




## MEMORANDUM

**TO :** CEZA ANTI-MONEY LAUNDERING AND GAMING COMPLIANCE MONITORING AND INSPECTION TEAM

**FROM :**   
SECRETARY RAUL L. LAMBINO  
Administrator & CEO

**SUBJECT :** IMPLEMENTATION OF RISK-BASED SUPERVISION FRAMEWORK TO COMBAT MONEY LAUNDERING, TERRORIST AND PROLOFERATION FINANCING

**DATE :** 25 JANUARY 2022

### Background

An essential principle in the effort to combat money laundering and terrorist financing (ML/TF) is to adopt and implement an appropriate Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) risk management system which can identify, assess, monitor, and control risks. CEZA's adoption of a fully risk-based supervision approach emphasized the shift from a compliance-based approach to a more proactive risk-based approach.

In the course of a periodic or special examination, CEZA's **Anti-Money Laundering and Gaming Compliance Monitoring and Inspection Team** shall monitor its covered persons' compliance with the AMLA (as amended), the 2021 AML/CFT Guidelines for DNFBNs, Casino Implementing Rules and Regulations, and other applicable AMLC and CEZA's issuances.

Under this, each CEZA-supervised covered person will be assessed based on a composite risk rating system based on an assessment of four (4) components of a licensee's framework and operations in the prevention of ML/TF/PF. These component factors shall require the following:

1. Efficient Board of Directors (BOD) and Senior Management (SM) oversight ("Management");
2. Sound AML policies and procedures to address identified risks embodied in a Money Laundering and Terrorist Financing Prevention Program duly approved by the Board of Directors ("MTPP");



1. Robust internal controls and audit (“Controls and audit”); and
2. Effective implementation (“Implementation”)

Evaluation of the components shall take into consideration the covered person’s responses to various questions that are designed to understand its business operations as well as its risk profile. The answer and reply will be assessed and shall be verified through desk review and/or with an on-site examination.

CEZA shall adopt a Composite Rating from “1” to “4” numerical scale. The highest rating of “4” indicates the strongest risk management system and the most effective operational practices that entail the least degree of supervisory concern. The lowest rating of “1”, on the other hand, signifies the weakest risk management system and ineffective implementation which requires the highest degree of supervisory concern including the placement of the covered person within the framework of immediate corrective action.

The assigned Composite and Component Ratings are disclosed to the CEZA-supervised covered person’s Board of Directors and senior management together with an indication of its level of compliance with AMLA, as amended, 2021 AML/CFT Guidelines for DNFBPs, Casino Implementing Rules and Regulations and other applicable issuances.

CEZA shall take into account the nature and complexity of each gaming licensee and service providers, and shall conduct a comprehensive environmental study to address any concerns/issues with the respective business model.

For online gaming, internet-based casinos and offshore gaming licensees who are rated as non-compliant, the provisions under the contract agreement shall be imposed, as well as other sanctions in accordance with the CEZA Charter, CEZA Implementing Rules, CEZA Interactive Gaming Rules and Regulations, memorandum orders, guidelines, and other applicable issuances.

Risk-based approaches to AML/CFT/PF are important because they take a more proactive stance when it comes to illicit activity. Rather than waiting until illegal transactions and transfers have already taken place, an RBA shall allow CEZA to implement “stop gaps.” These measures ensure nothing problematic has taken place or minimize the amount that has already occurred.

***Policy Considerations:***

- By adopting a risk-based approach, competent authorities and licensees should be able to ensure that measures to prevent or mitigate ML/TF/PF are commensurate with the risks identified, and would enable them to make decisions on how to allocate their own resources in the most effective way.
- The general principle of a RBA is that, where there are higher risks, licensees shall take enhanced measures to manage and mitigate those risks; and that, correspondingly, where the risks are lower, simplified measures may be permitted. Simplified measures should not be permitted whenever there is a suspicion of ML/TF/PF.

- CEZA shall take appropriate steps to identify and assess the ML/TF/PF risks, on an ongoing basis, and have mechanisms to provide appropriate regulatory information to its licensees.
- CEZA shall ensure that its licensees are effectively implementing their AML/CFT/PF obligations. When carrying out this function, CEZA shall review the money laundering and terrorist financing risk profiles and risk assessments prepared by its licensees as well as their service providers, and take the result of this review into consideration.
- CEZA licensees should be required to take appropriate steps to identify and assess their money laundering and terrorist financing risks (for customers, countries or geographic areas; and products, services, transactions or delivery channels). They should document those assessments in order to be able to demonstrate their basis, keep these assessments up to date, and have appropriate mechanisms to provide risk assessment information to CEZA. The nature and extent of any assessment of money laundering and terrorist financing risks should be appropriate to the nature and size of the business.
- CEZA licensees should be required to have policies, controls and procedures that enable them to manage and mitigate effectively the risks that have been identified (either by the country or by the licensee). They should be required to monitor the implementation of those controls and to enhance them, if necessary. The policies, controls and procedures should be approved by senior management, and the measures taken to manage and mitigate the risks (whether higher or lower) should be consistent with national requirements and with guidance from CEZA and/or AMLC.
- Where higher risks are identified, CEZA-licensees should be required to take enhanced measures to manage and mitigate the risks. Where lower risks are identified, CEZA licensees shall take simplified measures to manage and mitigate those risks.

For your guidance and immediate implementation.