

## INTERNAL MEMO



**To:** Len Meilleur, Executive Director, Compliance Division, GPEB

**CC:** Anna Fitzgerald, Senior Director, Lower Mainland Compliance Division, GPEB  
Doug Mayer, Manager of Audit, Compliance Division, GPEB  
Bob Stewart, Manager, Intelligence Unit, Compliance Division, GPEB

**From:** Parminder Basi, Commercial Gaming Auditor, Compliance Division, GPEB

**Date:** January 30, 2017

**Subject:** COMM-8838 Patron Gaming Fund (PGF) Account Deposit Analysis

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### EXECUTIVE SUMMARY

In August 2016, GPEB Compliance (Investigations) raised concern around the Patron Gaming Fund (PGF) program, specifically the possibility of cash being deposited into accounts; the issuing source of bank drafts; and the potential of introducing unsourced chips for deposit.

BCLC policy permits a patron to deposit funds into their PGF account via means of bank draft or certified cheque from a regulated financial institution, cheque from a Canadian casino, wire transfer, electronic funds transfer (EFT), debit card transaction, internet banking transfer from an authorized personal bank account, or cash or chips from a 'verified win' issued at the same casino opening the account. Based on previous audit work, we had not encountered cash deposited into PGF accounts because patrons either deposited chips from the documented table win or the site has issued a 'verified win' cheque.

The scope of the audit included an examination of <sup>s.15</sup> deposits made to PGF accounts at River Rock, Hard Rock, Starlight, Grand Villa and Edgewater Casino for the period June 1, 2016 to the last date of fieldwork, November 8, 2016. In total, 291 PGF accounts were audited over 11 fieldwork days, by a team of <sup>s.15</sup> auditors.

The purpose of this audit was to conduct an in-depth review of PGF files and account transactions to provide GPEB Compliance (Investigations) and Executive with results on the following four objectives:

<b>Objective # 1: Determine if cash was deposited into PGF accounts and if so, was it in accordance with BCLC policy.</b>
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<b>Result:</b> Of the 291 PGF accounts audited, <sup>s.15,s.22</sup> <sup>s.15,s.22</sup>
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<sup>s.15,s.22</sup>
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s.15,s.22 We identified the following issues with the circumstances under which the cash was accepted for deposit:

- The time frame for sourcing the cash does not seem to reflect the same criteria applied to chip deposits. Although, BCLC policy does not detail the duration to which cash shall be sourced, it does provide guidance in relation to chip deposits, which states, "chips can only be accepted for deposit in the same gaming day or, if the gaming time frame has overlapped gaming days, in the same gaming session as the verified win." The guidance provided for chip deposits should rationally apply to cash, s.15,s.22

s.15,s.22

**Objective # 2: Determine if patrons introduced new chips to top up their PGF re-deposits.**

**Result:** New chips were not introduced to top up re-deposits. Chips deposited to PGF accounts were from funds withdrawn from the account and substantiated with table play or sourced to a documented table win. This was confirmed through a review of table tracking cards corresponding to each chip deposit.

**Objective# 3: Confirm if bank draft deposits were from Canadian or US regulated financial institutions.**

**Result:** We manually verified 100% of the all bank drafts deposited into PGF accounts for the period June 1, 2016 to the last date of fieldwork, November 8, 2016. During this period, all bank drafts were from regulated Canadian financial institutions and one was from a US financial institution. An area of concern with bank drafts is they are not required to state the individual's name; s.15

s.15

**Objective# 4: Assess adequate supporting documentation was on file for each account deposit.**

**Result:** PGF account files were well administrated at the site level and adequate supporting documentation was on file to support all transactions reviewed.

## RECOMMENDATION

BCLC should be encouraged to establish policy to define the criteria around cash deposits to PGF accounts. Similar criteria currently applied to chips could be applied to cash, whereby it is only accepted for deposit in the same gaming day or, if the time frame has overlapped gaming days, in the same session as the verified win.

