



*Interim report: executive summary*

## **Follow-up study on money laundering and terrorist financing risks in the context of the possible AMLR exemption for certain providers of gambling services**

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# Executive summary

## Introduction

This interim report contains the risk assessment of money laundering, terrorist financing and proliferation financing<sup>1</sup> among providers of Dutch gambling services<sup>2</sup>, under article 4 of the Anti Money Laundering Regulation (AMLR). The report will serve as basis for the policy decision to be made by the Dutch Ministry of Justice on whether providers of gambling services may be exempt from the requirements applicable to obliged entities under the AMLR.

## Conceptual framework

This risk assessment closely follows the concepts and definitions used in the last Supranational Risk Assessment for Money Laundering and Terrorist Financing (SNRA), the Dutch National Risk Assessment for Money Laundering and for Terrorist Financing (NRA) and the FATF-guidance for national risk assessments on money laundering and terrorist financing.<sup>3</sup> These have been adapted to fit an approach that is suitable for assessing absolute levels of risk on a sectoral level, based on concrete money laundering, terrorist financing routes.

The conceptual framework primarily concerns money laundering routes. The framework could be adapted to be applied to terrorist financing routes. However, in the gambling subsectors considered here, the sources consulted indicate that terrorist financing risks are of limited relevance compared to money laundering risks.

As follows from the nature and objectives of the Union's preventive anti-money laundering framework, consumptive money laundering (the use of criminally derived funds in gambling for the purpose of personal consumption or entertainment), as well as situations in which the gambling operator itself acts as the initiating party or de facto perpetrator of money laundering, or otherwise knowingly facilitates or deliberately disregards such conduct, fall outside the scope of this study. Nevertheless, it is generally accepted among participants in this study that those with criminal proceeds often do enjoy gambling.

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<sup>1</sup> Hereinafter, references to 'terrorist financing' include both terrorist and proliferation financing.

<sup>2</sup> Specifically, the lotteries, land-based sports betting and slot machine sector. The final report will also contain the risk assessment of the subsector of online gambling. Holland Casino is fully subject to the obligations under the AMLR, and therefore out of the research scope.

<sup>3</sup> European Commission 2022; Van der Veen & Heuts, NRA Witwassen 2023; Van der Veen & Heuts, NRA Terrorismefinanciering 2023; FATF 2025

### *Definition of key concepts*

- **Money laundering routes/threats:** the methods or practices through which criminally obtained funds can be placed, concealed, justified, or integrated into the legitimate economic or financial system.
- **Maximum input:** the maximum possible amount of criminal funds that can be introduced or processed through a specific money laundering route, expressed in the unit appropriate to that route, for example per person per hour.<sup>4</sup>
- **Yield:** the net outcome of a money laundering route, taking into account all associated costs and losses, expressed as a percentage of the input. In a route where probability determination plays a role, this also includes the expected payout (return to player, RTP) and the statistical variance of outcomes.<sup>5</sup>
- **Likelihood of success:** the likelihood that a money laundering route actually results in a usable outcome for the criminal, taking into account both (i) the probability that the route is not detected or disrupted (probability of interception) and (ii) the probability that the intended laundering objective is achieved.<sup>6</sup>
- **Probability:** the likelihood that a specific money laundering route is actually used (based on the maximum input, yield and likelihood of success).
- **Consequences:** the effects that may occur for the financial system and society as a result of the use of a money laundering route.
- **Resilience:** the extent to which the existing legal, supervisory, and operational framework is effective in preventing, detecting, or disrupting money laundering routes.
- **Vulnerabilities:** relatively fixed contextual factors that may influence the prevalence of money laundering routes and that cannot directly be addressed by policy measures.
- **Current risk:** the level of exposure to money laundering given the existing legal and policy framework, without additional mitigating measures.
- **Residual risk:** the level of exposure to money laundering after additional mitigating measures have been taken into account.

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<sup>4</sup> For slot machines in arcade halls, for example, this is €240 per person per hour (1,200 spins per hour × €0.20 per spin).

<sup>5</sup> For scratch cards, for example, the time spent purchasing a scratch card and the expected return per scratch card are considered.

<sup>6</sup> Money laundering routes in this sector may depend on games of chance. The more uncertain the payout (higher variance in outcomes), the larger the total stake must be to have some certainty that the expected return will be achieved.

