

Chongie Entertainment UK Ltd

The logo for Little Vegas is centered within a rectangular box. The background of the box is a dark red color with a repeating pattern of lighter red playing card symbols (hearts, spades, and clubs). The text "LITTLE VEGAS" is written in a bold, yellow, sans-serif font. Below the text is a horizontal line of yellow dots.

LITTLE VEGAS

**ML and Terrorist
Financing Risk
Assessment**

1 RISK ASSESSMENT PURPOSE

The purpose of this document is to establish a separate Money Laundering and Terrorist Financing ("ML TF") risk assessment for Chongie Entertainment UK Limited ("CEL"). This risk assessment will be implemented to ensure that sufficient focus is given to ML TF risk. It is noted that in section 17 of the Proceeds of Crime and Anti-Money Laundering policy, reference is made to ML risk assessment, and this document is intended to be read in conjunction with the Proceeds of Crime and Anti-Money Laundering policy whilst operating as a standalone document.

This document is regularly reviewed to take into account changes to circumstances, the introduction of new products or technology, new payment methods and changes to customer demographic. This can be seen on the Document Review table at the end of this Risk Assessment.

2 GUIDANCE DOCUMENTS: DUTIES & RESPONSIBILITIES UNDER THE PROCEEDS OF CRIME ACT

An addendum to this document is the Gambling Commission guidance advice to operators dated November 2020 'Duties and Responsibilities under the Proceeds of Crime Act 2002'. All gambling staff will be trained on the contents of this document as part of their Anti-Money Laundering and Proceeds of Crime training. Along with its importance in terms of applying the ML TF risk assessment. A risk based approach will be adopted by CEL, as set out at section 18 of the guidance document, and a number of steps will be established to assess the most proportionate way to manage and mitigate the money laundering risks faced by CEL.

The possibility of gambling facilities being used by criminals to assist in money laundering poses many risks for operators. These include criminal and regulatory sanctions for operators and their employees, civil action against the operator and damage to the reputation of the operator leading to a potential loss of business.

All gambling staff must continually identify, assess and manage these risks, assess the level of risk in the context of how their business is structured and operated, and put in place controls to minimise the risk posed to businesses by money launderers.

This money laundering risk assessment is based on methodology and sets out attempts to identify, analyse and understand money laundering risks. It serves as the first step in addressing the risks, and involves making judgements about threats, vulnerability and consequences.

This document will be reviewed every 12 months during an audit of policies, procedures and all internal documents, or as a result of any changes in circumstances, including for example operational changes or changes to the LCCP.

3 IDENTIFYING AND ASSESSING THE RISKS

This section of the document sets out potential risks and the assessment of the risk posed to this particular business. The risks considered include the country and geographical risks, customer risks, transaction risks and product risks.

The risk assessment is conducted by identifying the potential risk (denoted below as 'Risk') and then an analysis of the potential risk to the operator and an evaluation of how any potential risk will be dealt with (denoted below as 'Assessment').

The operator carries the following risk profile which has been considered for each of the below risks identified:

- The operator has a non-remote Adult Gaming Centre operating licence issued by the Gambling Commission
- The operator contracts directly with customers and has a number of customer facing staff
- The operator utilises experienced individuals in the industry to advise on their operations, particularly for regulatory and compliance matters

As a consequence of the above profile this risk assessment is appropriate to the nature of the operator's business.

Risk	Assessment and Mitigation	Overall Risk Category
Operator Risks		
Operators failing to comply with prevention of money laundering and terrorist financing legislation and guidance	CEL has a robust set of policies and procedures based on the legislation and guidance which are continuously monitored and updated by senior management. Staff training occurs on induction and at a minimum of 12 monthly intervals.	Low
Arcade businesses being acquired by organised crime to launder criminal proceeds	CEL is approved and regulated by the Gambling Commission. Any change in ownership would	Low

	require a Change of Corporate Control.	
Lack of competency of key personnel and licence holders which can then be exploited by criminals seeking to launder the proceeds of crime	CEL is careful to train staff on induction and at regular intervals. It employs a Director of People Strategy who is responsible for Regulatory Compliance and who hold the key management role for Regulatory Compliance. Key personnel are all PML holders	Low
Third party business relationships and business investors	CEL implements a thorough due diligence procedure in relation to all third party business relationships and contracts. Any potential investors are carefully investigated and key events made to the Gambling Commission whenever appropriate	Low
Customer Risks		
What risk is posed by the business profile and the profile of customers using the gambling facilities? Is there a risk of anonymous customers laundering proceeds of crime through gaming machines? Is there a risk posed by customers using forged or stolen identities to remain anonymous?	CEL's premises tend not to attract more than 10 individuals at any one time in any individual premises, the customer profile is normally evenly split between male and female and tends to be middle aged. The staff are trained to interact with all customers entering the premises and the risk of anonymous customers is medium. Staff are trained on the types of ID they can accept therefore the risk of forged or stolen identities is low.	Low - Medium
Is the business local with regular and generally well-known customers? Is there any concerns relating to country/geographical risk?	CEL operates small shops in specific localities. The staff in each venue get to know their regular customers. Staff do not sit	Low - Medium