## INTRODUCTION

### BACKGROUND

In August 2016, GPEB Compliance (Investigations) raised concern around the Patron Gaming Fund (PGF) program, specifically the possibility of cash being deposited into accounts; the issuing source of bank drafts; and the potential of introducing unsourced chips for deposit. The information provided specified the period as June 2016 onwards.

BCLC policy permits a patron to deposit funds into their PGF account via means of bank draft or certified cheque from a regulated financial institution, cheque from a Canadian casino, wire transfer, electronic funds transfer (EFT), debit card transaction, internet banking transfer from an authorized personal bank account, or cash or chips from a 'verified win' issued at the same casino opening the account.

Based on previous audit work, we had not encountered cash deposited into PGF accounts because patrons either deposited chips from the documented table win or the site has issued a 'verified win' cheque. This audit was undertaken with the information provided by GPEB Compliance (Investigations) and the results of our past work in mind.

### OBJECTIVE

The purpose of this audit was to conduct an in-depth review of PGF files and account transactions to provide GPEB Compliance (Investigations) and Executive with results on the following four objectives:

1. To determine if cash was deposited into PGF accounts. If so, was cash deposited in accordance to BCLC Casino and Community Gaming Centre Standards, Policies and Procedures, which require it to be sourced to a verified win disbursed to the patron at the same casino.
2. To determine that patrons did not introduce new chips to top up their re-deposits. Only chips from funds withdrawn from the account and substantiated with table play or acquired through a documented table win at the same casino are permitted to be deposited.
3. To confirm that bank drafts were from Canadian or US regulated financial institutions.
4. To assess whether supporting documentation was on file for each account deposit.

### SCOPE

The scope of the audit included an examination of <sup>s.15</sup> deposits made to PGF accounts at River Rock, Hard Rock, Starlight, Grand Villa and Edgewater Casino for the period June 1, 2016 to the last date of fieldwork, November 8, 2016. In total, 291 PGF accounts were audited over 11 fieldwork days, by a team of <sup>s.15</sup> auditors. PGF accounts at Elements Casino were not audited <sup>s.15</sup>.

## APPROACH

The audit approach included the following steps:

- Coordinate with service provider management to obtain working spaces in their facilities to conduct reviews of PGF account files.
- Prior to the commencement of fieldwork, request from service provider management PGF trust ledgers, which are used by the sites to document each account transaction.
- Prepare a list of all PGF account files with activity during the audit period.
- Perform the following specific audit procedures:
  - Ensure adequate supporting documentation was on file for each account deposit.
  - Analyze table tracking cards to confirm chip deposits were substantiated.
  - Ensure the name on the bank draft was of the PGF account holder (where possible).
  - Confirm information entered by the sites on PGF trust ledgers for accuracy and completeness.

## AUDIT RESULTS

**RE: OBJECTIVE # 1- Determine if cash was deposited into PGF accounts and if so, was it in accordance with BCLC policy.**

Of the 291 PGF accounts audited, s.15,s.22 s.15  
s.15

s.15,s.22

s.15,s.22 We have the following concerns with the circumstances under which the cash was accepted for deposit:

- The time frame for sourcing the cash does not seem to reflect the same criteria applied to chip deposits. Although, BCLC policy does not detail the duration to which cash shall be sourced, it does provide guidance in relation to chip deposits, which states, "chips can only be accepted for deposit in the same gaming day or, if the gaming time frame has overlapped gaming days, in the same gaming session as the verified win." The guidance provided for chip deposits should rationally apply to cash, but s.15,s.22

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**RE: OBJECTIVE #2 – Determine if patrons introduced new chips to top up their PGF re-deposits.**

New chips were not introduced to top up re-deposits. Chips deposited to PGF accounts were from funds withdrawn from the account and substantiated with table play or sourced to a documented table win. This was confirmed through a review of 100% of the table tracking cards corresponding to each chip deposit for the 291 PGF accounts audited.