For the risk assessment, we apply above definitions of key concepts, largely in line with the NRA (and the FATF) and with the earlier Dutch risk assessments.

The possibility of granting exemptions to providers of gambling services is established in article 4 of the AMLR. The risk assessment must include at least the elements listed in article 4(2) of the AMLR, namely (a) money laundering and terrorist financing vulnerabilities and mitigating factors of the gambling services; (b) the risks linked to the size of the transactions and payment methods used; and (c) the geographical area in which the gambling service is administered.

### Analysis

For each subsector, the steps below are followed to assess the risk.<sup>7</sup> We map out the specific **money laundering routes** within the subsector.

1. For each money laundering route, we determine the **probability** or likelihood that a specific money laundering route is used – based on the **maximum input, yield, and likelihood of success**. The **resilience** of the subsector is taken into account in this assessment, based on existing policy.
2. For each money laundering route, we determine the **current risk**. The current risk is a function of the **probability** that the route will be used and the **consequences** that the usage has for the financial system and society.
3. If the assessment of the current risk gives cause to do so, we describe any potential **mitigating measures** and their impact on the route and the risk. This leads to an assessment of the **residual risk** for each money laundering route.
4. Considering all routes in the subsector, we determine the **current and residual risk for the subsector**. In determining these risks, we also consider the **vulnerabilities** of the subsectors identified in the NRA and the SNRA. If the inherent or residual risk is assessed as low, an exemption could be obtained for this subsector under article 4 AMLR (whether or not subject to the implementation of mitigating measures).

Neither European nor Dutch regulations provide a quantitative definition of when a risk should be classified as "low." Article 4 of the AMLR does require that an exemption may only be granted if a risk assessment demonstrates that the risk of money laundering or terrorist financing is low, but it explicitly leaves the concrete

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<sup>7</sup> For a more detailed elaboration, we refer to Chapter 2 of the interim report.

interpretation of this concept to the Member States, under the supervision of the European Commission.

In this risk assessment, a distinction is made between the risk of individual routes and the risk at the subsector level. The assessment primarily focuses on the latter. This means that it is not so much about determining whether individual routes pose an increased risk, but rather whether the characteristics of a subsector as a whole are such that it can be structurally and meaningfully exploited for money laundering. However, to substantiate the judgment about a subsector, we also assess the individual routes.

A subsector is classified as low risk in this risk assessment if, considering all relevant factors in conjunction:

- the identified money laundering routes can only be utilized to a limited extent, taking into account the maximum input, expected yield, and likelihood of success;
- the potential consequences for the financial system and society are limited; and
- the assessment aligns with and can be convincingly justified against the relevant findings from the SNRA, insofar as they apply to the Dutch context.

### **Lotteries**

In the Netherlands, there are four distinguishable subsectors (according to the Wet op de kansspelen (Wok)) that represent the total lottery-landscape: Wok-3 lotteries, State Lottery, and instant lotteries/scratch cards and Lotto. The risk of money laundering and terrorist financing through lotteries in the Netherlands is assessed as **low** across all subsectors. Firstly, within the scope of the assessment that excludes any involvement of the gambling operator, the European Commission assesses the risk of terrorist financing through lotteries by customers as negligible. In addition, the reviewed studies identify no terrorist financing routes, in line with previous risk assessments. Secondly, regarding the Wok-3 lotteries, no potential money laundering route was identified. Incidental Wok-3 lotteries, being held only once, are by definition unsuitable as a vehicle for ongoing or structural money laundering. Likewise, non-incidental Wok-3 lotteries cannot be used for repeated laundering, as participants must register and obtain a membership, which prevents anonymous participation. Lastly, for the other three subsectors, two possible money laundering routes were identified and both assessed as low risk:

1. **Purchasing a winning ticket** – the perpetrator purchases the winning lottery ticket from the winner and cashes the prize with a receipt.
2. **Structuring small transactions (smurfing)** – the criminal reduces the risk of being caught by spreading a lot of (small) purchases over multiple retailers.

For the first route, two applications are distinguished: (i) purchasing small winning tickets or scratchcards locally for a fee, and (ii) locating and purchasing a major lottery winning ticket from the winner. Both are assessed as **low** current money laundering risk, as the first allows only limited volumes, while the second is difficult to repeat due to the challenges of tracking winners.

