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Dirty laundry

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Money laundering through poker machines is big business in hotels, but they are not so keen to report it, writes Vanda Carson.

When most people are tucked up in bed, the state's top-grossing poker machine hotels are hitting their stride, thanks to the nocturnal habits of money launderers.

They usually wait until late at night or early morning to do a spot of laundry, and often visit several hotels in a night.

Winter is the favoured season, as it's easier to carry wads of dirty cash in a jacket pocket without looking out of place.

Pulling up in the hotel car park, regular launderers try to get a spot as close to the door as possible.

As regular patrons they are often well known to hotel security guards, who quietly acknowledge them and escort them inside.

This welcoming nod is known in the security trade as "brothel protocol", where familiar and loyal patrons are discreetly acknowledged without mentioning names.

This burgeoning market is assisted by the large well-lit car parks next to many of the state's top-grossing poker machine hotels, and attentive security guards.

A car park is vital because the launderers don't want to walk along the street carrying between \$10,000 and \$50,000.

After they enter the hotel, the launderers do a "recognisance" of the gambling room to check for any threats such as under-cover police officers or prospective muggers.

A money belt would be an obvious choice to carry the cash, but they shun these because they are seen as a giveaway.

But you can spot them by the long jackets, with large inside breast pockets. While many people would find it hard to carry \$10,000 in cash without it showing, these men are usually heavy-set types who can pull it off.

They prefer to wear a jacket, rather than carry a bag which could be easily snatched - an occupational hazard for many in this lucrative trade.

Crime gangs favour hotels in Sydney's west and south-west when they need to convert large amounts of cash into legitimate funds in the form of a winnings cheque because they offer the car parks and security needed.

Professional launderers are almost exclusively male, and they do this as a full-time job.

During this initial visit they will play a small amount of cash through a machine and then reserve it by pressing a "reserve" button, before returning to their car to collect up to \$10,000 in \$100 notes.

They often make several trips to their car to collect more cash, then return to the same machine.

Unlike other automated cash machines such as ticket dispensers - poker machines are not fussy about how notes are fed into them. This means gamblers can clean \$10,000 in just minutes by feeding 100 \$100 notes before the reels start spinning, and the speed of machines means each bet may be just a few seconds apart.

The gambler then gets a cheque from the hotel, which is "clean" and appears to tax and other authorities to be a "win".

Often they simply feed the money into the machine without actually gambling it, and then collect a cheque for what they have put in the machine. Or they only play a few hundred dollars of this, or less, before collecting their clean money.

As a result, the hotel gets high turnover through its machines, of which it can legally keep a percentage of the amount cleaned, through the profits on its machines, and the NSW government gets a percentage through gaming taxes.

As much as \$2 million passes through the poker machines in a week at each of the state's top pokie pubs, according to an analysis of figures from the Office of Liquor Gaming and Racing. This produces a net profit of \$160,000 a week, or \$8.3 million a year for the hotelier.

Many launderers don't even need to play the machines, they just feed in the dirty cash and press the "collect" button - which allows them to go to the bar or a booth and receive a cheque. Some hoteliers say some pubs in Sydney are so well known to criminal gangs that they refer to them as LLs, slang for "local laundries".

Hotel industry sources estimate that nationally \$2 billion is laundered through hotels, clubs and casino poker machines and gambling chips, and as much as 40 per cent of this is through NSW, the nation's crime capital.

This is a large slice of the \$14 billion fed through the nation's poker machines in pubs and clubs each year.

Poker machines are one of the few avenues remaining for criminals to clean cash due to a crackdown on money laundering at racecourses, through TABs and through the booming property market.

They are also favoured because it is a relatively quick way to convert funds.

Hoteliers and their staff are supposed to report suspicious transactions but the reporting of customers who feed large amount of cash through machines in return for cheques is not routine.

The nation's anti-laundering agency is trying to crack down on this through the tougher powers it received in 2006, but four years on nothing much has changed because there are more than 6000 hotels nationwide, making it very hard to police.

Under the strict anti-laundering legislation, hotels are supposed to have a "compliance manager" on staff to report suspicious and large payouts, but in reality those who hand out the fat winnings cheques are often young and inexperienced bar staff.

Many in the industry say that hoteliers won't be compelled to report all suspicious transactions and stamp out laundering until a hotelier "is made an example of".

The Australian Transaction Reports and Analysis Centre has been sending out formal questionnaires to hotels and clubs for the past two to three months, asking hotels to declare who its big "winners" are. There was another flurry of these questionnaires sent to hotels around NSW on September 29.

Austrac is working with the Australian Crime Commission, but no hotels or clubs have been prosecuted for breaching laundering laws, even though there are harsh penalties including jail and fines of \$11 million for each offence.

George Thomas, a 74-year-old publican from Vaucluse, is the only hotelier to be rapped over the knuckles so far by the nation's anti-laundering agency.

Austrac forced Mr Thomas's seven companies to appoint an external auditor from the accounting firm Deloitte after they were found to have breached four sections of the Anti-Money Laundering and Counter-Terrorism Financing Act.

The breaches were related to asking customers for identification, identifying and managing money-laundering risks and lodging reports to the regulator.

Austrac said they were "asked a number of times" to comply with the laws which require the hotels to produce evidence it has procedures to address money laundering, but the hotels did not comply until the auditor was appointed.

The Office of Liquor Gaming and Racing knows down to the dollar how much cash is going through poker machines in every NSW hotel, because of sophisticated centralised monitoring software that sends data back to head office.

It can even tell if launderers are feeding money into machines and pressing collect without playing them.

But it is a state-government body which is mostly interested in gaming taxes, not laundering.

No hoteliers were willing to comment on the record about the extent of laundering through poker machines. "The hoteliers think, 'Jesus, if my hotel gets mentioned then the launderers won't come. How much will that impact on my business?'" one source said.

The chief executive of the Australian Hotels Association, Sally Fielke, declined to comment about the extent of laundering through hotels, saying she had no way of measuring it.

One of those willing to comment was Paul Mulligan, a risk manager for Risk Consultants Australia, which advises hotels on how to comply with the new laws.

Mulligan said hotels wanted to stamp out money laundering but they were finding it costly and time consuming to comply as the legislation was complex.

Bankers who fund the hotel industry are also concerned about the extent of dirty money flowing through poker machines that in effect, they part-own.

"It is a very delicate matter," said one person in the banking industry, who does not want to be associated with laundering.

They are also concerned about the loss of business, and how that will hit the bottom line of hotels.

Austrac is also cracking down on poker machines within licensed clubs, as well as bets placed through bookmakers, so the big question in the industry is if launderers can't go to hotels, clubs or to the racetrack, where will the money go?

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