

Public statement

# Jumpman Gaming Limited Public Statement

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Key failings:

- breach of Licence Condition 12.1.1 Paragraphs 1, 2 and 3 - Prevention of money laundering and terrorist financing
- breach of Paragraph 1 of Licence Condition 12.1.2 (Anti-money laundering measures for operators based in foreign jurisdictions)
- failure to comply with Social Responsibility Code Provision 3.4.1 paragraph 1 and 2 - Customer interaction.

Operators are expected to consider the issues outlined and review their own practices to identify and implement improvements in respect of the management of customers' accounts.

## Introduction

Licensed gambling operators have a legal duty to ensure their gambling facilities are provided in compliance with the Gambling Act 2005 (the Act), the conditions of their licence and in accordance with the licensing objectives, which are to:

- prevent gambling from being a source of crime or

- disorder, being associated with crime or disorder or being used to support crime
- ensure that gambling is conducted in a fair, safe and open way
- protect children and other vulnerable people from being harmed or exploited by gambling.

## **Jumpman Gaming Limited Executive Summary**

This investigation resulted in the commencement of a section 116 regulatory review of Jumpman Gaming Limited (Jumpman Gaming), Combined Remote Operating Licence number: 039175-R-319452-022. The Commission commenced its regulatory review on 3 September 2020 following concerns identified in a compliance assessment conducted in July 2020.

The regulatory review found failings in Jumpman Gaming's processes which were aimed at preventing money laundering (ML) and promoting safer gambling by protecting vulnerable people.

Evidence gathered during the compliance assessment and the subsequent review of the operating licence found Jumpman Gaming failed to comply with the Licence Conditions and Codes of Practice (LCCP), specifically:

- paragraphs 1, 2 and 3 of Licence Condition (LC) 12.1.1, requiring compliance with the prevention of money laundering and terrorist financing
- Licence Condition 12.1.2 requiring operators based in foreign jurisdictions to comply with the Money Laundering, Terrorist Financing and Transfer of Funds (Information of the Payer) Regulations 2017 ("the 2017 Regulations")
- paragraphs 1 and 2 of Social responsibility code provision (SRCP) 3.4.1: requiring licensees interact with customers in a way which minimises the risk of customers experiencing harms associated with gambling, and to take into account the Commission's guidance on customer interaction.

Further failings of the following LCCP were also identified:

- paragraphs 1 and 2 of SRCP 3.9.1, requiring policies and procedures are put into effect that are designed to identify separate accounts held by the same individual, and requirements where licensees allow customers to hold more than one account with them.

Taking into account remedial action taken by Jumpman Gaming and in line with our Statement of principles for licensing and regulation, Jumpman Gaming will pay a total of £500,000 in lieu of a financial penalty.

## **Jumpman Gaming Limited Findings**

The investigation and our subsequent regulatory review found:

- failings in Jumpman Gaming's implementation of anti-money laundering (AML) policies, procedures and controls
- deficiencies in its responsible gambling policies, procedures, controls and practices, including weaknesses in implementation.

The assessment and review focused on the period of time between February 2020 and July 2020. The Commission used a sample of customers that opened accounts during this period.

## **Breach of paragraph 1 of Licence Condition 12.1.1**

Licence Condition 12.1.1(1) states, "Licensees must conduct an assessment of the risks of their business being used for money laundering and terrorist financing. Such risk assessment must be appropriate

and must be reviewed as necessary in the light of any changes of circumstances, including the introduction of new products or technology, new methods of payment by customers, changes in the customer demographic or any other material changes, and in any event reviewed at least annually.”.

Jumpman Gaming acknowledged their money laundering and terrorist financing (ML and TF) risk assessment was deficient and that they were in breach of Licence Condition 12.1.1(1).

