

The Government's Recent Gaming Enforcement Actions:



**Money
laundering**

By Kevin Rosenberg
and Jeffrey B. Setness

“Learn from the mistakes of others. You can’t live long enough to make them all yourself.”

— Eleanor Roosevelt

What Lessons Can Be Learned So Your Casino Does Not Make the Same Mistakes?

Historically, the U.S. government has not shown much interest in Bank Secrecy Act (the “BSA”) or Anti-Money Laundering (“AML”) compliance enforcement in the gaming industry. Instead, the focus tended to be on the banking industry. Perhaps, the gaming industry’s unique culture and business model as compared with other financial institutions helped keep casinos off the government’s BSA enforcement radar in the past. Whatever the reason, that all changed a few years ago.

In the past few years, Financial Crimes Enforcement Network (FinCEN)¹ and U.S. prosecutors have been aggressively enforcing the BSA in the gaming industry. The Nevada Gaming Control Board also recently jumped into the fray. Cumulatively, a handful of U.S. casinos and card rooms have accounted for nearly \$150,000,000 in the return of funds to the government or civil fines since late 2013. Understanding what happened in these cases is critical to not only understanding the government’s enforcement focus, but also potentially helping your casino avoid making the same mistakes that other casinos have made (and paid for).



Repeating these mistakes, particularly now that the industry is on clear notice of the government’s enforcement agenda, could be very costly in a variety of ways. The literal financial cost of a penalty or fine and associated legal costs of defending an enforcement action could easily run into the eight

figures. In addition, casinos face the very real possibility of being subject to strict government oversight for a considerable period of time following the resolution of the investigation, which also involves considerable costs. Finally, the reputational damage to a casino and its brand following an enforcement action can be immeasurable. While no AML program is bullet proof, recent enforcement actions have provided a roadmap of what the government expects casinos to do in order to minimize the possibility of being used as a vehicle to launder illicit funds. This article will: (1) provide an overview of a casino’s AML program requirements, (2) examine several major recent enforcement actions, and (3) provide some food for thought as to how your casino might avoid the same mistakes.



Casino AML Program Requirements

The BSA, codified at Title 31, United States Code, Sections 5313-5326, as implemented through related federal regulations, was enacted by Congress to address an increase in criminal money laundering activities utilizing financial institutions. Casinos (traditional and tribal) and state licensed card rooms² with an annual gaming revenue of more than \$1,000,000 are domestic “financial institutions” as that term is defined in the BSA, Title 31, United States Code, Section 5312(a) (2)(X), and accompanying regulations. Being designated a domestic “financial institution” makes these casinos and card rooms, which for purposes of this article and ease of reference will collectively be referred to as “casinos,” subject to the BSA.

Regulations promulgated under the BSA, including Title 31, Code of Federal Regulations, Section 1021.210, require covered casinos to develop, implement, and maintain an effective AML program reasonably designed to prevent the casino from being used to facilitate money laundering. Specifically, these



casinos must implement an AML program that, at a minimum, provides for: (a) a system of internal controls to assure ongoing compliance; (b) independent testing of the casino's AML compliance program by casino personnel or parties external to the casino; (c) training of personnel; (d) the designation of an individual or individuals responsible for assuring day-to-day compliance; (e) procedures for using all available information to determine and verify the name, address, social security or taxpayer identification number, and other identifying information for a person, to the extent determining and verifying the information is otherwise required under the BSA; (f) procedures for using all available information to determine the occurrence of any transactions or patterns of transactions required to be reported as suspicious; (g) procedures for using all available information to determine whether any records must be made and maintained pursuant to the BSA; and (h) for casinos with automated data processing systems, use of such systems to aid in assuring compliance.³ The government has repeatedly referred to these AML programs as being "risk based," meaning the program shall be specifically tailored to each casino's individual risk profile and assessment. In other words, one size will not fit all because an AML program for one casino will not

necessarily be appropriate for another casino because the risks they face may be different.

Within the BSA, Title 31, United States Code, Section 5313(a) and related regulations require casinos to file a Currency Transaction Report ("CTR") with FinCEN for each deposit, withdrawal, exchange of currency or other payment of currency of more than \$10,000 by, through, or to the financial institution by or on behalf of the same person on the same day.⁴ Also within the BSA, Title 31, United States Code, Section 5313(a) and related regulations require casinos and card rooms to file a Suspicious Activity Report ("SAR") with FinCEN for any transaction conducted through the casino that involves at least \$5,000 under certain specified circumstances.⁵ CTRs and SARs filed with FinCEN can be accessed by thousands of law enforcement agents and officers across the country. In May 2015 and May 2016, FinCEN recognized the key role that BSA reporting by financial institutions played in several successful law enforcement investigations.⁶

