



HM Government of Gibraltar

Gambling Division

GAMBLING DIVISION PRESS RELEASE

Date: 15 August 2023

Regulatory Settlement

The Gambling Commissioner has agreed a regulatory settlement with Virtual Global Digital Services Ltd, a subsidiary of 888 holdings plc (“888”). The settlement consists of a payment of £2.9 million payable to the Consolidated Fund in lieu of any financial sanction that may have been imposed under the Supervisory Bodies (Powers Etc.) Regulations 2017.

In January 2023, 888 announced to the market that it had suspended “VIP” activities in certain dot com markets (particularly the Middle East). Further detail was provided by 888 to the market in April 2023.

In January, it was agreed with the Commissioner that 888 would carry out its own internal review into historical anti money laundering and terrorist financing controls operated in respect of the identified cohort. In parallel new policies and procedures were introduced and relevant accounts were subject to an updated risk assessment process. This exercise was complete by April 2023.

Full information and transparency on this exercise was provided to the Gibraltar Gambling Division and an AML review was conducted by Gambling Division staff (assisted by 888 management) which looked at current (updated) and historical systems and controls in place by the licensee, with a specific focus on the suspended activities.

It is agreed that, in terms of the historical compliance approach, the following control weaknesses existed:

- Controls in relation to KYC obligations were found to be ineffective in this cohort, with failures to properly record and verify address details in certain cases. This weakened the potential effectiveness of PEPs, Sanctions and adverse media checks (although no PEP or sanctions issues were identified);
- There was an historical overreliance on high thresholds for Enhanced Due Diligence (“EDD”) intervention and a lack of clarity in the threshold approach;
- There was a lack of consistency in the effectiveness of EDD checks, which were found to be weak on certain accounts with EDD not being conducted quickly enough. Consequently there was a failure to identify the suspicious nature of a very limited number of accounts at the earliest opportunity and to report same;
- There was an inconsistent approach with regards to keeping accounts open with restrictions as opposed to closing accounts;

- There was an overreliance on open-source checks and a failure to ask customers to provide the necessary source of funds and source of wealth documentation, at the appropriate time, in a number of cases though not in the majority of cases.

A number of factors have been considered by the Gambling Commissioner in agreeing a settlement of this matter:

- On discovery, 888 Management promptly self-declared this issue to the Gambling Commissioner;
- 888 Management proactively suspended all the accounts for this cohort with immediate effect resulting in significant revenue loss;
- There was an immediate implementation of an internal compliance review and systems and controls were quickly improved through a programme of work overseen by 888 Management, remediating the identified historical weaknesses;
- There was a Board commitment to rectifying this issue and to dealing openly and transparently with the Commissioner and there was early acceptance of, and agreement with, the findings detailed above;
- 888 compliance management and staff worked collaboratively with Gambling Division staff on a subsequent verification exercise;
- Satisfactory verification of a significant proportion of this cohort has subsequently taken place (source of wealth and/or source of funds).

For the avoidance of doubt no specific cases were identified which involved 888 dealing with the proceeds of crime or terrorist financing.

Part of the settlement will be made available for use by the Centre of Excellence for Responsible Gaming at the University of Gibraltar to enable them to continue their excellent work in the area of gambling disorder and effective prevention and treatment.

Gibraltar licensees are expected to factor the learnings from this case into their own risk assessments, systems and controls.

888 continues to be considered a fit and proper entity to hold licences in Gibraltar. 888 has enhanced its policies and procedures in remediating the identified historical deficiencies. The Gambling Commissioner and Licensing Authority consider this matter closed and will be making no further comment on this matter.