The Commission found the relevant risk assessments failed to:

- take into account and adequately consider information on the risks of ML and TF made available to them by the Commission
- sufficiently assess risks posed by customers that meet certain criteria
- fully assess risk posed by business relationships or transactions involving countries identified by credible sources as not having effective systems to counter ML or TF.

## **Breach of paragraph 2 of license condition 12.1.1**

Licence Condition 12.1.1(2) states, “Following completion of and having regard to the risk assessment, and any review of the assessment, licensees must ensure they have appropriate policies, procedures and controls to prevent money laundering and terrorist financing.”.

Jumpman Gaming accepted issues identified by the Commission during the compliance assessment indicated deficiencies in their policies and procedures and accepted they were in breach of Licence Condition 12.1.1(2).

The Commission's concerns included:

- the policies, procedures and controls appeared to conflate source of wealth (SOW) and source of funds (SOF). SOF refers to the origins of the funds which are involved in a particular transaction. SOW refers to the origins of the customer's entire body of wealth
- financial triggers appeared to be at levels which were not sufficiently risk-based
- the policy documents did not cover in detail the requirements for guidance to employees on conducting customer due diligence (CDD), enhanced CDD, ongoing monitoring and enhanced ongoing monitoring
- not all high-risk factors had been considered for applying enhanced CDD and enhanced ongoing monitoring.

## **Breach of paragraph 3 of licence condition 12.1.1**

Licence Condition 12.1.1(3) states, "Licensees must ensure that such policies, procedures and controls are implemented effectively, kept under review, revised appropriately to ensure that they remain effective, and take into account any applicable learning or guidelines published by the Gambling Commission from time to time."

Jumpman Gaming acknowledged their policies and processes were not fully compliant with Licence Condition 12.1.1(3).

The Commission's concerns included:

- customers were able to deposit and lose well in excess of the average UK income before meaningful reviews were conducted
- the Licensee did not comply with its own policy when customers met AML alert triggers. Customers were then able to continue to deposit

further money before action was taken

- despite significant levels of spend, customers were able to continue to gamble at a high velocity.

## **Breach of Paragraph 1 of Licence Condition 12.1.2 (Anti-money laundering Measures for operators based in foreign jurisdictions)**

Paragraph 1 of this condition has been in place since October 2016 and requires the Licensee comply with The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the 2017 Regulations).

Jumpman Gaming accepted its policies and processes were not fully compliant and that there was a breach of Licence Condition 12.1.2.

Commission officials consider the Licensee failed to thoroughly implement the measures described in the relevant regulations laid out in the 2017 Regulations for reasons including:

- the Licensee failed to take appropriate steps to identify and assess the risks of ML and TF
- the Licensee failed to establish and maintain effective policies, controls and procedures
- the business relationships with the customers included failures to properly scrutinise transactions to ensure they were consistent with the Licensee's knowledge of the customer.

Examples included:

- a customer had gambled and lost in excess of £5,000 before the first email for CDD documents was sent
- CDD documents were requested from a customer when a deposit trigger was met. No response was

received; however the account was not suspended until the customer had lost £23,500.

## **Failure to comply with Social Responsibility Code Provision 3.4.1 paragraphs 1 and 2**

SRCP 3.4.1 (1) and (2) states:

“1. Licensees must interact with customers in a way which minimises the risk of customers experiencing harms associated with gambling. This must include:

- a. identifying customers who may be at risk of or experiencing harms associated with gambling
- b. interacting with customers who may be at risk of or experiencing harms associated with gambling
- c. understanding the impact of the interaction on the customer, and the effectiveness of the Licensee’s actions and approach.”.

2. Licensees must take into account the Commission’s guidance on customer interaction.”.

The Licensee accepted they were not in full compliance with this SRCP 3.4.1 (1) and (2).

