How to mitigate the risks of going cashless on your casino floor

5 ways enhanced geolocation protects you from fraud and BSA enforcement fines

GeoComply

Executive summary

Penalties for breaching the US Federal Bank Secrecy Act (Title 31), including anti-money laundering (AML) regulations and adherence to the Office of Foreign Asset Control (OFAC), are on the rise. In 2023, OFAC imposed penalties exceeding $1.5 billion. Any casino generating over $1 million in gross revenue annually, are obligated to meet the stringent detection and reporting mandates of Title 31.

To mitigate the risk of going cashless, a casino's cashless wallet must accurately determine a user's true location. After all, according to the Department of Treasury, **Title 31 compliance requires casinos to know both** the geographic location **of the player, as well as the origin and source of funds.**

GeoComply's enhanced geolocation technology, which harnesses device-based signals from GPS, Wi-Fi triangulation and other sources to determine a user's location within meters, is critical for ensuring Title 31 compliance. This technology is in use in the tightly regulated U.S. iGaming and sports betting sectors and enables these sports and iGaming operators to integrate stringent geolocation checks into their mobile wagering applications. Enhanced Geolocation integration, used during a cashless customer's registration, login, deposit, and withdrawal processes, is essential for a casino to maintain Title 31 compliance.

> "We've been highlighting the importance of using geolocation tools as an effective internal control both in our sanctions compliance guidance ...but also through our enforcement actions.
>
> **Andrea Gacki**
> OFAC Director @ the ACAMS Sanctions Space Summit, Feb. 3, 2022

GeoComply mitigates the risk of going cashless in 5 key ways:

- Identifying and blocking the actual cashless user located in high-risk or sanctioned jurisdictions
- Identifying and preventing location spoofing through VPNs, proxies, and fraudulent IP addresses
- Verifying the true location for reporting suspicious activities
- Ensuring cashless transactions are conducted within compliant and monitored environments
- Identifying new devices attempting access or account takeovers

Table of Contents

2 Executive summary

4 Introduction

5 IP Addresses: the main roadblock to ensure Title 31 compliance

6 Enhanced geolocation is the critical element to Title 31 compliance

7 How enhanced geolocation raises the Title 31 compliance bar

- 7 Block users in high-risk or sanctioned jurisdictions
- 8 Detect VPN use, a regulatory “Red Flag”
- 9 Detect and report suspicious activity and block OFAC transactions
- 10 Prevent financial crime
- 10 Protect mobile cashless wallets from account takeovers

11 GeoComply: enhanced geolocation provides Title 31 compliance

Introduction

The use of mobile cashless wallets on a casino's gaming floor is a significant evolution in the gaming industry. Title 31 empowers two agencies in the U.S. Treasury Department to ensure that mobile cashless wallets comply with the Bank Secrecy Act. These agencies remain vigilant in detecting and deterring money laundering activities and the flow of terrorist funds through casinos.

Financial Crimes Enforcement Network (FinCEN): administers and enforces the Bank Secrecy Act (BSA), a federal anti-money laundering (AML) and counter-terrorist financing (CFT) statute. It also serves as the financial intelligence unit for the United States.

Office of Foreign Assets Control (OFAC): is the sanctions arm of the U.S. government, administering and enforcing trade and economic sanctions that support U.S. foreign policy and national security interests. In 2023, OFAC issued more than $1.5 billion in penalties.

The BSA mandates that casinos report any suspicious activity or suspected money laundering activity to FinCEN. Additionally, OFAC requires casinos to identify, block, and report any financial transactions originating from OFAC-sanctioned countries within a 10-day timeframe. Ignoring the requirements outlined in Title 31 is not only illegal, but it carries severe penalties, including hefty fines ($1.5 billion in 2023 imposed by OFAC alone) and potential jail time.

Casinos have established Title 31 controls to monitor the use of physical cash at their casinos, including deploying cage, casino management, and surveillance systems across the entire gaming floor.

Introducing mobile cashless onto their gaming floor requires casinos to adapt and enhance their Title 31 compliance programs to ensure they do not inadvertently violate Federal laws.

> "...strong sanctions compliance programs should be able to use geolocation tools to identify and prevent IP addresses that originate in sanctioned jurisdictions from accessing a company's website and services for activity that is prohibited by OFAC's regulations.
>
> Sanctions Compliance Guidance for the Virtual Currency Industry, U.S. Department of the Treasury **Office of Foreign Assets Control (OFAC), Oct. 2021**

Achieving Title 31 compliance for mobile cashless wallets can be straightforward with the right approach: By integrating advanced geolocation verification at key transaction points — registration, login, deposit, and withdrawal — within their cashless and mobile gaming apps, casinos can effectively monitor for and identify suspicious activities. Implementing this enhanced geolocation check ensures that casinos not only comply with Federal law but also bolster their defenses against potential financial crimes. Adopting this strategic measure, casinos can seamlessly achieve compliance with Title 31 and ensure their operations are both secure and lawful.

