

Christopher Murphy

”Come in Spinner“
Money Laundering in the Australian Casino Industry

Schriftenreihe des Max-Planck-Instituts für
ausländisches und internationales Strafrecht

Kriminologische Forschungsberichte

Herausgegeben von Hans-Jörg Albrecht
und Günther Kaiser

Band K 167



Max-Planck-Institut für ausländisches
und internationales Strafrecht

Christopher Murphy

”Come in Spinner“
Money Laundering in the
Australian Casino Industry



Duncker & Humblot • Berlin

Bibliografische Information der Deutschen Nationalbibliothek

Die Deutsche Nationalbibliothek verzeichnet diese Publikation in der Deutschen Nationalbibliografie; detaillierte bibliografische Daten sind im Internet über <http://dnb.d-nb.de> abrufbar.

Alle Rechte vorbehalten

© 2014 Max-Planck-Gesellschaft zur Förderung der Wissenschaften e. V.
c/o Max-Planck-Institut für ausländisches und internationales Strafrecht
Günterstalstraße 73, 79100 Freiburg i. Br.

<http://www.mpicc.de>

Vertrieb in Gemeinschaft mit Duncker & Humblot GmbH, Berlin

<http://www.duncker-humblot.de>

Umschlagphoto: Zoonar GmbH

Druck: Stückle Druck und Verlag, Stückle-Straße 1, 77955 Ettenheim
Printed in Germany

ISSN 1861-5937

ISBN 978-3-86113-250-9 (Max-Planck-Institut)

ISBN 978-3-428-14623-9 (Duncker & Humblot)

Gedruckt auf alterungsbeständigem (säurefreiem) Papier
entsprechend ISO 9706

Acknowledgements

The author would like to express his gratitude to all those in Australia and Germany whose assistance contributed to making this study possible. Special thanks are due to *Anke Murphy, Frank and Heidrun Scholz, Andrew Murphy, Daryl Murphy, Paul Murphy, Jocelyn Murphy, Graeme Pearce, Kate Warner, Leon Atkinson-MacEwen, Peter Hault, Deborah Willcocks, Stephen Munro, Julie Walters, Russell Smith, Clive Williams, Clemens Bushart, D.K. Gerstner, Michael Kilchling, Franziska Kunz, Dietrich Oberwittler, Gaby Löffler* and *Ulrike Auerbach*.

In addition, the author is indebted to *Hans-Jörg Albrecht*, the supervisor of this study, for his advice and support over the past three years, and to the Max Planck Institute for Foreign and International Criminal Law in Freiburg for the financial assistance that was provided for the empirical research in Australia. Thanks also to all colleagues – past and present – for helping to enjoy the highs and forget the lows that are, by nature, associated with academic life.

This study is dedicated to *Lennox* and *Nelly-Ann*. While they may not yet understand it, they certainly inspired me to finish it.

Freiburg/Germany, December 2014

Christopher Murphy

Table of Contents

Acknowledgements.....	V
Table of Contents.....	VII
List of Figures and Tables.....	XI

Chapter 1

Introduction

1.1 Research objective.....	1
1.2 Scope of the research.....	2
1.3 Outline of the study.....	2

Chapter 2

Methods

2.1 Required information.....	5
2.2 Materials and methods used.....	5
2.2.1 Official statistics and case law decisions.....	5
2.2.2 Media reports.....	5
2.2.3 Casino staff questionnaire.....	6
2.2.4 Expert interviews.....	6

Chapter 3

Casinos, crime and money laundering

3.1 Introduction.....	9
3.2 Casinos and crime.....	10
3.3 Legal definition of money laundering.....	12
3.4 The fabulous forty.....	14
3.5 The casino quandary.....	16
3.6 FATF/APG vulnerability report.....	20
3.7 Intrinsic weaknesses.....	22
3.7.1 Weakness one: Cash is king.....	22
3.7.2 Weakness two: Criminals are ‘attracted’ to casinos.....	24
3.7.3 Weakness three: High rollers and other casino patrons.....	25
3.7.4 Possible solutions.....	27
3.8 Summary.....	29

Chapter 4**Las Vegas and the legalisation of vice**

4.1	Introduction	31
4.2	An ancient pastime	31
4.3	Nevada: Prospectors, charlatans and entrepreneurs.....	32
4.4	Enter ‘Bugsy’	34
4.5	Drug dealing bartenders and musicians.....	38
4.6	Summary.....	40

Chapter 5**The Australian casino industry**

5.1	Introduction	41
5.2	A question of liberty	42
5.3	They’ll bet on anything.....	43
5.4	The local casino industry	45
5.5	Casino regulation and anti-money laundering legislation	51
	5.5.1 State and territory casino legislation	51
	5.5.2 Anti-money laundering legislation	54
	5.5.3 Criminal Code and POC Act.....	54
	5.5.4 The AML/CTF Act.....	55
	5.5.5 The AML/CTF Act: Taming the beast	56
5.6	Summary.....	58

Chapter 6**Risky business: Casinos and the application of the AML/CTF Act**

6.1	Introduction	61
6.2	The risk-based approach.....	61
6.3	Risk and the core requirements.....	62
	6.3.1 Customer and employee due diligence requirements	64
	6.3.2 Reporting requirements	66
	6.3.3 Compliance requirements.....	69
6.4	Anti-money laundering laws in a nutshell	71
6.5	Summary.....	74

Chapter 7**Official statistics and media analysis**

7.1	Introduction	75
7.2	Problems with the official statistics.....	76
7.3	The Star City blues	78
7.4	Melbourne’s crown of thorns	83
7.5	The disgruntled bank clerk	87

7.6	Taking out the laundry: 2008 to the present	93
7.7	Summary.....	97

Chapter 8

The expert interviews

8.1	Introduction	99
8.2	Background to the interviews	99
8.3	Interview conclusions: A question of semantics?.....	100
8.4	Low-level money laundering.....	101
	8.4.1 Low-level structuring and smurfing.....	102
8.5	The cost of regulation.....	104
8.6	Systematic money laundering.....	105
8.7	Summary.....	108

Chapter 9

Casino susceptibilities revisited

9.1	Introduction	111
9.2	A review of casino susceptibilities	111
9.3	Weaknesses and strengths	112
	9.3.1 Licencing controls.....	112
	9.3.2 ‘Bank like’ transactions and anonymity.....	113
	9.3.3 Compliance in practice.....	115
	9.3.4 Surveillance, accounting measures and exclusion orders.....	116
	9.3.5 Chip theft.....	120
	9.3.6 Casino cooperation and information sharing.....	120
9.4	Summary.....	121

Chapter 10

Conclusions and implications

10.1	Introduction	125
10.2	Main conclusions.....	126
	10.2.1 Low-level vs. systematic money laundering	126
	10.2.2 Susceptibilities reassessed.....	129
10.3	Future implications.....	131
	10.3.1 International cooperation.....	132
	10.3.2 National cooperation	133
	10.3.3 The AML/CTF Act and AUSTRAC	134
10.4	Summary.....	136

References.....	137
-----------------	-----

Appendix.....	147
---------------	-----