Promoting a culture of compliance remains key to improving and strengthening adherence to the BSA through a healthy AML program. To be sure, an August 2014 FinCEN advisory stressed improving a BSA/AML compliance culture by ensuring that:

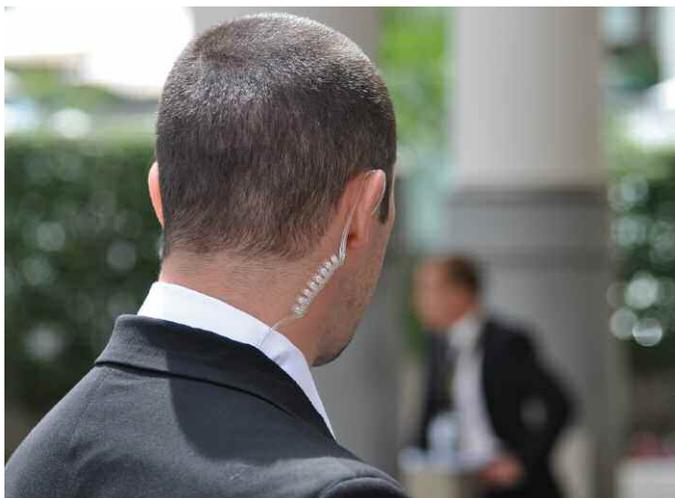
- 1. Leadership is actively involved and engaged,**
- 2. Leadership understands the purposes and uses of BSA reports,**
- 3. Revenue interests do not compromise compliance,**
- 4. Relevant information is shared across departments,**
- 5. Leadership provides adequate human and technical resources to compliance, and**
- 6. Compliance programs are assessed by independent, qualified, unbiased, and conflict-free tests.⁷**

Recent Enforcement Actions

In August 2013, the United States resolved the first of its kind criminal investigation of a casino for suspected BSA violations, which led to the Las Vegas Sands Corp. entering into a non-prosecution agreement and returning over \$47,000,000 in funds it received from a player after it should have filed SARs on that player.⁸ Since that time, FinCEN has been the primary arm of the U.S. government to enforce the BSA by asserting its authority to impose civil monetary penalties. As noted below, there have also been two cases within the last year where the U.S. has pursued criminal charges against California card rooms. We understand there are more to come.

Tinian Dynasty – June 2015

The Tinian Dynasty is a casino located on the island of Tinian in the Northern Mariana Islands. In an Assessment of Civil Money Penalty dated June 3, 2015, FinCEN determined that “Tinian Dynasty willfully violated the BSA’s program and reporting requirements from 2008 through the present”⁹ and assessed a civil money penalty of \$75 million. FinCEN found that “. . . Tinian Dynasty engaged in a pattern of accommodating gamblers who desired to conduct transactions with large amounts of cash without the Casino reporting their transactions”¹⁰ based upon an undercover operation conducted by government agents. During the course of the undercover investigation, a Tinian Dynasty manager “assured an undercover agent posing as the New York-based representative of a Russian businessman that his client could bring large amounts of currency and that the Casino would not file reports related to the client’s activity at the Casino.”¹¹



At least one lesson can be learned as a result of the actions taken against Tinian Dynasty - all casino operators should appreciate that the government utilizes undercover operations to determine if casinos are engaged in criminal activity.

Caesars – September 2015

In September 2015, Desert Palace, Inc. d/b/a Caesars Palace (“Caesars”) agreed to pay an \$8,000,000 civil monetary penalty to settle a FinCEN investigation.¹² The same day, Caesars settled a related complaint filed by the Nevada Gaming Control Board for a \$1,500,000 fine.¹³ The investigation centered on “Lax Anti-Money Laundering Controls on High Rollers.”¹⁴



The Caesars case involved two main areas: the casino’s handling of players using its exclusive high end private gaming salons and the operations of the casino’s branch marketing offices. By way of background, Caesars’ private gaming salons were available to “patrons with a front money deposit or line of credit of at least \$300,000.”¹⁵ Inadequate internal controls governing these gaming salons allowed unidentified guests to use the front money or credit accounts of known players to potentially gamble millions anonymously.¹⁶

Caesars’ marketing offices, which were located in Hong Kong, Singapore, Tokyo, and Monterey Park, California (a small city minutes away from downtown Los Angeles), promoted and marketed the casino to “wealthy prospective patrons” and accepted deposits and payments.¹⁷ However, insufficient internal controls failed to provide for consistent monitoring for

suspicious activity at these branch offices. Additionally, these branch offices did not conduct source of funds analysis on the funds they received and accepted third party checks in Hong Kong for marker payments without verifying the relationship to the beneficiary. They also rarely, if ever, referred suspicious activities to Caesars' BSA compliance department and lacked a basic understand of suspicious activities.



