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**PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
PUBLIC GOVERNANCE COMMITTEE**

High Level Risk Forum

'Free For All Zone' - Free Trade & Special Economic Zones (FTZ & SEZ) International Online Betting Operators & Gambling

5th OECD Task Force for Countering Illicit Trade

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This report is provided to the OECD Task Force on Countering Illicit Trade by the International Center for Sport and Security (ICSS). The report provides an overview of the vulnerabilities of Free Trade Zones (FTZs) to risks beyond counterfeiting, such as illegal gaming and the ties to money laundering, tax evasion and organized crime. Members of the Task Force are invited to discuss the findings of this report, its policy recommendations, and the proposal to expand the scope of the work on FTZs to account for the broader range of offenses that are known to take place in FTZs.

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Note by Turkey

The information in the documents with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

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The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in the documents relates to the area under the effective control of the Government of the Republic of Cyprus.

PURPOSE

1. The purpose of this document is to conduct a preliminary assessment of the risks associated with illicit financial flows within Free Trade Zones (hereafter ‘FTZs’) and Special Economic Zones (hereafter ‘SEZs’) as they pertain to online betting, online and onsite gambling, and the gambling sector more broadly. This paper does not intend to be either definitive or exhaustive: we aim instead to open a new line of enquiry over FTZs that goes beyond the better known risks of transiting goods (e.g. contraband, counterfeiting) and focuses rather on the structural risks present when FTZs are a base of operations for the poorly regulated, multi-billion dollar, global betting and gambling industry. The role of Bitcoin and other Virtual Currencies (VTCs) is also examined.

METHODOLOGY

2. This report adopts the definition of FTZs explicated by the Financial Action Task Force (FATF) in its March 2010 publication *Money Laundering Vulnerabilities of Free Trade Zones*. While appreciative of the various sub-categories of FTZs identified in the literature, for the purposes of this document “FTZs” will be used as an umbrella term.

3. By way of methodology, this document reviews a number of core case studies that demonstrate the wide spectrum of threats associated to online betting and gambling, including their exploitation by criminal syndicates and corrupt government representatives, and the prospective impact upon FTZs as well as the global economy more broadly.

Operating within an FTZ

Introduction: Why focus on online sports betting & gambling?

4. The literature on money laundering within FTZs has identified a number of concerns, including inadequate anti-money laundering (AML) safeguards, relaxed oversight by concerned domestic authorities and a lack of coordination and cooperation between Customs and other authorities within FTZs. The majority of research on FTZ-based money laundering vulnerabilities, however, has focused on the trafficking of goods and smuggling. As such, the implications of FTZs as hosts for online betting and gambling are largely unexplored.

5. FTZ-based money laundering vulnerabilities, however, has focused on the trafficking of goods and smuggling. As such, the implications of FTZs as hosts for online betting and gambling are largely unexplored.

6. As established by Meng’s Free Economic Zones typology (2003)¹, FTZs quickly evolved from trade-based and manufacturing-based FTZs to service-based FTZs, thereby expanding the original focus on trade to include services such as banking, insurance, gambling and tourism.

7. Since at least 2010, the betting and gambling industries within FTZs has experienced exponential growth, with an increasing number of operators licensed and operating in poorly regulated jurisdictions, primarily (though not exclusively) located in South Pacific Asia.

8. In this report, we shed some light upon concerns about the development of the betting and gambling industries in FTZs. We explore an opaque environment that possesses the characteristics to host not only a licit global financial network, but equally an illicit financial network. In this space, illegal enterprises operate in parallel to regulated enterprises in the banking and finance sectors. That the licit and illicit worlds are so intertwined, and that these worlds are so accessible to (and effectively manipulated by) transnational organized crime syndicates, further undermines any regulative response from national governments.

