



Setting the Scene: Designated Services, Customers, Products and Channels

Before scoring channel risk, it helps to be clear about four key elements of your risk assessment - and where channels sit alongside them. We recommend you read this alongside the Customer and Product Slides available on our website.

01 DESIGNATED SERVICE

Table 3, AML/CTF Act – dependent upon context, clubs and pubs typically provide:

- **Item 6** - allowing a person to *play a game on a gaming machine* located at the venue.
- **Item 9** - *paying out winnings* on games played on gaming machines at the venue.
- **Items 11-13** - *account services* related to the operation of a gaming account for a customer.

Note: if you are a club or pub that **controls** a gaming room but doesn't **own or licence** the EGMs/MTGMs, then you're likely a controller (use **items 5 and 10**).

Each of these is a separate designated service. Your AML/CTF Program must address the ML/TF risk associated with all of them.

02 CUSTOMER

The **individual patron** who accesses the designated service – e.g. the person playing the gaming machine.

For clubs, the customer is quite often an approved **member** of the club or their visitor/guest (who can also access gaming). Membership status is a key input into your customer risk assessment. Pubs are different – whilst persons may be members of the Pub's loyalty program, they are more likely (than clubs) to be a general visitor to the venue.

Your customer risk assessment - both your EWRA and your individual ICRA methodology - examines who your customers are and the risk they present.

03 PRODUCT

For **Item 6**: the **designated service through the specific machine** – i.e. the **EGM or MTGM**.

For **Item 9**: the payment of winnings through the specific machine or offering – i.e. **CRT** or the **cashier**. At LCA, we also look at the instruments: the handpay; the cheque; the TITO ticket, and so on.

For **Item 13**: the account service through the loyalty card is the product.

Product risk examines the **inherent design characteristics**: e.g. load limits, denomination settings, maximum bet, TITO capability, and BNA configuration. A good example if these design characteristics can differ between EGMs and MTGMs.

04 CHANNEL

Channel risk focuses on *how* a customer interacts with a reporting entity and *how* transactions are conducted - the delivery mechanism rather than the funds themselves. The core question is: does this channel give us visibility over who is transacting, and can we verify what we're seeing?

Think: we are looking at the transparency and traceability of the transaction pathway. For gaming venues specifically, the channel risk question is really: *can we see who is putting money in and taking money out, and through what mechanism?* Cash-in/cash-out at an EGM is high channel risk because it is anonymous and leaves a thin audit trail.

How Gaming Entities Might Approach Channel Risk



Channel risk is about the mechanisms through which you deliver designated services to your customers - and the ML/TF exposure those mechanisms create. Not all delivery channels are equal. Some provide strong oversight and real-time intervention. Others create distance, reduce visibility, or increase opportunities for anonymity, structuring, or third-party involvement. Your job is to identify, assess, and document those differences - and to ensure your AML/CTF Program responds to them.

01 MAP YOUR DELIVERY CHANNELS

AUSTRAC requires you to identify the **delivery channels** through which you deliver designated services - and assess the ML/TF risk each one presents.

Start at the **high level**: what designated service is being delivered, and through what product? For example - *playing a game on a gaming machine at a gaming venue*.

Then go **deeper**: how is it actually delivered? Is it all face to face or partially anonymous? Through the BNA? Payment of winnings through TITO? Through the CRT? Cashier - EFT? Cash? Cheque?

02 SCORE AGAINST SUB-FACTORS

A sub-factor breaks each channel down into individual dimensions that can be examined, scored and compared.

Instead of just asking "*is this channel risky?*", you might ask: does it accept cash anonymously? Can it be used off-premises? Does it link to another channel without staff intervention?

Sub-factors force granularity - and help you target your controls directly at the risk that drives them.

03 ASSESS COMPOSITE RISK AND TYPOLOGIES

A per-channel inherent risk rating is only the starting point. Consider how your channels interact: "*follow the money*".

Your EWRA should consider how channels combine to create end-to-end ML/TF risk pathways through your venue, particularly where you are providing multiple designated services.