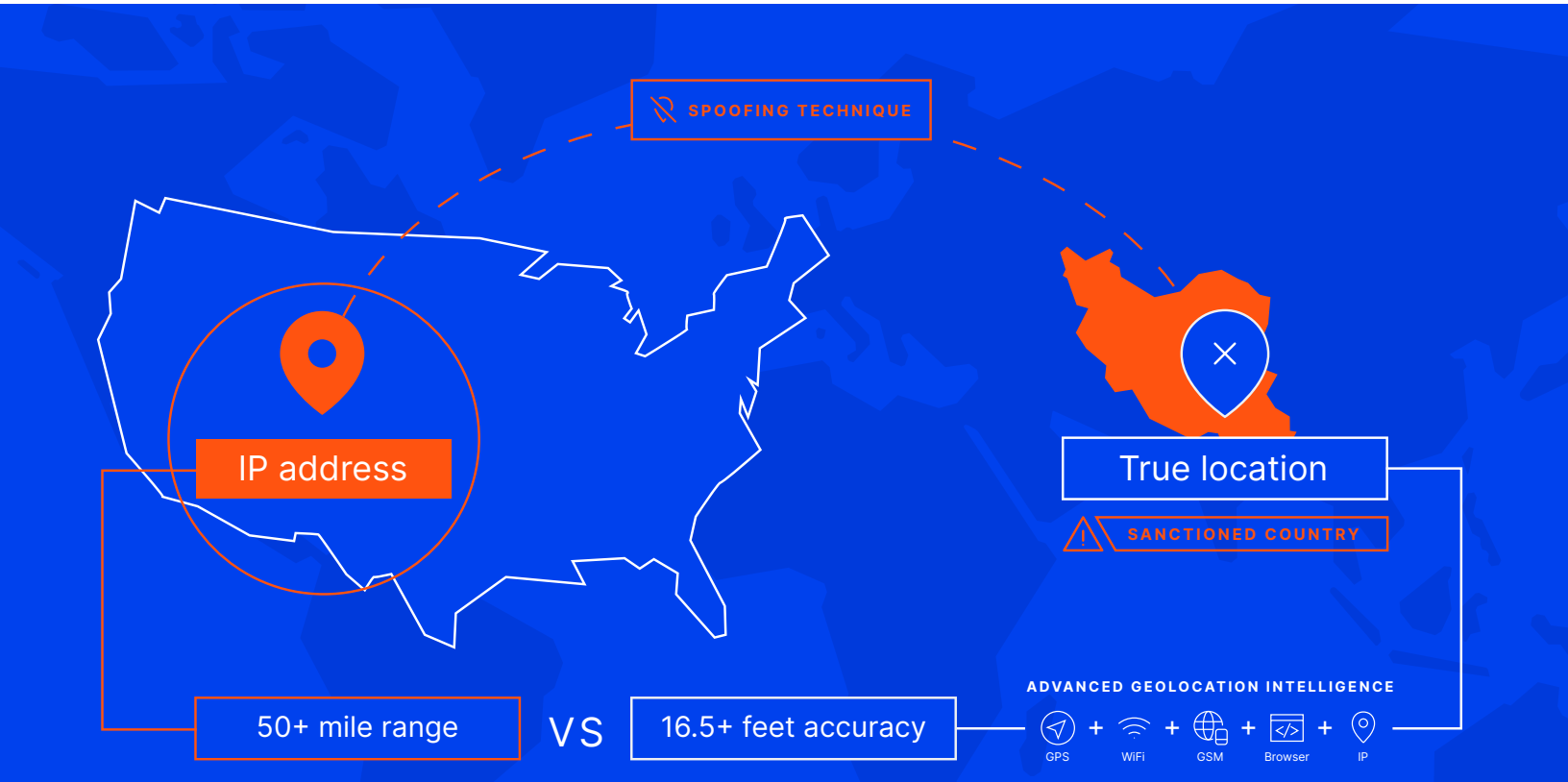
IP Addresses: the main roadblock to ensure Title 31 compliance

For mobile cashless, Title 31 compliance starts with location. **Casinos must be able to identify their customers' true location – the jurisdiction in which they reside or where their funds are being transferred.** Without this critical data point, making informed decisions on whether to permit or deny cashless transactions becomes impossible.