9. In this report, we shed some light upon concerns about the development of the betting and gambling industries in FTZs. We explore an opaque environment that possesses the characteristics to host not only a licit global financial network, but equally an illicit financial network. In this space, illegal enterprises operate in parallel to regulated enterprises in the banking and finance sectors. That the licit and illicit worlds are so intertwined, and that these worlds are so accessible to (and effectively manipulated by) transnational organized crime syndicates, further undermines any regulative response from national governments. Threats within FTZs

Opacity:

10. Many FTZs offer the denial of public access to critical company information as an incentive to register these companies within their jurisdictions. The critical data thus hidden from public view includes details of shareholders and beneficial owner(s)². Lack of public access to this data not only impairs collective and cooperative regulation and oversight, but inhibits law enforcement investigations by facilitating through anonymity, globally significant illegal and criminal activities such as the direct or indirect control of gambling business by individuals linked to OCGs.

Links between organized crime and the gambling industry:

11. The lack of transparency in business ownership structures combined with the under-regulation of the betting and gambling industries within FTZs together enable organized crime syndicates obtain access and leverage. Several well known cases are known to involve high-level actors in criminal syndicates. Of deep concern are allegations that some of these actors are protected by networks of corruption and enjoy links to senior government officials in countries ranging from Eastern Europe to Asia.

Gambling as a conduit for corruption:

12. Betting and gambling, in cash onsite or in digital currency online, is an extremely lucrative business. The industry thrives on its anonymity (perceived or actual), which in effect discourages national incentives for greater control and regulation. To ensure that the sector remains under-regulated, key actors utilize their excessive revenues to buy political influence. All forms of authorities within FTZs, including legislators, regulators and law enforcement, are willing participants of bribery and similar corruption.

13. A recent case involves a political official who was accused of accepting over US\$3 million from a Macau-based junket operator, in the form of a contribution towards political campaigns.³ In another case, gambling operators directed over US\$20 million to the personal accounts of senior public officials⁴. More recently, allegations have emerged surrounding attempts by gambling and casino operators in Southeast Asia to influence judicial and gaming authorities. In the Philippines, several high level political officials have been recently arrested on sports-related corruption charges.⁵

14. Illicit involvement in the gambling and betting industries has increased in parallel with their tremendous and largely unregulated growth in FTZs. Many governments leveraged the opportunity in order to attract foreign investment, thereby stimulating the growth of these industries even further. For instance, the Philippines' First Cagayan Special Economic Zone, and Russia's Primorye Gambling Zone, are notable examples of FTZs used for gambling. Other countries, such as Vietnam and Cambodia, are moving quickly to increase their presence and competitiveness in the gambling and betting sectors. Again, the competitiveness and profitability of this industry generates strong disincentives for governments to develop and enforce a regulatory framework.

15. Where one country may move towards greater transparency, industry entities are known to relocate to another country with lesser regulations, these tech-driven, roaming organizations easily and quickly dismantled and reassembled almost without transactional pause.

Bitcoin:

16. A second related major group of concerns is the close links of fintech, and more specifically of Bitcoin and derivatives, to the online betting & gambling industries: since 2013 Bitcoin has not only become *the* preferred payment option for millions of players of online betting and online gambling platforms but also the technical development of Bitcoin-based services has become intertwined with that of the betting & gambling industries⁶. Indeed it is now clear that gambling was at the very heart of the original intended use of Bitcoin in its initial algorithmic design.

17. One of the major selling points operators systematically highlight in order to promote the use of Bitcoin among their customers is the ostensible anonymity it confers. This search for and promotion of anonymity in itself is enough to raise concerns about the risks posed by these anonymous payment-systems increasing their dominion in a multibillion global betting market.

18. A further reason for concern is the technical and regulatory difficulties in monitoring an ever-increasing volume of Bitcoin transactions managed by shady betting & gambling operators. The proliferation of additional technical tools such as Bitcoin tumblers (also called mixers) the sole purpose of which is to render more difficult the tracking of blockchain transactions, further complicates the search for transparency and transactional tracking.