Furthermore, Caesars' independent testing was "inadequate."¹⁸ This was true because it did not assess whether procedures were "actually effective in achieving compliance with the BSA." Rather, the testing only examined whether Caesars was following its procedures.

Caesars' AML/BSA training was also deficient.¹⁹ The training failed to provide sufficient information on transactions that should be considered suspicious. A result of this was that some employees believed filing a CTR necessarily meant no SAR was needed.

Caesars also failed to use all information it had available in executing its AML program.²⁰ For instance, Caesars did not use a wealth of marketing information to identify and potentially evaluate suspicious activity. Indeed, its compliance program did not even incorporate marketing information into AML controls. This was significant because FinCEN concluded that marketing information could have been used to evaluate relationships with third parties making payments. Relatedly, Caesars did not attempt to "ascertain the nature of the relationship between the individuals & businesses sending the funds and patrons receiving them."

As to the specifics of deficient SAR filing, Caesars failed to file over 100 SARs during the relevant IRS examination period.²¹ These situations where Caesars should have filed SARs included: unidentified guests engaging in team play at VIP gaming salons; suspicious transactions at branches; third party payments by businesses and individuals; structuring; minimal play and bill stuffing; chip walking; and observed suspicious behavior by individual patrons. Additionally, Caesars failed to file approximately 30 SARs regarding wire transfers for players from "unaffiliated third-parties, including unrelated businesses." Finally, Caesars failed to consistently detect and report minimal gaming.

The terms of settlement with FinCEN required Caesars to undertake several significant obligations to improve its BSA/AML program moving forward.²² Within 60 days of the settlement and yearly for the next three years, Caesars agreed to hire a conflict free "independent, external, qualified, and experienced external auditor" to "conduct risk-based independent



testing of Caesars' BSA/AML program." The testing must "include program governance, compliance structure and staffing; risk assessments; compliance with all BSA recordkeeping and reporting requirements, including CTR, SAR, and KYC policies, procedures and controls; transaction monitoring; and training and communications." After 2018, FinCEN has the sole discretion to extend the independent testing for an additional two years. Relatedly, within 180 days of the settlement and yearly for the next three years, Caesars agreed to provide FinCEN with "a comprehensive report" "of the implementation of its BSA/AML program which will include all initiatives to improve BSA/AML

compliance and any material breakdowns or deficiencies in internal controls, and management's responses and action plan to address any issues raised" by the external audit. Within 90 days of settlement and yearly for the next three years, Caesars agreed to provide FinCEN and the IRS with copies of its training programs, attendance records, and the results of BSA/AML related knowledge testing. Lastly, within 180 days of the settlement, Caesars agreed to conduct, either internally or via a third party, "a review of all transactions conducted through Caesars branch offices in Asia and in Monterey Park, California, for the period of January 1, 2012, through December 31, 2014, consistent with the SAR regulations for casinos." Needless to say, these broad undertakings will take significant time and involve substantial expense to complete.