However, the geolocation standard in the financial services industry is antiquated, primarily relying on IP addresses. This method of determining location is vulnerable to manipulation and lacks precision. Bad actors have access to an arsenal of inexpensive location manipulation and spoofing tools – including virtual private networks (VPNs), proxies, and a host of other anonymizers. These tools make desktop and mobile IP addresses the easiest location data point to manipulate.

For example, in only six months, GeoComply detected 15 million attempted transactions where IP addresses were manipulated to appear falsely indicate users' locations were in the United States. In reality, these users were located elsewhere, including sanctioned jurisdictions like Iran and Cuba.

The gap between a user's location as indicated by an IP address and their actual location creates a significant risk to a mobile cashless wallet and its banking and payments partners. It adds another layer of anonymity behind which bad actors can mask their true identity so they can more easily commit financial crimes. **It also raises a regulatory red flag that casinos offering mobile cashless wallets while aiming for AML and OFAC compliance should avoid.**



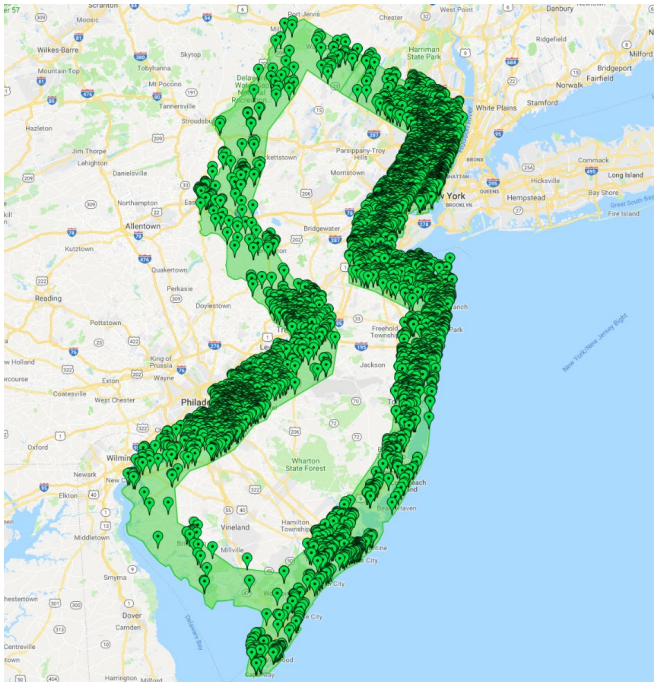
Enhanced geolocation is the critical element to Title 31 compliance

The Department of Treasury recognizes the insufficiency of IP addresses for geolocation. They're calling for financial institutions – as outlined in the recent OFAC guidance – to improve their geolocation strategy to better identify and stop bad actors from exploiting the U.S. financial system.

The opportunity is now for casinos to blaze a new trail of compliance innovation by launching enhanced geolocation security within their mobile cashless wallets rather than wait for such guidance to become law.

By tapping into device-based geolocation data signals from multiple sources, casinos are able to verify whether a third-party is controlling the mobile device and that third-party's true location. This is the same enhanced geolocation used in the highly regulated U.S. iGaming and sports betting industry, with its strict, state-specific requirements.

> "
>
> Advanced location signaling provides another critical data point that gives insight into the legitimacy and validity of transactions.
>
> **Jarod Koopman**
> Director, IRS – Criminal Investigations (CI)



For example, more than 82 percent of all of New Jersey iGaming traffic is within 10 miles of the border, and approximately 44 percent is within two miles – enhanced geolocation ensures betting remains within the permitted jurisdiction (see figure above).

This enhanced accuracy is crucial to sports and iGaming operators, which also face a complex web of regulations from OFAC, FinCEN, and state regulatory agencies. Device-based geolocation security helps lift the heavy burden of Title 31 compliance by ensuring that each cashless or digital funding transaction occurs only where permitted and that the deposited funds do not originate from sanctioned countries. In turn, this ensures that their cashless and digital funds processing doesn't run afoul of Title 31 compliance.