The current risk of the second route is also assessed as **low**. For instant lotteries/scratch, a daily purchase limit of €100 (online and offline purchases) significantly constrains transaction volumes, making large-scale money laundering impractical despite the possibility of visiting multiple retailers. The same reasoning holds for Lotto games, where the purchasing limit equals €300 for physical purchases and €100 for online bets. While the State Lottery does not impose a comparable limit, its slow playing pace, high single outcome variance and increased detection risk make its use for structural money laundering unlikely.

### **Land-based sports betting**

Within land-based sports betting we distinguish between horse betting (totalisator, art. 23 Wok) and sports betting (all other sports, art. 15 Wok). Horse betting is done using a totalizer, where the total bets minus costs and a contribution to the sports is divided among those who bet on the winning horse. All other sports betting takes place with odds where the player knows the possible payout at the time of betting.

Firstly, in line with the previous risk assessment, no concrete routes for terrorist financing were identified. The reviewed studies identify no terrorist financing routes, and the European Commission further concludes that sports betting poses no significant terrorism financing risks. Furthermore, three possible money laundering routes have been identified. Because one route was assessed to have a risk that is not low in the case of land-based sports betting under article 15, the overall risk of money laundering for this subsector is assessed as **not low**. The overall risk of money laundering for horse betting is assessed as **low**.

The three identified potential routes for money laundering in both subsectors are:

1. **Buying winning bet slips** – the perpetrator buys winning bet slips from others.
2. **Structuring small transactions (smurfing)** – the perpetrator invests in multiple outcomes to spread the risk.
3. **Match fixing and betting on fixed outcomes** – the perpetrator either manipulates the outcome of a sports match or places bets with prior knowledge of a manipulated outcome.

In the first route, winning tickets are used to justify the origin of assets, but no case law supports their validity. Bet slips are anonymous and cannot prove that winnings were paid to a specific person, making asset justification impossible. Previous court rulings

support this view that bet slips cannot be regarded as concrete or verifiable evidence. Consequently, the current risk of this route is assessed as **low**.

In route 2, the bets are spread to minimize the losses made. This may be done by betting on all outcomes of a match or spreading the bets over multiple highly likely (low odds) outcomes. For land-based sports betting, there are many points of sale with a limit of €500 bets. By traveling between sales points, it is possible to build up sums up to several thousands of euros. This is not practically possible with horse betting, as the number of retailers is significantly smaller.

For horse betting, we qualify the current risk of route 2 as **low**, because they are difficult to carry out structurally. Due to the broad availability of points of sale for land-based sports betting under article 15 and therefore the ease with which the €2.000 limit can be exceeded, we determine the current risk of route 2 for land-based sports betting under article 15 to be **not low**. That said, for larger-scale money laundering operations – for this research defined as amounts in excess of €10.000 – the likelihood of success declines rapidly as the scale increases. Money laundering via land-based sports betting is therefore deemed viable, but only on a limited scale, between the €2.000 and €10.000 range.

Again, justification of the origin of assets is not possible this way, but the winnings can be paid out to the bettors' bank account, meaning that cash can effectively be deposited this way, with a yield of around 95%. While it is no valid justification, the placement can have a significant impact on the integrity of the financial system. This is further reinforced by signals reported by the National Police in interviews, indicating that smurfing as a method for placing cash into the financial system through Article 15 sports betting is encountered in practice.

Route 3 is considered highly unlikely and therefore deemed as **low** current risk. Its effectiveness requires large-scale operations, which are incompatible with the small scale of land-based sports betting in the Netherlands and the strict limitations on eligible betting events; moreover, any such conduct would more likely occur within illegal betting circuits.

For sports betting, we suggest a mitigating measure where bets must be made using an identity verified account if the stakes exceed €200 for example.<sup>8</sup> Lowering the anonymity threshold in this way would greatly limit the room there is to use the routes described above with larger sums. With this measure, the residual risk of route 2 for land-based sports betting under article 15 is determined as **low**.

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<sup>8</sup> As an illustrative threshold, comparable amounts could also apply.