**RE: OBJECTIVE # 3 – Confirm if bank draft deposits were from Canadian or US regulated financial institutions.**

We manually verified 100% of the all bank drafts deposited into PGF accounts for the period June 1, 2016 to the last date of fieldwork, November 8, 2016. During this period, all bank drafts were from regulated Canadian financial institutions and one was from a US financial institution (CITI Bank).

We also reviewed the bank draft deposit information stated on PGF trust ledgers, for the period January 1 – September 14, 2016. The stub period is reflective of the cut-off date for the trust ledger reports received prior to commencement of field work. The table below provides a breakdown of PGF bank draft deposits, by financial institution.

**Bank Draft Institution Summary for the Period January 1 - September 14, 2016**

	Total	Percentage
s.15	\$35,209,116	26%
	\$28,025,618	21%
	\$25,247,027	18%
	\$22,548,000	17%
	\$19,604,450	14%
	\$4,037,000	3%
	\$1,150,800	1%
	\$246,000	0%
	\$163,500	0%
	\$155,000	0%
	\$79,800	0%
	\$36,000	0%
	\$35,000	0%
	<b>\$136,537,311</b>	<b>100%</b>

s.15

An area of concern with bank drafts is they are not required to state the individual's name;<sup>s.15</sup>  
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#### **RE: OBJECTIVE # 4 – Assess adequate supporting documentation was on file for each account deposit.**

PGF account files were well administrated at the site level and adequate supporting documentation to support current policy was on file for each account deposit, specifically:

- A 'Declaration of Source of Funds' form was completed as required, and signed by the patron attesting to the source of funds, and site staff as acknowledgement for receipt. Where applicable, a dealer supervisor or floor manager signed off attesting to table action for any chip deposits.
- Negotiable instruments presented for deposit were bank drafts and casino cheques, for which copies were on file. In addition, table tracking cards were on file to substantiate table play and verified wins for chips deposits and jackpot slips were on file to support slot wins deposited.
- The information documented by the sites on PGF trust ledgers for each account transaction was corroborated with source documents on file. The information stated on the trust ledgers was accurate and complete.

#### **CLOSING REMARKS AND RECOMMENDATION**

Overall, funds deposited into PGF accounts were from sourced deposits; bank drafts were from regulated and recognized North American financial institutions, and where verifiable, the names on bank drafts were of the PGF account holder. The sites did an effective job administering PGF accounts, particularly with retention of supporting documentation and accounting for transactions in the trust ledgers.

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As a result, we recommend that BCLC define policy and to strengthen controls around cash deposits to PGF accounts. Specifically cash, similar to chips, should only be accepted for deposit in the same gaming day or, if the time frame has overlapped gaming days, in the same session as the verified win.

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** John Mazure  
Assistant Deputy Minister  
Ministry of Finance

**Date Requested:** Jan 23/2017  
**Date Required:**

**Initiated by:** Len Meilleur  
Executive Director  
Gaming Policy and Enforcement Branch

**Date Prepared:** Jan 24/2017

**Ministry**  
**Contact:** Len Meilleur

**Phone Number:** 250-356-6320  
**Email:** len.meilleur@gov.b.ca.

**[Cliff #]**

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**TITLE:** Police Presence in BC Casinos – s.15

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**PURPOSE**

☒ **FOR INFORMATION AWARENESS – LAW ENFORCEMENT**  
**INITIATIVE – NOT FOR RELEASE BEYOND ADM LEVEL GPEB.**

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**COMMENTS:** This note is to provide awareness of a planned police presence in BC casinos outlining the agencies involved, who has been briefed and a planned communication strategy subsequent to the event.