	<p>behind a screen or a desk, but walk the shop floor and interact with every customer who enters the shop. There are no concerns relating to country of geographical risk,</p> <p>in any venues with a high proportion of non-English speakers, signage (including Terms and Conditions and GamCare) will be in the most commonly used languages. In addition CEL actively seeks to employ individuals who speak a wide range of languages to ensure that CEL's customer base is represented in the venues. Senior management are aware of the international sanctions list and will utilise this if they are ever concerned about a customer.</p>	
Is the business high volume consisting of many low spending consumers? Is the business low volume with high spending consumers?	CEL operates Adult Gaming Centres which tend to be low stake high volume. There are usually machines in the venue with stakes ranging 10p to a maximum of £2, with jackpots of up to £500. Customers tend to spend short periods of time in the venue.	Low - Medium
Is the business a mixed portfolio? That is, consumers are a mix of high spenders and lower spenders and/or a mix of regular and occasional consumers?	CEL generally has customers who are low spenders due to the nature of the machines.	Low - Medium
Product Risk		

<p>Are automated ticket redemption (ATR) machines used to facilitate the laundering of criminally derived funds?</p>	<p>ATR machines are used and staff are carefully trained on the specific risks of these machines and monitor their use to minimise the risk of them being abused. At the moment it is not possible to return any winnings on the card. Low Risk.</p> <p>With regards to the ATR machines the following should be noted as also helping to minimize the risks:</p> <ul style="list-style-type: none"> - There is £500 daily limit per card to match the ATM restrictions. - No use of credit cards - Contactless payment is disabled to stop people from using stolen cards- chip and pin only - Designated CCTV camera solely covering the GeWeTe machine to prevent any potential fraud or theft. - £1500 ticket limit, above that staff needs to authorise the payment - Ticket can only be redeemed in the venue, not across the whole estate. 	<p>Low</p>
<p>What risk is posed by the products generally on offer to the customers?</p>	<p>Generally low risk, the products on offer are low stakes. The stake and prize limits of machines are strictly regulated through the Gambling Act 2005 and subsequent regulations. At least 80% of the machines in AGCs have the same stake and prize limits as pub fruit machines, with 20% having the same limits as</p>	<p>Low</p>

	high street bingo premises. The maximum stake is £2. This will be monitored and may be amended in light of any changes to the legislation as a result of the white paper.	
Are gaming machines, particularly category B3, being used to launder criminally derived funds?	The premises are all designed to ensure staff, and CCTV, have full view of the premises. The staff also walk the floor continuously and are not sat behind screens, meaning they interact with all customers. The risk is therefore low.	Low
Are Privacy booths available?	No, CEL does not have any privacy booths. The premises are designed to ensure there are no blind spots for the staff and the venue is fully covered by modern CCTV equipment throughout.	Low
Ticket-in-ticket-out (TITO) facilities used to launder funds when used in conjunction with ATR machines	Staff are trained on the risks of TITO machines and they are careful to monitor any use of them. The Local Area Risk Assessment also deal with any such risks, particular in terms of the physical design of the premises and the CCTV layout. There is a ticket limit of £1,500 across all venues and machines and the GeWeTe machines will not redeem any tickets at a higher value. Any requests for higher value payouts can only be assessed and authorized by the Area Managed	Low
Customers inserting money then attempting to withdraw it without playing	CEL have implemented a new threshold whereby if a customer inserts more than £300 and attempts to play less than 10% Senior	Low - Medium

	Management is alerted and must communicate with the Area/Venue Manager who will then conduct an investigation to assess why such a low amount has been played. Only Senior Management can authorize any outcome from this customer interaction. Staff members are all aware of the offence of 'tipping off'.	
Means of Payment Risk		
Are there likely to be situations where the source of funds cannot easily be established or explained by the customer?	CEL adheres to a KYC policy and procedure where any signs of concern are observed and escalated as appropriate. The majority of customers are returning clientele, which allows staff to monitor any suspicious changes in behaviour or spending habits or any unusual behaviour that could be linked to Proceeds of Crime. No forms of Cryptocurrency are accepted.	Low- Medium
Are there a large proportion of over-seas consumers using foreign currency or over-seas based bank cheques or debit cards?	CEL does not accept foreign currency or cheques in any capacity from customers	Low
Are consumers likely to be engaged in a business which involves significant amounts of cash?	This will vary from customer to customer and premises to premises, as to what their consumer base will look like. CEL will assess each customer individually and will operate a risk based approach.	Low - Medium