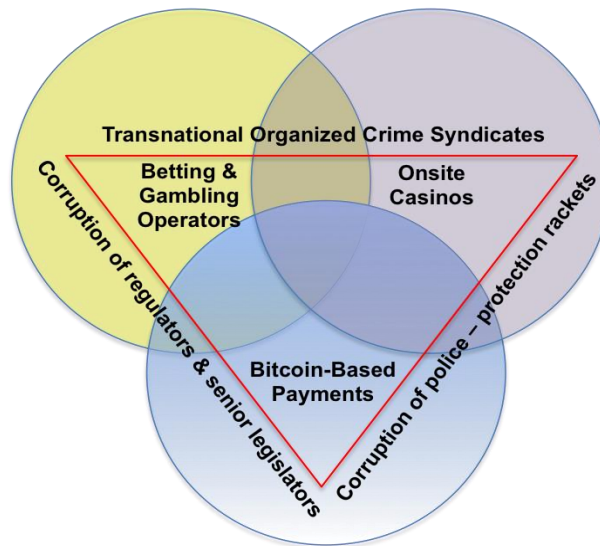
19. One last thought concerning Bitcoin and fintech-based companies that operate in the betting & gambling sectors: both form company, unless they are closely regulated, and most especially those that are located in FTZs, they have the potential to disrupt global economic channels by growing well beyond even the questionable purview of the already gargantuan gambling & betting industries, by establishing parallel financial channels subjected to very little or no regulation. This particular risk is closely connected with the next issue we address.

20. The third group of concerns is the close links between regional and global Organized Criminal Groups (OCGs) with a number of key global online betting operators and onsite casinos. Since 2012, the ICSS have investigated and mapped several key cases that illustrate these links; we also witnessed the exploitation by criminal syndicates of the global network of onsite casinos as alternative financial channels to the banking system, in order to move millions of dollars between countries and/or launder the proceedings of other illegal activities.

21. It is the combination of these three grouped factors within FTZs as an ensemble (i.e. the phenomenal growth of the poorly regulated multimillion betting & gambling industry, the parallel development of Bitcoin as preferred payment method in gambling and the exploitation of online & onsite casinos by organized crime syndicates as an alternative channel for financial transactions), which we judge

to be extremely concerning. Combined, these three factors might easily coalesce into the creation of parallel international financial channels that operate completely outside the rule of law. We are convince of the need to conduct an exhaustive and fully comprehensive assessment that tests our perception by examining FTZs with a focus on the regulatory betting & gambling industries together with fintech companies linked to the industry.

Figure 1: major factors of the betting & gambling industry in Free Trade Zones



Policy Recommendations

22. As the authors, the ICSS see the issue of gaming within a FTZ and SEZ environment as a key emerging threat, it is highly recommended that a further in depth study be conducted. The underlying issues related to organised crime and illegal betting, gaming and tax evasion has been addressed at various levels and competencies by governments internationally. What remains critical in nature on this activity is how the crime related issues interrelate with each other in the very peculiar and poorly regulated environments of FTZs.

23. This issue would be greatly supported if the activity were examined as a whole criminal system and supply chain and not broken down into individual elements. This would be a significant threat to governments that is percolating and growing and if not addressed, we believe that it will re-shape itself as an illicit offshore and unregulated criminal banking system.

Conclusion:

24. We believe that the international online gambling and gaming infrastructure being developed and operated within FTZ’s & SEZ’s are a black market and emerging criminal threat to governments, and also exploited by governments and organised criminal networks. The combination of the lack of government betting regulation, illicit flows, transparency and accountability, coupled with government corruption and criminal high tech capabilities and crypto currencies, it is the perfect storm for a new style of multiple illicit offshore banking havens.

CASE STUDIES

Cambodia:

25. Cambodia's sports betting regulatory framework is not clear: while sports betting is illegal there reports suggest that there are still numerous online betting operators. For example, Bavet, one of the poorest provinces in Cambodia, located in the Cambodia / Vietnam borders is a province where gambling, but not sports betting, is legalised. Its casinos, which cater mainly to Vietnamese gamblers, offer land-betting operators attracting high rolling clients.

26. Poi Pet FTZ, in the border between Cambodia and Thailand is a hotspot of casinos & gambling facilities the biggest of which and caters mostly to customers from Thailand and the Philippines.