How enhanced geolocation raises the Title 31 compliance bar

GeoComply mitigates the risk of going cashless in 5 key ways:

1 Block users in high-risk or sanctioned jurisdictions

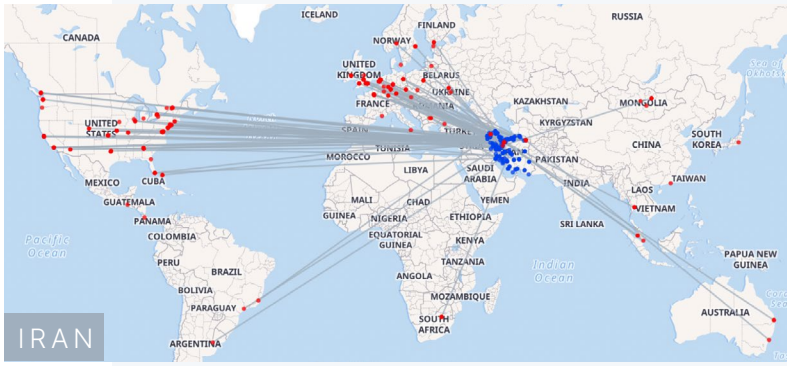
OFAC fined a virtual currency business for serving users in the Crimean region of Ukraine, Iran, Cuba, Sudan, and Syria – all sanctioned jurisdictions. According to OFAC, the company "had reason to know" that these users were in sanctioned jurisdictions based on the IP address data associated with devices used to login to the company's platform.

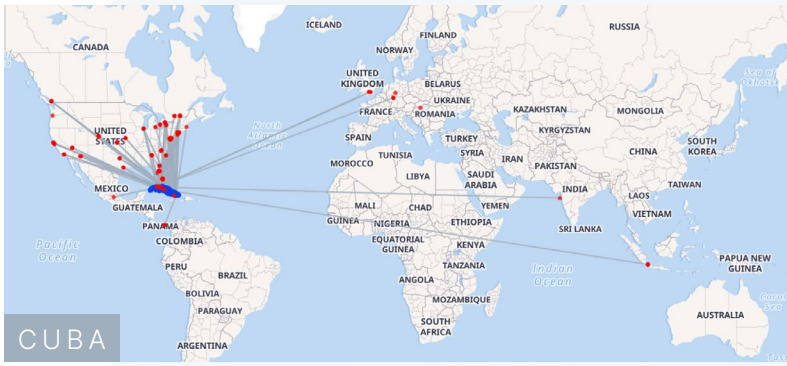
Geofencing with enhanced geolocation security enables casinos to block financial transactions from sanctioned or high-risk regions. It also allows them to "carve out" tightly linked geographic regions, such as **Crimea** from the rest of Ukraine.

Geofencing creates a virtual perimeter around a real-world location using location data from a user's mobile device. These data signals are gathered and verified for authenticity by detecting the use of location spoofing, such as VPNs, to manipulate an IP address.

OFAC sanctioned jurisdictions: Location spoofing patterns

● IP address location ● Actual location





2 Detect VPN use, a regulatory “Red Flag”

Both FinCEN and OFAC have highlighted inherent risks with illicit VPN use. As a result, in its virtual currency guidance, OFAC listed the following as a risk indicator of individuals who attempt to access a virtual currency exchange from an IP address or VPN connected to a sanctioned jurisdiction.

In addition, FinCEN and the CFTC jointly fined **BitMEX** $100 million for “willfully” violating the Bank Secrecy Act. Despite BitMEX’s claims it did not transact with U.S. customers, FinCEN found the exchange did not screen for customers using a VPN to access its services and circumvent IP monitoring. In addition, BitMEX changed some U.S. customers’ information to hide their true location. With other financial markets acknowledging the power of geolocation intelligence, it’s imperative for casinos to recognize the protections other markets are putting in place to safeguard the integrity of digital transactions.

Enhanced geolocation security analyzes IP addresses to:

- Determine their source and potential association with malware
- Identify anonymizers such as VPNs and proxies
- Assess links to high-risk jurisdictions and activity

> “
>
> Analytic tools can identify IP misattribution, for example, by screening IP addresses against known virtual private network (VPN) IP addresses and identifying improbable logins (such as the same user logging in with an IP address in the United States, and then shortly after with an IP address in Japan).
>
> OFAC Sanctions Compliance Guidance for the Virtual Currency Industry, Oct. 2021

Enhanced geolocation security helps to determine the legitimacy of an IP address potentially associated with criminal activity. The gaming industry can raise the regulatory standard by proactively adopting geolocation security tools that detect VPNs and are able to pinpoint a user’s true location.

> “
>
> OFAC listed as a risk indicator, individuals who attempt to access a virtual currency exchange from an IP address or VPN connected to a sanctioned jurisdiction.

3 Detect and report suspicious activity and block OFAC transactions

Utilizing a robust "Know Your Customer" program strengthens the ability of casinos to create a true digital identity for their mobile cashless customers. It also enhances the ability of casinos to evaluate risk, understand their mobile cashless customer's behavior, and detect potentially suspicious activity.