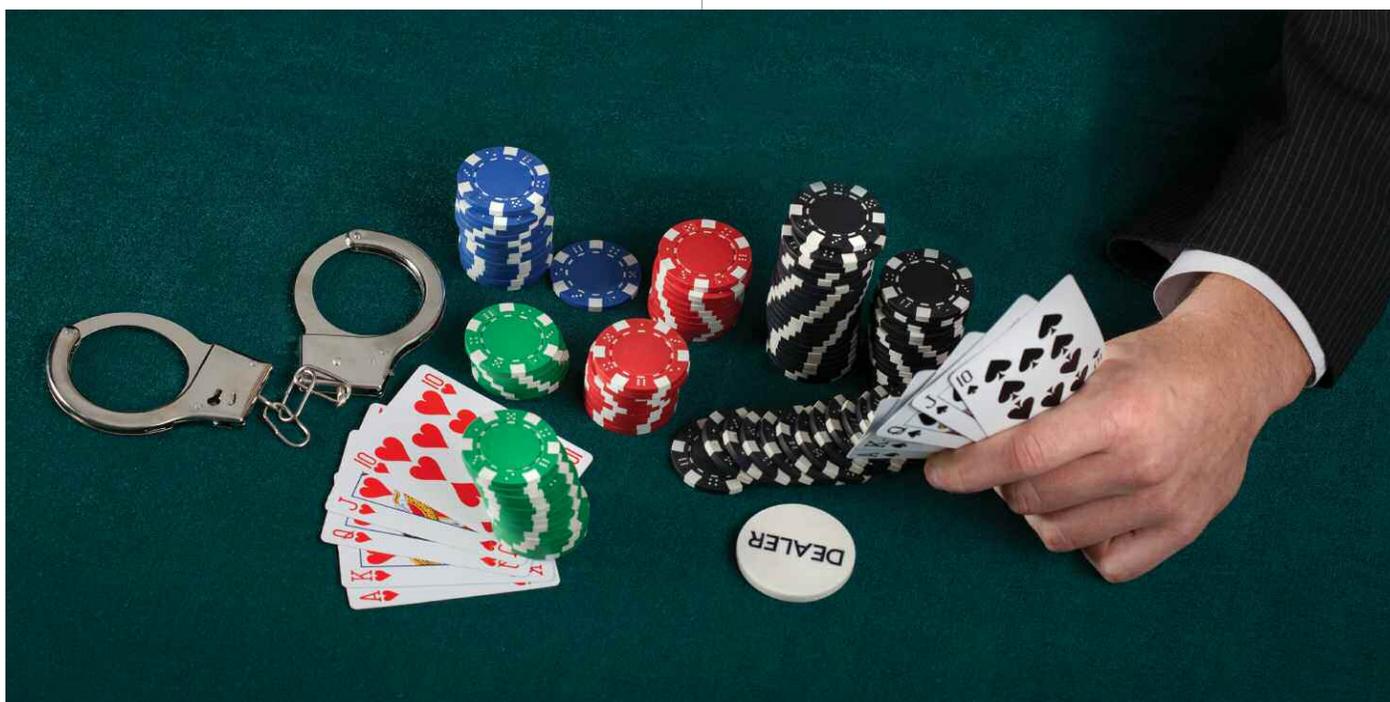
San Diego Area Card Clubs – December 2015

On December 9, 2015, more than 200 federal, state, and local law enforcement agents and officers served search and asset seizure warrants as part of a criminal investigation of an alleged illegal bookmaking operation in the San Diego area.²³ A federal criminal indictment charged 25 people "with participating in an illegal gambling operation that laundered an estimated \$10 million in gambling proceeds through Chula Vista and San Diego card rooms in what [was] believed to be the biggest illegal gambling prosecution in San Diego county in recent memory."

Both the Village Club (also known as the Seven Mile Casino) and Palomar Card rooms, in Chula Vista and San Diego respectively, were raided during the operation. Agents seized over \$600,000 during searches of players' accounts and card room bank accounts. The same day, the California Bureau of Gambling Control issued Emergency Closure Orders on both card rooms, which were effective immediately. The Village Club was closed for approximately three weeks.²⁴

The government alleges that various individuals ran illegal gambling operations out of San Diego area mansions that offered high-stakes poker and BJ "in extravagant settings that featured professional card dealers, prostitutes, chefs, and waitresses."²⁵ The government further alleges that the illegal gambling operation laundered approximately \$10 million through card rooms, Las Vegas casinos, bank accounts, shell companies, and bail bond companies. Specifically, according to court documents, bookmaking clients wrote checks to card clubs and two Las Vegas casinos that were deposited into marker or front money accounts.²⁶

Significantly, the indictment charged the Palomar Card Room with participating in a criminal money laundering conspiracy.²⁷ The indictment charges both the Village and Palomar card rooms with having inadequate AML programs.²⁸ Both card rooms are currently pending trial in U.S. District Court in San Diego.



Oaks Card Club – December 2015

Oaks Card Club is located in Emeryville, California. In an Assessment of Civil Money Penalty dated December 17, 2015, FinCEN determined that “Oaks willfully violated the BSA’s program and reporting requirements from March 31, 2009 through April 3, 2012”²⁹ and assessed a civil money penalty of \$650,000. FinCEN noted that, despite the fact that various employees and customers of Oaks were indicted by a Federal Grand Jury and a search warrant had been executed, Oaks “failed to file a single suspicious activity report related to the activity detailed in the indictment; . . .”³⁰



The following lessons, among others, can be learned as a result of the actions taken against Oaks. First, if some of your employees and customers are indicted for criminal offenses, it is safe to conclude that a Suspicious Activity Report must be filed. Second, if a search warrant is executed at your business, it is safe to conclude that law enforcement believes that criminal activity has occurred, which would again require the filing of a Suspicious Activity Report.

Normandie Card Club – January 2016

In January 2016, the Normandie Card Club in the Los Angeles area pled guilty to federal criminal charges of conspiracy to cause a financial institution to fail to file CTRs and failure to maintain an adequate AML program.³¹ As part of its plea agreement with the government, the Club and its individual partners agreed to cooperate with the U.S. Department of Justice, the IRS, and others. In return, among other things, the government agreed not to prosecute the Club’s partners on an individual basis.