27. Poi Pet local casinos also host land bookmakers that offer sports betting products.

Table 1: Cambodia's Special Economic Zones⁷. Source: ADB Economic Working Papers Series #459

Location	Name of SEZ	Year Established	Number of Firms Operating	Total Employment	Employees per Firm (avg)
Phnom Penh	Phnom Penh SEZ	2008	50	17,000	340
Bavet	Manhattan SEZ	2006	26	28,051	1,079
	Tai Seng Bavet SEZ	2007	17	7,968	469
	Dragon King SEZ	2013	2	280	140
Sihanoukville	Sihanoukville SEZ 1	2009	2	424	212
	Sihanoukville SEZ 2	2008	40	8,967	224
	Sihanoukville Port SEZ	2012	2	416	208
Poi Pet	Poi Pet O'Neang SEZ	2011	2	830	415
Koh Kong	Neang Kok Koh Kong SEZ	2005	4	3,953	988
Total	All Cambodian SEZs	2005	145	67,889	468

SEZ = special economic zone.

Source: Council for the Development of Cambodia, Government of Cambodia. <http://www.cambodiainvestment.gov.kh/list-of-sez.html>

28. From the point of view of both illegal sports betting rings and live casino operators, Sihanoukville ("Chinese Town") FTZ attracted in 2014 and 2015 the lion's share of both legal and illegal betting rings and online casino operators.

29. Most of these operators focused on VIP high-rollers as their main customer base. On October 2015 Cambodian government announced it has granted 10 new casino licenses in the third quarter of the year alone, most of them in Sihanoukville⁸.

30. Since the launch in late 2014, the Chinese government implemented an aggressive anti-corruption campaign to dismantle the capital flight and money laundering system, using Macau's casinos and junkets as a conduit. The Chinese Communist Party decided to flex its international foreign policy muscle and project its power regionally to counter the junkets' move to take Chinese high-rollers to other jurisdictions.

31. Cambodia has cooperated with Mainland Chinese authorities to pursue Chinese nationals looking to settle their base for betting & gambling operations in Cambodia. In October 2015, Cambodian police conducted a joint operation with Chinese authorities in which they arrested 168 Chinese nationals working in Sihanoukville's casinos⁹.

32. The suspects were extradited on charter flights to China in a swift process that highlights both how the police operation was prepared in advance, and the close cooperation with the Chinese authorities. On March 2016, the aftershocks of the police operation were still being felt. Industry sources report a loss between 60% to 80% in their gambling & casino operations in the region¹⁰.

33. The role of Cambodia FTZs (which are there called Special Economic Zones or SEZs) in the illegally controlled business interests is examined in detail in "*Hostile Takeover: the corporate empire of Cambodia's ruling family*"¹¹.

Philippines: "grey" operators linked to Organized Crime

First Cagayan & Online Betting Operators

34. SBOBet is one of the biggest global sports online betting operators; Sports Booking Online Inc. one of its affiliated companies, is licensed by the Cagayan Economic Zone authority FTZ, acting through its Master licensor which is a listed company at the Philippines Stock Exchange in the Philippines¹².

35. In March 2016 it was made public that from January 2012 to June 2015, up to US\$20 million in casino earnings of First Cagayan Leisure and Resort Corp, originally destined for sports development, had been diverted to the personal accounts of high level public officials¹³.

36. According to reports, SBOBet used its license in First Cagayan to operate in a number of jurisdictions where sport betting is illegal, including Indonesia, Malaysia and Thailand. It follows a non-exhaustive list of publicized police operations targeting SBOBet agents operating illegally:

- In June 2012, the Bangkok Police took action against a call centre taking bets for SBOBET¹⁴.
- In January 2013, Indonesian authorities arrested 9 people for helping customers to bet with IBCBET and SBOBET¹⁵.
- In February 2014, the Indonesian authorities arrested 2 agents processing bets on SBOBET and IBCBET¹⁶.

Table 2: Internet domains linked to SBOBet sports betting operations

Website Domain	Licensed Company	License Date
www.sbobet.com	Baylight International Inc. Sports Bookie Online Inc.	21 May 2010
www.sbobet.com www.sbobetpoker.com www.pokersbobet.com	Bright Solutions Global Limited Sports Bookie Online Inc.	21 May 2010
www.sbobet.com	Richwell Ventures Limited Sports Bookie Online Inc.	15 Aug 2015
www.casinosbobet.com www.sbobet.com	Wong Lai International Limited Leekie Enterprises Inc.	02 Jan 2007

37. Further, there are numerous indicators that SBOBet is either a betting operator directly owned by organized criminal groups or at the very, least closely linked to them¹⁷.