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Executive Director approval: \_\_\_\_\_

ADM approval: \_\_\_\_\_

Associate DM approval: \_\_\_\_\_

**DATE PREPARED:** 2017 January 24

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**TITLE:** Police Presence in Lower Mainland Casinos –

**BACKGROUND:** Police have suspicion, on reasonable grounds to believe that cash is allegedly entering Casinos as the proceeds of crime. s.15  
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**DISCUSSION:**

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John Mazure  
Assistant Deputy Minister

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Date

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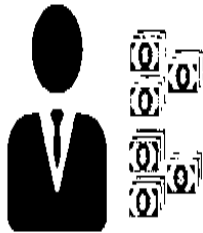
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# Suspected Dirty Money in BC Casinos

“PLACEMENT”

“LAYERING”

“INTEGRATION”



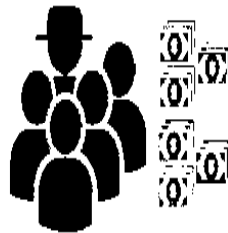
FOREIGN PATRONS  
borrow local cash to  
skirt FOREIGN  
CAPITAL CONTROLS



DEBT incurred by  
FOREIGN PATRONS  
repaid in FOREIGN  
COUNTRY



DIRTY MONEY  
often includes  
large quantities  
of \$20 bills



LOAN SHARKS lend cash in  
exchange for legal title to clean  
assets or future repayment



LEGITIMATE GAMBLING  
or MINIMAL PLAY



CHEQUES for  
winnings or  
return of funds

PGF ACCOUNT

PGF ACCOUNT



BANK  
DRAFT



BANK  
DRAFT



BANK  
DRAFT

Anonymous BANK DRAFTS  
are acquired by individuals  
using proceeds of crime

Individuals deposit BANK  
DRAFTS into own PGF or  
sell to FOREIGN PATRONS

BANK DRAFTS purchased  
by FOREIGN PATRONS are  
deposited into own PGF

“COLOUR UP”  
smaller quantities  
of \$100 bills

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**Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)** is Canada's financial intelligence unit. Its mandate is to facilitate the detection, prevention and deterrence of money laundering and the financing of terrorist activities, while ensuring the protection of personal information under its control.  
<http://www.fintrac-canafe.gc.ca/publications/brochure/2011-02/1-eng.asp#who>

**Who must report:**

- Financial entities (including banks, credit unions, caisses populaires, trust and loan companies);
- Life insurance companies, brokers or agents;
- Provincially authorized securities dealers, portfolio managers and investment counselors;
- Money services businesses (including currency exchanges and alternative remittance systems, such as Hawala, Hundi, Chitti, and others);
- Agents of the Crown accepting deposit liabilities or selling money orders;
- Accountants and/or accounting firms (when carrying out certain activities on behalf of their clients);
- Real estate brokers, sales representatives, developers;
- Casinos;
- Dealers in precious metals and stones; and
- B.C. notaries.

**What is reported**

- Suspicious transactions (including attempted transactions) related to money laundering or terrorist activity financing;
- Possession or control of terrorist property;
- International electronic funds transfers of \$10,000 or more;
- Large cash transactions of \$10,000 or more;
- Casino disbursements of \$10,000 or more;
- Cross-border seizures of \$10,000 or more in currency or monetary instruments; and
- Cross-border movements of \$10,000 or more in currency or monetary instruments

**Threats to the security of Canada are defined in the Cdn Security Intelligence Service Act as:**

- espionage or sabotage that is against Canada or is detrimental to the interests of Canada or activities directed toward or in support of such espionage or sabotage;
- foreign influenced activities within or relating to Canada that are detrimental to the interests of Canada and are clandestine or deceptive, or involve a threat to any person;
- activities within or relating to Canada directed toward or in support of the threat or use of acts of serious violence against persons or property for the purpose of achieving a political, religious or ideological objective within Canada or a foreign state; and,
- activities directed toward undermining by covert unlawful acts, or directed toward or intended ultimately to lead to the destruction or overthrow by violence of the constitutionally established system of government in Canada,
- but does not include lawful advocacy, protest or dissent, unless carried on in conjunction with any of the activities referred to in paragraphs (a) to (d).

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### **Anti-Money Laundering Strategy**

Government's Anti-Money Laundering (AML) strategy is focused on minimizing opportunities for money laundering in B.C.'s gaming facilities. Using a three-phase approach, GPEB is progressively implementing tiers of control over the acceptance of funds into gaming facilities. In the first two phases of the strategy, GPEB worked with BCLC and gaming service providers to develop, implement, and encourage casino patrons to use cash alternatives.