In its plea agreement with the government, the Club agreed that it, including “high-level personnel,” conspired to conduct cash transactions over \$10,000 in one gaming day without filing CTRs. As part of this conspiracy, the Club agreed that it engaged independent promoters to locate “high rollers” and

steer them to the Normandie and that some of these “high rollers” sought to avoid reporting requirements. Indeed, the Club agreed those players “preferred to gamble at cardrooms where they knew that they would be allowed to conceal their large cash transactions by not filing the required CTRs or SARCs.”

Specifically, the Club agreed that it helped high rollers avoid CTRs by: using promoter (not player) information on CTRs; conducted cash transactions on its players’ behalf without recording the players’ information; and structured cash transactions over \$10,000 for players. The Club agreed with promoters and players to not file CTRs for \$1,383,530 in cash transactions during 2013. In fact, during one six week period in 2013, a particular player won over \$1 million, and the Club agreed with the player and his associates to not record any cash transactions under the player’s name. The Club also agreed with promoters and players to not file SARs for any of the \$1,383,530 in cash transactions.

The Club agreed that it had an inadequate AML program because it: failed to implement key portions of its written program; had inadequate internal controls and independent testing; and did not verify customer identities for cash transactions over \$10,000.



The Club is scheduled to be sentenced in Los Angeles District Court in August 2016. As part of its plea agreement with the government, the Club agreed to forfeit \$1,383,530 for the 2013 CTRs it should have filed. The Club also agreed to pay the maximum fine of \$1,000,000.

Sparks Nugget Casino – April 2016

The Sparks Nugget is a casino and hotel located in Sparks, Nevada. In an Assessment of Civil Money

Penalty dated April 5, 2016, FinCEN determined that “[f]rom 2010 through November 2013, Sparks Nugget willfully violated the BSA’s program, reporting and recordkeeping requirements”³² and assessed a civil money penalty of \$1 million. The findings and conclusions of FinCEN in the Assessment of Civil Money Penalty included the following:

- 1. The Sparks Nugget’s BSA compliance officer “was routinely disregarded by her managers, . . .”³³**
- 2. Many of the SARs prepared by the Sparks Nugget’s BSA compliance officer “were ignored and went unfiled.”³⁴**
- 3. In 2010, when the IRS was conducting its examination, the direct managers of the Sparks Nugget’s BSA compliance officer instructed her “to stop speaking with the [IRS] examiners.”³⁵**
- 4. “Despite her role as the designated BSA compliance officer, she was never allowed by Sparks Nugget management to see the IRS’s final exam report and her requests to her managers to discuss the exam results were denied.”³⁶**
- 5. “. . . Sparks Nugget employees told the IRS that they did not need to monitor for suspicious activity because nothing suspicious ever happened at the Casino.”³⁷**
- 6. The Sparks Nugget’s SAR Committee “never held a single meeting. Moreover, some of the members were not even aware that they were on the Committee.”³⁸**
- 7. As of 2013, the Sparks Nugget failed to make changes “to address many of the AML program and reporting failures identified by the IRS. . .” in the 2010 IRS examination report.³⁹**

Federal regulators are generally conservative in their pronouncements and findings. However, in the assessment against the Sparks Nugget, FinCEN apparently pulled no punches when they concluded that “[t]here was a blatant disregard for AML compliance that permeated all levels of Sparks



Nugget”⁴⁰ and that the “Sparks Nugget’s overarching disregard for AML compliance was evident . . .”⁴¹ The following lessons, among others, can be learned as a result of the actions taken against the Sparks Nugget:

- 1. It is your BSA Compliance Officer’s job to ensure that you are in compliance with federal anti-money laundering laws and regulations. Disregard the advice and warnings of your BSA Compliance Officer at your peril.**
- 2. If your BSA Compliance Officer spends the time and effort to prepare a SAR, then you should think carefully before you decide not to file it and document your thinking as to why you did not file it.**
- 3. Do not ever tell your BSA Compliance Officer that he or she should not speak to the IRS during the course of a Title 31 Examination. Such instructions will leave a very negative and lasting impression with federal law enforcement.**
- 4. Again, it is the job of your BSA Compliance Officer to ensure that you are in compliance with federal anti-money laundering laws and regulations. What better person to review and comment on the report of the IRS’ Title 31 Examination? What possible justification could one have to refuse to**

let the BSA Compliance Officer see the IRS report?