Case Study: Money laundering through Philippines casinos controlled by Chinese junkets

38. In 2016 witnessed the biggest cyber-theft in history with the theft of US\$101 million from bank accounts of the Bangladesh National Bank held in the New York’s Federal Reserve.

39. Of those US\$101 million, US\$81 million found their way through an extremely complex process that involved the collaboration of a local bank and a money remittance company to two casinos. There the track of most of the money was lost as criminal syndicates laundered the stolen funds using fake players, who were members of the criminal syndicate. A junket licensed in First Cagayan Special Economic Zone, played a main role in transferring the stolen funds to its accounts in both casinos.

40. Below is the summary of a more detailed ICSS April 2016 report “*Bangladesh Cyber Theft: Filipino casinos groomed as a money laundering circuit by Chinese junkets*” outlining the money laundering process and the specific role played by casinos:

Money Laundering Circuit

- On Thursday 04.02.16 unidentified hackers broke into Bangladesh Bank's account in the Federal Reserve Bank of New York and stole US\$101 million. The hackers had ordered 35 transfers targeting US\$951 million but the Federal Reserve Bank did not execute 30 of the 35 transfers.
- The remaining 5 transfers, worth US\$101 million, were distributed as follows: US\$81 million were transferred to the Makati branch of the Rizal Commercial Banking Corporation (RCBC) in the Philippines and other US\$20 million to a bank in Sri Lanka. Criminals planned to transfer the US\$20 million in Sri Lanka to a front foundation created for that purpose but the authorities grew suspicious of the transfer and ordered the return of the funds.
- The US\$81 million transferred to four personal bank accounts at the Makati branch of RCBC in the Philippines were later consolidated in a single account under and distributed once converted

into pesos to two junket promoters via a separate corporation. The person(s) allegedly responsible for authorizing these transfers deny ownership and are claiming that signatures had been forged.

- Reports suggest the criminal syndicate that conducted the cyber theft was orchestrated by internal conspiracies of banking officials who authorized the transfer of the funds out of the bank in spite of being aware of a previous request from Bangladesh asking to return the funds or to freeze the accounts. Other factor that points the criminal syndicate enjoyed insider support in bank branch is that the CCTV cameras of the bank were not functioning when US\$30 million of the stolen funds were retired in cash.
- Other actors are known to have profited from this scheme. Some US\$29 million were transferred from the RCBC Bank to the account of a Chinese junket while other US\$30.6 million were delivered to individuals in cash for a total of US\$59.6 million. Another suspect with former ties to the drug trade received US\$21.6 million of the stolen funds into a personal company bank account.
- A series of transfers putting these funds into Chinese junkets that are promoters of several large casinos are distributed among these gambling establishments, and into the hands of the private owners of these junkets (or their private corporations). Once received, the funds received by the individuals were then passed to their respective accounts in in the Casinos and converted into dead chips and distributed among a network of at least 19 players who “gambled” the money in the casino¹⁸.
- Reportedly, the casino stopped the gamblers on March 10 after five weeks, and froze 107.4 million pesos remaining from six people (identities unknown). Another 1.35 million pesos in cash were also confiscated. During the Senate hearing held on 29 March 2016, one suspect volunteered to return \$4.63 million dollars that remains in a junket account in one casino, and another 40 million pesos (\$863,000) still another under the account of a company.
- Once the money reached both casinos and was exchanged for non-negotiable chips, in order to launder it effectively, the criminal network had to count on insiders in both casinos to ensure their controlled players won and could convert the chips back into cash. It is highly unlikely, not to say unbelievable, that such a sophisticated criminal network capable of conducting the theft, of transferring the funds internationally, and of dodging the anti-money laundering regulations binding the banking system in the Philippines, would have left to pure chance the final stage in a highly complex international criminal operation.

Chinese VIP players recruited for Philippines casinos

41. The VIP rooms in the Philippines’ casinos have been one of the main entities that have benefited from the diaspora of Mainland Chinese gamblers displaced from Macau’s casinos due to the Chinese government anti-corruption campaign.

42. For instance, Bloomberry Resorts announced a 42% jump in third quarter revenue for 2014, recording its best quarter to date for gambling revenue, as marketing efforts to attract overseas VIPs paid off.