Cash transactions	CEL risk assesses each customer and particular caution is given to cash transaction. All staff members are trained on cash transactions and ML procedures.	Low - Medium
Scottish notes	Scottish notes have not caused any issues within CEL premises. The machines and ATR have a high threshold for fraudulent currency recognition to identify if this ever occurs.	Low
Contactless Payments	There are no machines within the premises which accept contactless payments. The central change machine, GeWeTe machine, does allow contactless payments however Staff are trained on the risks of these machines and they are careful to monitor any use of them. The PDQ machines have a limit of £500 in a 24 hour period and they do not allow contactless payments. Further, no refund or payouts can be made to a bank account.	Low
Other Risks		
Inadequate/lack of due diligence checks on any third party providers (e.g., machine providers).	CEL will carry out due diligence checks on any third party providers of gambling product, and only those licensed by the UK Gambling Commission will be used to provide facilities for gambling.	Low
Are procedures in place to monitor consumer transactions across outlets, products and	CEL does not operate remotely, it only operates Adult Gaming Centres. They are monitored by	Low

platforms to mitigate any money laundering potential? Is there a potential transaction risk?	<p>central management as well as venue managers and floor staff. All staff are regularly trained and continuously supported. There is a Customer Due Diligence/KYC policy in place which ensures all staff know how to communicate with customers, minimising any potential transaction risk.</p> <p>TiTo tickets cannot be redeemed across venues, they must always be redeemed in the venue from which they have been issued.</p>	
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4 CUSTOMER RISK

The following are categories of potential CEL customers whose activities may indicate a higher risk:

- Unknown or anonymous customers
- High spending customers
- Disproportionate spenders
- Regular customers or casual customers with changing or unusual or inconsistent spending patterns

In assessing the risk of the above posed to this particular business, the main risk tends to be casual or regular customers with unusual or inconsistent spending patterns. However CEL operates a Social Responsibility and Customer Due Diligence/KYC policy which all staff are trained on and implement. This helps to minimise this risk.

5 TRANSACTION RISKS

The following are potential transaction risks:

- Proceeds of crime
- Larger cash transactions
- Transfers between customers/in particular customers borrowing money from other customers

CEL does not operate account based play and staff are trained to identify and manage any such transactional risks, as well as adherence to the relevant policies and procedures which are updated as necessary with the relevance of any transactional risks to the products it operates.

There are also risks surrounding dyed notes within Adult Gaming Centres and staff are trained to look out for any such occurrences and are aware of the SAR procedure.

6 PRODUCT RISK

Product risks particularly relate to the potential for a money launderer to place funds anonymously such as by using third parties.

Staff at CEL are trained to look out for warning signs of any fraudulent activity taking place in its premises, for example money lending.

In the event a member of staff knows or suspects money lending has taken place or is proposed this matter would be dealt with including a likely possibility of banning those individuals from the premises.

These risks have been considered as part of the assessment and have not been identified as being present risks. They are also analysed and monitored as part of the Local Area Risk Assessments carried out for each individual premises.

A potential emerging risk for Adult Gaming Centres is 'Bring Your Own Devices' or cashless apps. CEL's Customer Due Diligence/KYC policy is designed to minimise any such risks due to the presence of and

communication with staff.

7 SUMMARY OF ASSESSMENT OF RISK AT CEL

The AML risks of CEL are limited to the customers visiting its premises. CEL keeps a set of robust and viable policies and procedures which are designed to support and guide its staff in dealing with any potential situations which may arise. This includes any situation which may involve money laundering or terrorist financing.

The overall risk rating to money laundering and terrorist financing is low-medium.

This is corroborated by the Gambling Commission money laundering and terrorist financing risks within the British gambling industry which states Adult Gaming Centres are medium risk.

This document is reviewed annually as a minimum, however it reviewed as a result of any changes within the industry or within CEL's customer base. Internal and External audits are conducted as and when required to ensure this document is robust and is being implemented correctly.

Document review:

Date Reviewed	Reviewed by
21.02.2022	Woods Whur/Dobromir Baltadzhiev
10.03.22	Joanne Craig
29.03.23	Joanne Craig
31.03.2023	Dobromir Baltadzhiev
12.04.2023	Woods Whur
04.12.2023	Woods Whur/Dobromir Baltadzhiev
02.07.2024	Woods Whur/Darren Hughes
13.08.2024	Woods Whur/Darren Hughes
05.12.2024	Woods Whur/Darren Hughes
23.12.2024	Dobromir Baltadzhiev
23.04.2025	Woods Whur
01.05.2025	Dobromir Baltadzhiev

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