5. Although it is stating the obvious, make sure your employees understand that suspicious activity is not limited to the casinos on the Strip in Las Vegas. Make especially clear that crimes and suspicious activity occur everywhere in the world - even in Sparks, Nevada. FinCEN appeared to be especially concerned with the comments by the Sparks Nugget employees that “they did not need to monitor for suspicious activity because nothing suspicious ever happened at the Casino”⁴² given the fact that a Washoe County official “was arrested for and later convicted of embezzling at least \$2.2 million, and gambling half of that at the Casino.”⁴³ FinCEN pointed out that the Sparks Nugget failed to file a SAR relating to any of the Washoe County official’s transactions even after the individual was arrested.
6. If you form a SAR Review Committee, tell the people you have appointed that they are members of the committee and actually hold meetings.
7. Following the receipt of an IRS Title 31 Examination report, make the changes recommended by the report. The IRS’ findings are generally well-founded and are designed to help you comply with the law. The consequences of ignoring the recommendations in the report (and in later examinations being branded a repeat offender) can be costly.

Hawaiian Gardens Casino – July 2016

The Hawaiian Gardens Casino (“Gardens”), is a card club located in Hawaiian Gardens, California, which is approximately 20 miles southeast of downtown Los Angeles. On July 15, 2016, the Gardens agreed to pay a \$2,800,000 civil monetary penalty to settle a FinCEN investigation.⁴⁴ FinCEN found that the “Gardens willfully violated the BSA’s

program and reporting requirements.”⁴⁵ Specifically, the Gardens failed to:

1. **implement and maintain an effective AML program;**
2. **report certain transactions involving currency in amounts greater than \$10,000;**
3. **report certain suspicious activity; and**
4. **maintain an accurate and complete negotiable instruments log.**⁴⁶

The Gardens AML program violations included its AML policies and procedures not being as detailed as they should have been concerning “transaction monitoring and red flags; customer identification and verification; preparing and filing currency transaction reports; and addressing adverse findings of independent compliance test results.”⁴⁷ The Gardens also “had inadequate policies and procedures for customer identification, red flags, and possible structuring.”⁴⁸ Of particular note was a finding that “the Gardens had no policies or procedures in place to address patrons who refused to provide information [for BSA reporting purposes],” a result which was conveyed to the Gardens after a 2013 independent test.⁴⁹



Furthermore, FinCEN found evidence that the Gardens’ leadership “did not take an active role as it should have in promoting a strong culture of compliance.”⁵⁰ The Gardens’ leadership had not reviewed or approved the risk assessment, which was incomplete and failed to “discuss risk factors pertaining to the type of clientele served by the card club, the type and volume of transactions, geographic location, and risks associated with services provided.”⁵¹ The fact that the Gardens’ compliance officer in place during the 2014 examination period had insufficient industry or BSA/AML experience



prior to becoming the compliance officer also demonstrated an inadequate compliance culture.⁵² An additional program violation stemmed from the Gardens' failure to use several pieces of information at its disposal to verify player information or conduct transactional analysis to potentially file SARs.⁵³ That information included potentially matching and using player's club data, casino surveillance and open source or online information.⁵⁴

As to CTRs, the Gardens filed a number of reports with "insufficient information."⁵⁵ The deficient information included listing P.O. Boxes instead of permanent addresses, missing address information, missing or unknown subjects, and missing or unknown Social Security Numbers.⁵⁶ Of particular note was the fact that these problems persisted even after the IRS brought the issues to the Gardens' attention during a 2011 examination.⁵⁷

The Gardens also failed to file SARs for certain suspicious activity.⁵⁸ This issue was also discovered during an earlier IRS exam in 2011, thus constituting a repeat finding.⁵⁹ To be specific, during a 2011 exam the Gardens failed to file 14 SARs and failed to file SARs on 19 players during its 2014 exam.⁶⁰ Additionally, the Gardens "frequently missed critical information and failed to provide context for broader suspicious activity" in the SARs it did file. This included not capturing "basic identifying information for the customer in its SARs including a permanent address or Social Security number" and not "identify[ing] patterns of transactions outside of a 24

hour period in its SAR filings." One particular SAR "failed to identify the name of an employee that assisted in conducting structured transactions for this customer."⁶¹ This employee was identified in a SAR several years earlier engaging in similar conduct.

Like Caesars, the terms of settlement required the Gardens to undertake several significant obligations to improve its BSA/AML program moving forward.⁶² The Gardens was required to complete and provide FinCEN with a copy of a new risk assessment within 90 days of the settlement.⁶³ Within 90 days of completing the risk assessment the Gardens was required to conduct independent testing "to address all criticisms" in the consent under the same terms as Caesars.⁶⁴ The Gardens is required to conduct a "second examination...no later than 12 months after the completion of the first examination, and the remaining examination...no later than 24 months after the completion of the second examination." Each review must include "at least three months of transactional analysis to include a review of SAR filings for that time period." The Gardens is required to "file SARs or amend previously filed SARs, as appropriate," depending upon the results of the examinations.