The Commission was concerned in particular with the following customer interaction failings regarding SRCP 3.4.1(1):

- a customer lost over £15,000 in less than a month without sufficient evidence being gathered which confirmed if they could afford to. The customer lost over £11,000 in two days during the peak of the COVID-19 lockdown. 13 customer interactions were recorded on the profile
- a customer lost over £20,000 in approximately 6 weeks before any consideration was given to affordability. 16 interactions were conducted via

email, pop-up and questionnaire. The customer's gaming trajectory showed increased gambling activity thereby indicating these interactions had little impact

- a customer lost nearly £19,000 in approximately 4 months without sufficient evidence being gathered which confirmed if they could afford to.

The Commission was also concerned the Licensee failed to take into account the Commission's guidance on customer interaction, in accordance with SRCP 3.4.1(2).

The Commission's concerns included:

- it appeared there was a reliance on automated, as opposed to human, interactions by the Licensee when customers hit SG alerts and the Licensee did not demonstrate an understanding of the impact and effectiveness of the interactions
- the Licensee did not appear to apply the Commission's Customer interaction guidance that states: "Thresholds should be realistic, based on the average available income for your customers. This should include the Office of National Statistics publications on levels of household income" (paragraph 2.10)
- it appeared the Licensee did not conduct affordability assessments for individuals that met thresholds and triggers.

## **Failings in respect of Social Responsibility Code Provision 3.9.1**

SRCP 3.9.1 (1) and (2) state:

"1. Licensees must have and put into effect policies and procedures designed to identify separate accounts which are held by the same individual.



2. Where licensees allow customers to hold more than one account with them, the licensee must have and put into effect procedures which enable them to relate each of a customer's such accounts to each of the others and ensure that:

- a. if a customer opts to self-exclude they are effectively excluded from all gambling with the licensee unless they make it clear that their request relates only to some forms of gambling or gambling using only some of the accounts they hold with the licensee
- b. all of a customer's accounts are monitored and decisions that trigger customer interaction are based on the observed behaviour and transactions across all the accounts
- c. where credit is offered or allowed the maximum credit limit is applied on an aggregate basis across all accounts
- d. individual financial limits can be implemented across all of a customer's accounts.”.

The Licensee acknowledged that some customers who had opened multiple accounts across the Jumpman brands were able to circumvent our internal measures due to the misapplication of tools available at the time.

## **Jumpman Gaming Limited Regulatory Settlement**

This regulatory settlement consists of:

- £500,000 payment in lieu of a financial penalty, which will be directed towards delivering the National Strategy to Reduce Gambling Harms
- agreement to the publication of a statement of facts in relation to this case
- payment of £13,594.30 towards the Commission's costs of investigating the case.

In considering an appropriate resolution to this investigation, the Commission has had regard to the

following aggravating and mitigating factors:

## Aggravating factors

- there was clear impact on 1st and 3rd licensing objectives
- the breaches and non-compliance were systemic not isolated
- the Licensee ought to have known of the breaches
- the breaches arose in circumstances similar to previous cases publicised by the Commission.

## Mitigating factors:

- the action plans and significant steps taken by the Licensee to remedy the breaches and to prevent recurrence
- prompt improvements were made to the AML and safer gambling policies and procedures
- the Licensee and its senior managers cooperated with the Commission in a timely and transparent manner.

## Good practice

Gambling operators should take account of the failings identified in this investigation to ensure industry learning. Operators should consider the following questions:

- do you have formal processes in place to measure the effectiveness of your AML and safer gambling policies and are findings adequately recorded?
- do lessons learned from public statements flow into your policy and processes?
- does your money laundering and terrorist financing risk assessment meet all the requirements?
- are your customer risk profiles formed by or linked

to your money laundering and terrorist financing risk assessment?

- do you have a formalised process for analysing the effectiveness of customer interactions to ensure the types of interaction are effective?
- do you log the types of behaviour which have triggered a customer interaction and keep sufficient records of interactions, along with decisions not to interact especially in terms of the level of detail provided?
- do you have robust measures to identify separate accounts which are held by the same individual. and which enable you to relate each of a customer's such accounts to each of the others?