risk management process, the definition of the operating environment covers definitions, central for the risk assessment, of what is to be included in the risk assessment and what is to be excluded from it.” “When defining the operating environment, the following conditions must be considered and decided on:

- any cause and effect, and their measurement
- times, limits and other necessary conditions for the definition of probability
- the risk levels to be used and the processing of risks
- any combinations of risks and their consideration.”

process diagram and the relationships between them must be considered. However, it may be difficult to clearly define these as separate situations in the risk assessment. The risk assessment can be used to develop the gambling operators own supervision and monitoring activities and target the supervisor’s supervisory activities, as well as in decision-making.

### 5.3. IDENTIFICATION OF RISKS

Several sources have been used to identify risks associated with gambling operations. The identification of risks is based on the knowledge and experience of gambling specialists. Any previously identified risks have also been considered. In addition, risk assessments prepared by different parties, such as other countries’ anti-money laundering supervisors, the European Commission, the FATF, etc., and other studies and publications related to the theme (see separate list for more information) have been used in the identification of gambling-related risks. The aim is also to consider other sectors significant for gambling activities, such as payment transmission services and identification services. When identifying risks, it is of importance how significant the risk is in gambling. The purpose is to identify previously identified and any potential new risks.

### 5.4. RISK ANALYSIS, OR ASSESSING THE IMPACT OF THE PROBABILITY AND CONSEQUENCES OF RISKS

As the number of identified risks associated with gambling activities is high, it is important to assess their probability and impact in order to target supervisory activities appropriately in accordance with the severity of risks. The assessment of impact focuses on the impact of the realisation of risks and the severity and impact of risks.

The assessment of probability addresses any vulnerabilities in activities. Here, vulnerabilities mean the factors and situations that enable the realisation of risks. In other words, there must be a vulnerability, such as a weakness or defect in monitoring, for a risk to be realised. Vulnerabilities represent uncertainties that are associated with risk management and threaten the sector. Vulnerabilities can also address uncertainties other than those that expressly threaten the gambling sector, but that may also have an impact on gambling operations. The assessment of vulnerabilities can often identify the areas that involve the highest risks. This enables supervisory activities to be targeted risk-based as well as control measures to be defined.

#### 5.4.1. Classification of risks

The classification of risks is part of the risk analysis. Classification is used to represent the probability of risks being realised and causing an unwanted situation by using a numerical scale. The purpose of the classification is to give a numerical value for the severity or impact of the realisation of risks. Consequences can be assessed using different questions: What are the effects of consequences? What is the worst-case scenario? How significant of an impact do consequences have on the ultimate goal: the prevention of money laundering in gambling? Any adverse impact on finances and activities can also be assessed. Therefore, the classification focuses on the probability of risks and the severity of their consequences. In the risk assessment, the probability and impact of risks were assessed on a scale from 1 to 4 (4 × 4).<sup>10</sup> The classification of risks may include currently valid control measures, while it needs to be specifically noted that the adoption of new or other control measures and their comprehensive consideration in the risk value may reduce risks. Although the aim is to assess risks as

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<sup>10</sup> Probability 1: Improbable; 2: Possible; 3: Probable; 4: Nearly certain  
Impact: 1: Minor/no impact; 2: Moderate; 3: Significant; 4: Critical.



objectively as possible, the numerical classification of risks is largely subjective and is mainly based on an individual's personal knowledge and experience of the matter at hand.

## 5.5. ASSESSMENT OF THE SIGNIFICANCE OF RISKS

The significance of a risk for activities consists of the probability of the risk and its severity or impact. The assessment of the significance of identified risks is based on the classification of risks. Functions with the highest risks are those that have received the highest classification score. However, risks with the highest score are not directly regarded as the most significant risks, as they will be analysed more closely. The purpose of the analysis is to identify why these risks are the most significant and what control measures are available to prevent and reduce the risks. Some risks are assessed relative to the obliged entity's money laundering risks and/or the fulfilment of the obligations laid down in the Anti-Money Laundering Act. This analysis is also based on several sources (see sources).

## 5.6. RISK CONTROL MEASURES

Risk control measures help to prevent or reduce the realisation of risks and/or their impact. A single risk may involve several control measures. A control measure may also be an action that cannot be implemented for some reason, in which case its non-use must also be justified (e.g. a control measure does not comply with the valid legislation). However, control measures in the risk management process are mainly selected at the supervised operator's discretion for eliminating and reducing risks. The supervisor's supervisory activities still focus on control measures carried out in the supervised operator's activities and reasons why some control measures have possibly been left unused. The purpose of this risk assessment is to guide the activities of the supervisory authority, i.e. the National Police Board, so that supervisory resources can be allocated to activities that involve the highest risks, while providing information about money laundering risks associated with gambling operations. Nevertheless, the risk assessment describes some control measures that, in the National Police Board's view, are significant to prevent and/or reduce risks. If the risk assessment includes control measures carried out in the supervisory authority's activities, these have also been taken into consideration. However, the lists of control measures are not exhaustive.

## 5.7. REVISING THE RISK ASSESSMENT

The risk assessment can be revised when necessary. However, a specific date has been defined in autumn when the risk assessment must at least be revised. When the risk assessment is revised, any changes in the operational environment, risks, SNRA and NRA must be taken into account.

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