Conclusion - Food for Thought

A fundamental principle running through each of these recent cases is the government has not enforced any new statutes or regulations. Indeed, it has been years since the last change to the BSA or its

implementing regulations. Instead, the government has simply taken an expansive view of the meaning and requirements of a risk-based AML program and broadly defined the risks each casino should evaluate when implementing its program. The government has also responded to previously unaddressed risks presented by the way many casinos operate or by the services they provide.

To these ends, the government is plainly seeking to hold casinos accountable for past compliance shortcomings, even where they took place years ago, and change the way in which casinos effectuate the purpose of the BSA. FinCEN recently announced its intention to adjust its civil monetary penalties upward for inflation starting August 1, 2016.⁶⁵ The government is also seeking to hold MoneyGram's former compliance officer personally liable for a \$1,000,000 civil monetary penalty and get an order permanently barring him from participating in the financial industry because of AML/BSA compliance failures.⁶⁶

What all of this means is that your casino must start by taking a very serious look at its culture of compliance since this is the key driver of your AML/BSA compliance program. Indeed, it is an integral aspect of FinCEN's review of compliance programs. Some key questions to aid in the analysis of your casino's culture of compliance include examining whether:

- **Executives, Directors and/or Managers provide strong, explicit and visible support for corporate compliance policies.**
- **Compliance leaders have stature in company.**
- **Compliance policies are written, clear, and easily understood.**
- **Compliance policies are effectively communicated to all employees, easy to find, and the subject of training.**
- **Employees know what to do or with whom to consult when compliance issues arise.**
- **Compliance policies/practices are current and account for evolving risks and circumstances.**
- **Mechanisms are in place to enforce/reward compliance.**

- **Third parties doing business with the casino are expected to be serious about compliance and does the casino take action against those third parties if not.**⁶⁷

Substantively, the recent enforcement actions and prosecutions described above reveal that the government is actively examining whether casino compliance policies, procedures, and practices:

- **Are sufficient to address the risks associated with the casino's specific geographic locations and the games and services it offers.**
- **Are being followed consistently.**
- **Enable to the casino to use and put all the pieces of information about a player or transactions together across various departments and parts of the business like operations, marketing, credit, hotel, dining, entertainment, and shopping.**
- **Allow the relevant departments to sufficiently identify a player and properly evaluate a player's source of funds or wealth.**
- **Properly allow the casino to respond to findings reported during IRS examinations and independent audits in a timely manner.**

Moreover, these cases make it clear that the government is holding casinos accountable for past errors. This is true even where the errors took place under revised or revamped compliance programs.

These cases, numerous statements by government officials, and our experience show that your casino is far better off "getting out in front" of any past program shortcomings rather than waiting for the



government to bring them to your attention as was true in most of these cases. An effective way to accomplish this is to start by auditing your program, preferably with a fresh set of outside eyes, especially if it has been a few years since your last audit. You may be reluctant to actually look under the hood of your program for fear of being on notice about issue(s). However, you would much rather have your casino identify and address problems itself (or at least start to) before the government brings them to your attention and penalizes you for not taking action. Things will generally go much smoother for your casino if you make efforts to learn from the mistakes of others than if you do not. As the government takes more and more enforcement actions, it will be less forgiving of those who do not make efforts to learn from the mistakes of others.

Kevin S. Rosenberg is an attorney with the Los Angeles law firm of Lowenstein & Weatherwax, where his practice includes: AML/BSA compliance for casinos and other financial institutions, representing financial institutions and individuals in regulatory/criminal investigations, providing customized AML/BSA training, and white collar criminal defense. Before joining L & W, Kevin served as federal prosecutor in Los Angeles for over 13 years. As a Deputy Chief in the Organized Crime Drug Enforcement Task Force at the Los Angeles U.S. Attorney's Office, Kevin prosecuted domestic and international money laundering, bank fraud and related financial crimes, and violations of the Controlled Substances and RICO Acts. During his career, Kevin has tried over 50 cases and directed dozens of federal criminal grand jury investigations. Kevin was the lead prosecutor in the watershed BSA investigation/settlement involving the Las Vegas Sands Corp. Kevin began his career by serving in the U.S. Navy Judge Advocate General's Corps for nearly six years, during which time he graduated from the United States Army Airborne School.