Think: insert cash into a BNA → gaming play → collect TITO ticket → Cashier → Gaming Cheque. You can use **typologies** to work through these risks.



Sub-Factors You Might Consider

You might consider the following sub-factors when assessing your channel ML/TF risks.



ANONYMITY AND ACCESS	CHANNEL INTERACTION RISK	CASH PLACEMENT	TRANSACTION VELOCITY AND INTENSITY
<p>■ Anonymous use: <i>can this channel be used without any staff or Reporting Entity interaction?</i></p>	<p>■ Cross-channel linkage: <i>does this channel link automatically into another channel without any human intervention?</i></p>	<p>■ Cash acceptance: <i>to what extent does this channel accept cash - and does it do so without identification?</i></p>	<p>■ Speed of cash insertion: <i>how quickly can cash be inserted into this channel in a single session?</i></p>
<p>■ Off-premises access: <i>can this channel be accessed outside the venue, removing physical oversight?</i></p>	<p>■ Simultaneous multi-person use: <i>can two or more persons use this channel at the same time?</i></p>	<p>■ Source of funds visibility: <i>is the origin of value entering this channel known or traceable to an identified customer?</i></p>	<p>■ Volume capacity: <i>how much cash can be placed into this channel - and are per-transaction or daily limits in place?</i></p>
HIGHER DENOMINATION EXPOSURE	CASH CONVERSION AND CROSS-BORDER	TRANSFER AND WITHDRAWAL	HRC/PEP AND THIRD-PARTY RISK
<p>■ Denomination acceptance: <i>does this channel accept \$50 or \$100 notes, increasing cash intensity per insertion event?</i></p>	<p>■ Conversion capability: <i>does this channel convert cash into another form of value - ticket, credit, voucher or electronic?</i></p>	<p>■ Can one person transfer value to another: <i>can Person A use this channel to transfer value to Person B without identification or logging?</i></p>	<p>■ HRC and PEP accessibility: <i>can a higher-risk customer or PEP use this channel without being identified or detected?</i></p>
<p>■ Layering potential: <i>can this channel be used to distance funds from their original source?</i></p>	<p>■ Cross-border transfer: <i>can this channel facilitate the movement of funds to a foreign jurisdiction?</i></p>	<p>■ Ease of withdrawal: <i>how simply and easily can funds be extracted from this channel, particularly in cash form?</i></p>	<p>■ Third-party disguise: <i>can a customer use this channel while posing as, or acting on behalf of, another person?</i></p>