Yet, even if a mobile cashless customer is properly verified, their later behavior may subsequently flag their transactions as "suspicious." For example, a verified cashless customer may use a VPN to mask their true location while depositing funds from a US bank while they are actually located in an OFAC-sanctioned country.

Casinos need to analyze all data and behavior related to their mobile cashless customers and their funding transactions – and enhanced geolocation security helps by:

- Excluding users who are trying to login from certain countries
- Providing additional information about running processes and who may be using VPNs, virtual machines or remote desktop protocols
- Validating the exact location of a user at the time of a funding transaction. For instance, casinos can analyze incoming deposits to help them comply with AML and OFAC mandates

> "The recent growth of gaming activity at brick-and-mortar casinos and online gaming platforms has raised the risk profile for U.S. casinos and gaming activity in the United States... There are also continuing challenges with AML/CFT supervision of some gaming operators - including online platforms, firms offering "games of skill" (as opposed to "games of chance"), and third-party operators that may engage in casino-like activities but that are not necessarily subject to BSA obligations because they are not licensed as casinos.... The risks in this sector involve not only compliance issues by casinos and card clubs regarding their respective AML/CFT obligations under the BSA, but also the misuse of casinos by foreign illicit actors...Law enforcement reporting and criminal prosecutions suggest continuing money laundering risks associated with placing illicit proceeds in casinos...There are continuing concerns regarding covered casinos' and card clubs' compliance with relevant AML/CFT obligations. Federal and state law enforcement underscored the extent to which covered casinos and card clubs may be fulfilling their required obligations, including SAR and CTR filing, but not taking other forms of proactive risk-based action against suspected money laundering.
>
> 2024 National Money Laundering Risk Assessment

4 Prevent financial crime

Financial crimes include money laundering and terrorist financing, which trigger regulatory reporting and increased FinCEN and OFAC scrutiny. Recently, OFAC **sanctioned a prepaid rewards program** for its role in allowing reward cards to be redeemed from persons residing in sanctioned jurisdictions.

Strong geofencing capabilities, combined with pinpoint location accuracy, help casinos detect and prevent, in real-time, suspicious activity that may be associated with terrorist financing or other crimes. In addition, casinos can analyze historical geolocation transactions to detect and flag high-risk behaviors, such as location jumping.

> “
>
> This enforcement action underscores the importance of obtaining and using all available information to verify a customer’s identity or residency, including by using location-related data....
>
> da Vinci Payments – OFAC Enforcement Release: November 6, 2023

5 Protect mobile cashless wallets from account takeovers

Cyber criminals are using sophisticated methods to obtain a customer’s account information which can then lead to theft of the customer’s funds within their mobile cashless wallet. In 2011, OFAC saw this as a serious financial crime that required financial institutions (including casinos) to report this activity in a **Suspicious Activity Report** (SAR).

> “
>
> In an account takeover, the target is the mobile cashless wallet, and the ultimate goal is to remove and steal all funds within that digital wallet.

By performing a geolocation check at the time of login, deposit, and withdrawal, casinos would be able to detect the device fingerprint, location, and block access and/or withdrawal of player account funds when suspicious activity is detected. Additionally, this activity and all the location and device data detected would be included in the necessary SAR that would be submitted to OFAC.

By using highly accurate, enhanced geolocation solutions, casinos can demonstrate to regulators that compliance is not a standard checklist most financial institutions follow. Rather, they prove that compliance is a commitment to empowering the future of digital trust by making their mobile cashless wallets a safe and secure place to do business inside AND outside of their gaming premises.

GeoComply: enhanced geolocation provides Title 31 compliance

Backed by Blackstone, the world's largest private equity firm, GeoComply offers a trusted and accurate solution, processing more than 10 billion transactions a year and is installed on more than 400 million devices worldwide. Since launching in the highly regulated U.S. gaming market in 2013, GeoComply has honed its technology using device-based data (accurate up to 16.5 feet).

GeoComply uses zero-friction geolocation security to deliver enhanced geolocation accuracy to the largest brands in highly regulated markets – such as DraftKings, MGM, FanDuel, Caesars and others. GeoComply's enhance geolocation SDKs can be easily integrated into a mobile gaming application or casino mobile application that has a cashless wallet.

DRAFTKINGS FANDUEL BETMGM CAESARS ENTERTAINMENT amazon cloudfront Akamai NICE ACTIMIZE Blackstone

Online, OnPremise, OmniChannel. We protect you and your customers

12b+
analyzed transactions per year and growing

99%+
tested effective in fighting fraud, with minimal false positives

400m+
installed devices worldwide

Contact us today to learn more about how GeoComply can help reduce your regulatory risk and combat financial crime.

solutions@geocomply.com

GeoComply