Jeffrey B. Setness is a shareholder with the law firm of Fabian & Clendenin, P.C. in Las Vegas, Nevada. Jeff represents individuals and entities who are under investigation or have been charged with criminal offenses, including criminal violations of the Internal Revenue Code, money laundering, and structuring. Jeff also conducts corporate internal investigations and drafts and implements corporate compliance programs including anti-money laundering compliance programs. Prior to entering private practice, Jeff was a trial attorney with the U.S. Department of Justice Tax Division - Criminal Section in Washington, D.C., and later served as an Assistant United States Attorney with the U.S. Attorney's Office in Las Vegas and Reno. As a federal prosecutor, Jeff investigated and prosecuted a variety of offenses, including criminal violations of the Internal Revenue Code.

¹ FinCEN is a bureau of the U.S. Treasury Department charged with safeguarding the financial system from illicit use and combating money laundering and promoting national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

² California card clubs or card rooms operate somewhat differently than traditional casinos including not offering house banked card games or games such as craps, roulette, slot machines, etc. Instead, card clubs or card rooms collect a fee for providing gaming tables, dealers, supervisors, card room gaming chips, and other services to players who gamble against one another in non-house banked games such as poker and other games commonly referred to as "California" or "Asian" style games.

³ See 31 C.F.R. § 1021.210(b)(2).

⁴ See 31 U.S.C. § 5313.

⁵ See 31 U.S.C. § 5318(g); 31CFR § 103.21.

⁶ https://www.fincen.gov/news_room/nr/html/20160510.html; <https://www.fincen.gov/whatsnew/html/20150512.html>

⁷ FIN-2014-A007 (August 11, 2014).

⁸ See e.g., <http://www.nytimes.com/2013/08/28/us/las-vegas-casino-settles-in-money-laundering-inquiry.html>

⁹ https://www.fincen.gov/news_room/ea/files/Tinian_Dynasty_Assessment.pdf at 2

¹⁰ *Id.* at 4.

¹¹ *Id.*

¹² http://www.fincen.gov/news_room/nr/html/20150908.html (Sept. 2015).

¹³ <http://gaming.nv.gov/modules/showdocument.aspx?documentid=10371>.

¹⁴ https://www.fincen.gov/news_room/nr/pdf/20150908.pdf.

¹⁵ https://www.fincen.gov/news_room/nr/files/Caesars_Palace_ASSESSMENT.pdf at 4.

¹⁶ *Id.*

¹⁷ *Id.* at 5-6.

¹⁸ *Id.* at 7.

¹⁹ *Id.*

²⁰ *Id.* at 7-9.

²¹ *Id.* at 9-10.

²² *Id.* at 11-13.

²³ <https://www.justice.gov/usao-sdca/pr/twenty-five-people-charged-members-10-million-illegal-gambling-and-money-laundering>

²⁴ <http://www.nbcsandiego.com/news/local/Seven-Mile-Casino-Card-Room-Reopens-363849221.html>;

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ https://fincen.gov/news_room/nr/files/20151217_Oaks_Assessment.pdf at 3

³⁰ *Id.* at 6.

³¹ <https://www.justice.gov/usao-cdca/pr/normandie-casino-operator-agrees-plead-guilty-federal-felony-charges-violating-anti>; <http://www.latimes.com/local/lanow/la-me-ln-normandie-casino-federal-allegations-20160122-story.html>.

³² https://fincen.gov/news_room/ea/files/Sparks_Nugget_EA.pdf at 2

³³ *Id.* at 2

³⁴ *Id.* at 3.

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.* at 4

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.* at 3-4

⁴¹ *Id.* at 4

⁴² *Id.*

⁴³ *Id.*

⁴⁴ https://www.fincen.gov/news_room/nr/html/20160715.html (July 2016).

⁴⁵ https://www.fincen.gov/news_room/ea/files/20160715_HG_Assessment_Final.pdf at 2.

⁴⁶ *Id.* at 2, 12.

⁴⁷ *Id.* at 4.

⁴⁸ *Id.* at 5.

⁴⁹ *Id.* at 5.

⁵⁰ *Id.* at 6.

⁵¹ *Id.* at 6-7.

⁵² *Id.* at 7.

⁵³ *Id.* at 8.

⁵⁴ *Id.*

⁵⁵ *Id.* at 9-10.

⁵⁶ *Id.* at 10.

⁵⁷ *Id.*

⁵⁸ *Id.* at 10-11.

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² *Id.* at 13.

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ https://www.fincen.gov/statutes_regs/frn/pdf/2016-15653.pdf.

⁶⁶ https://www.fincen.gov/news_room/nr/pdf/20141218.pdf; ⁵³ <https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-sues-thomas-e-haider-former-chief-compliance-officer-moneygram>

⁶⁷ See <https://www.justice.gov/opa/speech/assistant-attorney-general-leslie-r-caldwell-speaks-sifma-compliance-and-legal-society>.