Product v Channel ML/TF Risks – Interaction Matrix

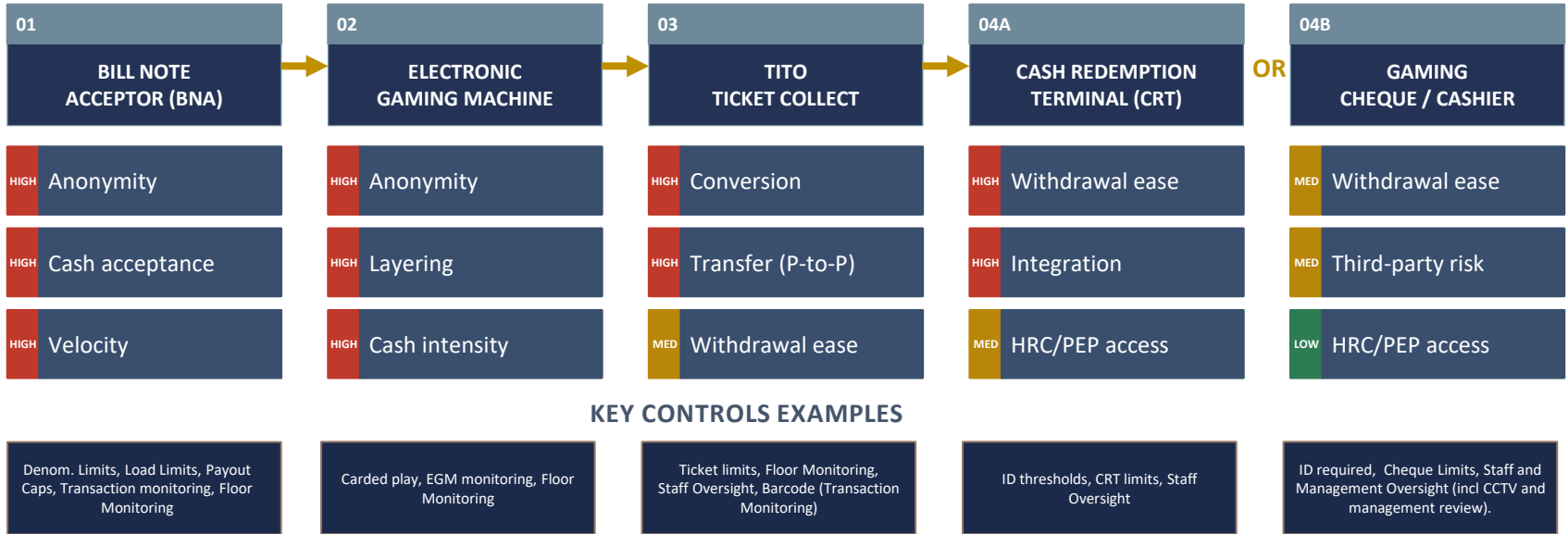
The Product v Channel ML/TF Risks - Interaction Matrix below illustrates how specific product design features interact with each delivery channel to create or amplify the key ML/TF exploitation typologies identified in AUSTRAC's Pubs and Clubs Guide. The list below is not exhaustive.

CHANNEL EXAMPLE (DELIVERY MECHANISM)	RELEVANT PRODUCT FEATURES (ENABLE RISK)	CHANNEL TYPOLOGY (AUSTRAC GUIDE)	COMPOSITE RISK RATING (AND WHY YOU CARE)
Cash In at EGM BNA	High BNA Load Limits, \$50 / \$100 Note Acceptance; no mandatory carded play	Bill-stuffing; rapid large cash insertion with minimal/no play; uncarded play to avoid identification	High: Highest-visibility gap - thin audit trail + anonymity. Requires minimal-play alerts and SOF.
Carded cash insertion at EGM/MTGM BNA (loyalty card)	Loyalty card linkage to player account; BNA still accepts high denominations and large loads	Cash placement via known customer but still rapid insertion; circumvention of daily limits across multiple machines	Medium-High: Carding reduces anonymity but does not eliminate volume risk. Monitor for structuring across linked accounts.
TITO ticket issuance from EGM/MTGM (cash-out ticket)	TITO-enabled machines; no staff intervention for ticket print	TITO ticket trading / sale between customers; collating tickets to structure	High: layering tool - converts cash play into bearer instrument → third parties
TITO ticket redemption (in to another EGM or CRT)	TITO acceptance on machines or CRTs	Third-party ticket purchase/redemption; cash refinement	High: value transfer without ID or staff oversight. Track ticket serial numbers.
Self-service CRT cash-out	Self-service CRT design; high cash-out limits; no real-time staff observation	Multiple CRT visits to avoid staff monitoring; abandoning EGMs then using CRT to dodge observation	High: Reduces visibility exactly where AUSTRAC flags the greatest risk of structuring and third-party involvement.
Cheque issuance for winnings	Cheque as payout instrument; no immediate cash	Layering via cheque deposit elsewhere; third-party collection of cheque	Medium: Lower velocity than cash but still allows distancing of funds. Require ID and retain cheque details for 7 years.



Worked Example: The Cash-In to Cheque-Out Pathway

A single gaming session can traverse discrete channels. Each presents its own ML/TF risk - and together they can form a composite risk pathway that could be greater than the sum of its parts. The risk ratings below are *indicative* only; this will turn on how the reporting entity assesses its vulnerabilities (with reference to its context).



Cash enters anonymously via BNA, is layered through EGM play, converted to a bearer TITO ticket, redeemed at CRT, and exits as a gaming cheque – up to four channels, one ML/TF risk pathway.

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