## Slot machines

The slot machine sector in the Netherlands consists of two legally distinct subsectors under the Wok.<sup>9</sup> The first concerns the presence of slot machines in hospitality locations such as cafés and restaurants (Art. 30b Wok). The second concerns slot machine arcades (Art. 30h Wok), which are dedicated gambling venues offering a larger number of machines. Both subsectors are land-based and are subject to distinct rules regarding machine types, maximum stakes and payout structures. Compared to other gambling sectors, slot machines are characterized by a high transaction frequency but very low transaction values, combined with legally fixed payout rates and strict technical controls.

The risk of money laundering and terrorist financing through slot machines in the Netherlands is assessed as **low** across both subsectors. Firstly, no concrete routes for terrorist financing were identified in the subsectors. Furthermore, eight potential money laundering routes have been identified exclusively for the subsector slot machines and are assessed as having **low** current risk.

The identified potential money laundering routes for slot machine arcades are stated below. These routes do not occur in hospitality venues with slot machines (Art. 30b Wok), in most cases because they involve the use of handpay vouchers or cashless play systems, which are not used in these locations.

1. **Obtaining a TITO ticket without (or with minimal) play:** Introducing cash into a machine operating with a ticket-in ticket-out (TITO) system and cashing out the remaining balance without meaningful gameplay to use the ticket as proof of play.
2. **Playing to obtain a handpay voucher:** Playing until a payout threshold is reached such that it triggers a manual handpay voucher, which is subsequently presented as proof of gambling winnings.
3. **Exchanging (large) banknotes:** Using exchange machines or counters in slot-machine arcades to convert higher-denomination notes into smaller denominations.
4. **Exchanging ink-stained banknotes:** Attempting to convert banknotes stained with anti-theft dye from an ATM explosion into usable cash via the arcade's exchange facilities.
5. **Trading or exchanging TITO tickets and handpay vouchers:** Buying, selling, or exchanging TITO tickets or handpay vouchers between players to create a paper trail disconnected from the original source.

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<sup>9</sup> Slot machines operated within Holland Casino locations are subject to the Holland Casino regulatory regime and are therefore outside the scope of the slot machine sector in this research.

6. **Loading cash into cashless play systems:** Converting cash into digital credits within a closed cashless play system before cashing out to hide the original source of the money.
7. **Structuring through repeated small transactions (smurfing):** Repeated low-value play or credit cycles aimed at gradually circulating funds to hide the original source of the money.
8. **Mixing illicit funds with legitimate stakes:** Combining criminal cash with lawful stakes during regular play, resulting in blended gambling outcomes that obscure the origin of funds.

Most identified routes (1, 2, 4, 6, 7) are assessed as **low** current risk due to their low probability and limited consequences, reflecting effective controls and limited stakes, and because they do not facilitate the placement of illicit funds into the financial system. While three routes (3, 5, 8) exhibit a higher probability of occurrence, their consequences remain low, as regulatory limits and practical constraints prevent meaningful money laundering. Therefore, the current risk of all routes is assessed **low**.

In earlier risk assessments, concerns existed that handpay vouchers could be misused as documentary “proof” of gambling winnings without corresponding gameplay. Fieldwork conducted for this study shows that the issuance of handpay vouchers is subject to internal controls and is generally limited to clearly observable play. Also, in court cases the handpay vouchers were not accepted as proof of winnings. As a result, using these handpay vouchers for systematic money laundering is highly unlikely.

## Conclusion

Category	Subsector	Legal classification	Current risk	Residual risk
<b>Lotteries</b>	Wok-3 lotteries	Art. 3 Wok	Low	N/A
<b>Lotteries</b>	State Lottery	Art. 8 Wok	Low	Low
<b>Lotteries</b>	Instant lotteries/ scratch cards	Art. 14a Wok	Low	N/A
<b>Lotteries</b>	Lotto	Art. 27a Wok	Low	N/A
<b>Sports betting</b>	Land-based sports betting	Art. 15 Wok	Not low	Low
<b>Sports betting</b>	Horse betting	Art. 23 Wok	Low	N/A
<b>Slot machines</b>	Presence of slot machines in hospitality	Art. 30b Wok	Low	N/A
<b>Slot machines</b>	Slot machine arcades	Art. 30h Wok	Low	N/A

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