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Online gambling: a perfect tool for money laundering

Earlier in January, German online magazine Deutsche Welle reported a study of University of Hamburg economist Ingo Fiedler claiming that criminal organizations rely on online gambling sites to launder money.

Dr Fiedler had first presented his study on "Money laundering and online gambling" to the European Commission in November 2012.

According to the economist, gambling is the perfect tool for money laundering thanks to the huge volume of transactions, the absence of a physical product and winnings often being tax free.

Fiedler believes that online gambling, with its multitude of payment methods, offers opportunities for small time criminals to fund gambling accounts, play and then cash out; while larger criminal organizations can set up their own internet gambling sites or buy existing ones.

Gambling websites are often based in tax havens that protect the identities of the owners."No one can find out where the money is coming from. But it can be paid out to the casino's owners in a perfectly legal way," stated Fiedler.

During the same parliamentary hearing, organized by a special committee that on behalf of the EC is trying to assess the impact of mafia-type activities on European economy and society, an Italian senior public prosecutor, Roberto Scarpinato, said that mafia whistle-blowers revealed that large sums of money were transferred from Italy to Germany to be laundered through gambling activities, both traditional and online.

While activities of brick and mortar casinos are already being monitored, the EC proposed to extend a revised anti-money laundering directive to the online gambling industry and in particular to introduce more stringent due diligence checks for payments over a certain limit.

The European Commission also wants to make mandatory disclosing the "beneficial owner" of each company to make harder for money launderers to hide using a system of "Chinese boxes".

The European Gaming and Betting Association welcomed the extension of the anti-money laundering directive to the online gambling industry.

EGBA said it hopes the new rules on anti-money laundering for online gambling will lead to harmonizing certain aspects of how customers should be identified.

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