As part of Phase 3 in 2014/15, GPEB continued to explore the options for regulatory action to prevent money laundering in B.C.'s gaming facilities. Phase 3 of the AML strategy directs resources at the areas of the highest risk to gaming integrity, with additional measures that enhance due diligence and regulator guidance and intervention.

Progress on Phase 3 of the strategy in 2014/15 continued with:

- Working with BCLC to develop and implement additional customer due diligence policies and practices constructed around financial industry standards as well as robust know your customer requirements. These requirements will focus on identifying source of wealth and funds and will be triggered by suspicious currency transactions.
- Working with BCLC to develop and implement additional cash alternatives, furthering the transition from cash-based transactions.

<http://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/annual-rpt-gpeb-2014-15.pdf>

Suspected laundering of the proceeds of drug trafficking

[http://www.fintrac-canafe.gc.ca/publications/typologies/images/2013-04/English/Case3\\_Big\\_ENG.png](http://www.fintrac-canafe.gc.ca/publications/typologies/images/2013-04/English/Case3_Big_ENG.png)

Casino cheating nets Vancouver woman criminal charge, Feb 2016

<http://www.cbc.ca/news/canada/british-columbia/casino-cheating-nets-vancouver-woman-criminal-charge-1.3466037>

Former B.C. casino investigator calls suspicious transactions 'shocking' Despite the presence of dozens of cameras recording the comings and goings and more than 500 reports noting the flow of suspicious cash, police were never called.

<http://www.cbc.ca/news/canada/british-columbia/former-b-c-casino-investigator-calls-suspicious-transactions-shocking-1.2804418>

Police charge over 30 people in connection with illegal casinos and gaming houses, Oct 2015 Police shut down three illegal casinos, nine illegal gaming houses in city's east-end.

<http://www.cbc.ca/news/canada/toronto/gambling-dens-1.3264344>

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**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Cheryl Wenezenki-Yolland  
Associate Deputy Minister,

**Initiated by:** John Mazure  
Assistant Deputy Minister

**Date Prepared:** April 26, 2017

**Ministry  
Contact:** John Mazure

**Phone Number:** s.17  
**Email:** john.mazure@gov.bc.ca

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**TITLE:** Implementation of the Transaction Assessment Team (TAT)

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**PURPOSE: [X] INFORMATION**

To advise the Associate Deputy Minister of the planned implementation of the Transaction Assessment Team (TAT) under the care and management of the Joint Illegal Gaming Investigation Team (JIGIT) of the Combined Forces Special Enforcement Unit of British Columbia (CFSEU-BC).

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**DATE PREPARED:** April 27, 2017

**TITLE:** Implementation of the Transaction Assessment Team (TAT)

**ISSUE:** To advise the Associate Deputy Minister of the planned implementation of the TAT under the care and management of the JIGIT within the CFSEU-BC.

**BACKGROUND:** The Gaming Policy and Enforcement Branch (GPEB) regulates the gaming industry in British Columbia. Its mandate is to ensure that gaming in the Province is conducted and managed with integrity, and that the interests of the public are protected. The British Columbia Lottery Corporation (BCLC) conducts and manages gaming through its licensees.

Phase 3 of the governments AML strategy centered on enforcement, regulatory guidance and additional measures for enhancing AML due diligence. As such, GPEB shifted its focus to utilize its resources through analyzing the areas of highest risk to the integrity of gaming such as large and suspicious currency transactions. During this process GPEB investigators under the authority of the General Manager (ADM), created a tracking system of Section 86(2) reporting by gaming services providers. GPEB staff maintained a role of constant monitoring, while BCLC investigators identified and reported to FINTRAC and the police incidents identifying cash as suspicious in nature. GPEB investigators in Burnaby gathered data that culminated in July 2015 with GPEB investigators presenting an internal statistical report indicating a snap shot of the heightened risk identified in one casino. The data collected during this investigation centered on patron buy-ins in excess of \$50,000.00 per incident and primarily utilizing \$20.00 bills. The totals for the month exceeded 20 million dollars with in excess of 14 million of those dollars being \$20.00 bills. Investigators during this analysis identified persons of interest associated to these patron "buy-ins" who were responsible for facilitating suspicious cash deliveries. These facilitators operated in and around the casino and often times were identified where cash was being supplied by them at odd hours outside usual financial institutions hours of operation. As a result of the foregoing and in consultation with government, Phase 3 recommendations included: (i) the creation of the Joint Illegal Gaming Investigation Team (JIGIT); (ii) a review by Myers Norris Penny (MNP); and, (iii) the implementation of GPEB's own Intelligence Unit, which commenced work in May 2016.