43. PACGOR, the Philippines gambling regulator, reported a net income increase of 81.1% up to US\$53 million for the first half of 2015¹⁹. Total revenue for the first half of 2015 rose 24.2 percent year-on-year to PHP24.8 billion.

44. Considering the draconian restrictions in Mainland China to move money externally, there is a risk that a part of the money gambled by Chinese high rollers in Filipino casinos is of illicit origin.

Case Study: Ownership of Betting Operator by OC syndicate members²⁰

45. Background: between June 6, 2014 and July 9, 2014, several high level OC syndicate members were arrested by the FBI in Las Vegas, Nevada in the framework of an operation against illegal gambling. According to the federal indictment, these individuals are each facing single counts of illegal transmission of wagering information and operating an illegal gambling business.

Criminal activities & links to governments

46. The trial in the US of a high profile suspect put them at the central stage as a showcase of the complex network of relationships between international Organized Criminal Groups (OCGs), Asian illegal betting operators, and senior government officials in several countries including Malaysia, Montenegro and Thailand and international money laundering channels.

47. The suspect was arrested first in Macau on June 2014 and then in Las Vegas on July 2014 for membership in two separate illegal gambling rings which operated *simultaneously* in both jurisdictions. The illegal enterprise of both rings consisted in accepting illegal wagers on the football FIFA World Cup 2014 and placing them on two of the largest Asian illegal sports betting operators: SBOBET and ICBET.

1. **Links to online illegal betting operators:** intelligence indicators point to this suspect as the owner of a betting firm. Moreover, this suspect's associates are also closely linked to sports betting operators.
2. **Links to OCGs:**
 - The FBI considers this person to be a high-ranking member of the **Asian crime syndicates**.
3. **Links to junkets:** as a junket operator, the principal suspect built up a reputation as one of the best VIP agents in the world by bringing in rich clients to casinos (notably to Las Vegas Sands Corporation casinos). This suspect owned 50% of a Macau licensed junket. At the time of the illegal gambling operation in Las Vegas in July 2014, a known associate of this individual was a licensed agent by the Nevada gaming authority and is also suspected to be a master agent of a large betting firm established in Thailand as well as money laundering facilitator. Refer to section 4 of this report.
4. **Links to Money Laundering activities:**
 - **Real State and banking system in Montenegro:** Companies linked to the main suspect and business associates are central to this illegal activity through a number of companies linked to a banks in Montenegro, Refer to section 5 of this report.
 - **Casinos and gambling industry²¹:** The suspect used the casino network in the US to move large amounts of money. In 2013, the suspect owned 16.7% of a foundation incorporated in Bermuda, which entered in 2014 into a non-binding MOU to buy large shares in companies to develop the gaming business in Vietnam for US\$20,000,000.
 - **International poker circuit:** This suspect is a well-known figure in the world poker circuit and is considered a major player and a big influence on organizing games and inspiring players to

partake. In addition, records from a US Casino submitted in the July case show that the suspects associates paid a \$1 million per-person entry fees for a poker tournament at a property for at least three players from outside the U.S.

5. (e) Links to senior government officials:

- **Malaysia** - The suspect is an associate of the senior officials in several countries across South East Asia and Eastern Europe.

Growth Markets: Russia: Primorye Gaming Zone

48. Primorye, or Primorsky Krai, Russian Federation's Maritime Territory, is the flagship of Russian government aspirations to develop its gambling industry and attract foreign investment and gamblers. A large casino owned by a foreign buyer is currently the only casino operational since October 2015. A Cambodian operator plans to open another casino in this territory not later of 2018 with a reported expected investment of US\$350 million²². And a local casino operator announced on 3 March 2016 its US\$900 million project to open up a resort and casino on this territory with a projected opening schedule for 2018.

BITCOIN: Use of under-regulated virtual currency in gambling / sports betting.

49. Whether a business is controlled by OC or not, the facts are the first main use of crypto currencies (at least in the case of Bitcoin) is to pay for online gaming, and second the anonymity it provides, greatly facilitates transactions for illegal purposes and adds a serious difficulty layer to map control of illegal money flows by regulators and financial authorities.

50. Most operators promoting these services are coalescing into friendly countries with lax regulations: within EU we see Cyprus as a future haven if left unchecked.

Bitcoin-based businesses linked to gambling migration to low regulation jurisdictions

51. In the second half of 2015 the ICSS witnessed an exodus of betting operators and Bitcoin companies from countries that have strengthened their regulatory framework, such as the UK for instance, into jurisdictions with a much lower regulatory threshold such as previously mentioned in Cyprus.

52. It is worth to note that Cyprus's football league has experienced some influence by Organized Crime, mainly for betting fraud purposes. An ICSS previous investigation identified Cyprus as a transition point used by transnational fixing networks to transfer international players from South and Central America into European leagues. Most of these players are aware that they are being transferred with a view to manipulate football matches.

Bitcoin Case Study 1: Anonymous Casino

53. A casino managed by a Cyprus-based company is the operator is a crypto-currency based betting website that accepts Bitcoin and Litecoin gaming as primary modes of transaction. It offers instant registration and players "*are not required to provide personal details*". The gaming platform is optimized for Chinese and Japanese languages and their gambling products include Bitcoin poker.

Bitcoin Case Study 2: PLUS500 ACQUISITION

54. A Bitcoin & Litecoin Contract for Differences (CFDs) trading platform that operates in the UK, Cyprus, Australia and Israel, was bought in June 2015 by a Cyprus based company in a cash deal worth GBP 459.6 million. The acquisition followed public statements made by the UK's Financial Conduct Authority (FCA) on 18 May 2015 announcing that it had notified this company of the obligation to strengthen its anti-money laundering controls, imposing a freeze of its customers' accounts because the insufficient measures to guarantee the control of the customers' identities. FCA also imposed on this company a stop order to accept new customers in the UK. The organisation is one of the largest online gaming software provider globally and is registered in Israel.

55. However, this move was insufficient to shelter this company from the AFC' crackdown on companies selling CFDs to retail customers: in October 2016 and again in December 2016, the company suffered large losses with its value in the London Stock exchange, being reduced by nearly one third²³.

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- ¹⁶ Calvin Ayre, *Indonesian Authorities Arrest SBOBET, IBCBET Agents Making \$665K Per Month*, 6th February 2014, <http://calvinayre.com/2014/02/06/business/indonesian-authorities-arrest-sbobet-ibcbet-agents/>
- ¹⁷ Asian OCGs links to IBCBet and SBOBet and their centre role in global illegal sports betting operations are covered in detail in our ICSS January 2016 report "*Briefing: Paul Phua*".
- ¹⁸ Non-negotiable (NN) chips can be wagered but not cashed out. They are used in Asian casinos as a cash-incentive offered to high roller players by means of a cash rebate, which varies depending on the amount of NN chips purchased and on the casino policy. For a technical discussion of how NN chips work consult: <https://apheat.net/2014/06/18/the-mathematics-of-non-negotiable-chip-programs/>
- ¹⁹ GGR Asia, 23 Jul 2015 "Pagcor income up as Philippine 2Q gaming revenue soars": <http://www.ggrasia.com/pagcor-income-up-as-philippine-2q-gaming-revenue-soars/>
- ²⁰ The section dedicated in the present paper to Paul Phua and its criminal network is only an executive summary of the SID investigation report. For a full copy of the report, please request it to the SID-ICSS.
- ²¹ The global threat of casinos being used to bypass the controls imposed to the financial institutions and the banking system is illustrated by the announcement that in August 2014 Crown Casino had been operating as a credit lender to VIP players²¹ in Australia) See: The Age, 24 August 2014 "Crown casino exploits loophole to create secret bank for high rollers" (<http://www.theage.com.au/victoria/crown-casino-exploits-loophole-to-create-secret-bank-for-high-rollers-20140823-107jss.html>).
- ²² "*NagaCorp's Primorsky Entertainment Resort City in Vladivostok*". *World Casino Directory*, retrieved 2015-02-22.
- ²³ <http://uk.businessinsider.com/plus500-shares-fall-on-disappointing-third-quarter-update-2016-10?r=US&IR=T> and <http://www.financemagnates.com/forex/brokers/odey-asset-management-continues-to-raise-stake-in-plus500-shares-dive-5/>