The next phase of work is now being introduced and this involves GPEB's ongoing strategy of monitoring compliance initiatives undertaken by the British Columbia Lottery Corporation (BCLC) and the results of JIGIT. Results of this work may include further policy or guideline guidance to BCLC, including enhancements to service delivery and the identification of new initiatives to ensure there is a flexible adaptation to criminal trends or other dismantling/disrupting techniques for enforcement.

On that note, GPEB's Compliance Division is supporting the formalizing of the ongoing processes developed by GPEB and further applying those processes through JIGIT within the development of a Transaction Assessment Team (TAT) to ensure rigour is

applied in terms of knowing your customer (KYC), the source of wealth and the source of funds.

## **CURRENT STATUS:**

### **Intelligence**

Based on intelligence from the police, BCLC and GPEB, it is believed illegitimate lenders are using the proceeds of crime to finance casino patrons for gambling at casinos in BC.

Casino patrons who wish to gamble, but do not have funds readily available commonly utilize the services of illegitimate lenders. Illegitimate lenders loan money to patrons at the casino site or in close proximity to the casino such as in parking lots or nearby restaurants. Upon receiving the cash, the patron "buys-in" at casino cash cages by exchanging the cash for gambling chips.

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The GPEB Intelligence Unit reports that the organized crime presence in and around BC casinos presents a viable threat to public safety.

### **BCLC Initiatives**

Through dialogue within a regulatory framework or by way of guidance on policy by GPEB, BCLC has made a number of enhancements to its AML program in 2016. These initiatives include: committing to JIGIT funding; enabling international electronic transfers (non-cash buy-in option) to PGF accounts; restructuring of BCLC's investigative and AML departments to increase the staff resources dedicated to AML; creation of new AML analytical capability and enhanced customer ongoing monitoring;



updated and enhanced Information Sharing Agreement (ISA) with the RCMP to better support JIGIT; and increased capabilities in regard to source of wealth and source of funds inquiries flowing from improved information sharing with law enforcement.

### **Reduction in Suspicious Cash Transactions**

GPEB's Compliance Division remains concerned about these key areas:

1. Reasonable grounds supporting the fact that there is illegal activity based on intelligence and observations around the source of cash. This includes how the sourced cash itself is bundled, obtained and accepted by the gaming services provider.
2. That the gaming services providers for the most part accept the cash and BCLC report it to FINTRAC. The business model does not include an assessment of whether the cash should be refused.
3. Who are these patrons getting their bundled cash from? There is little effort to confirm the source of the cash at the time of transaction. This is due to limited access and information being available to BCLC and the gaming services provider.
4. In early 2017 the number of STR's filed with FINTRAC is increasing again. Regardless, even the number of STR's filed in the lowest years is still a cause for concern and is not experienced to this degree by any other jurisdiction in Canada.

### **PGF Accounts**

As noted in the above graph the amount of suspicious cash entering B.C. casinos has declined, the amount of new money entering through PGF accounts has increased and virtually all of this "new money" is deposited through bank drafts.

The deposit of new funds into PGF accounts has increased (from approximately \$112 million in new money in 2015/16 to \$138 million in new money through Q3 of 2016/17). The shift to non-cash alternatives is a key component of the provincial AML strategy and the increased use of PGF accounts is encouraging. However, the increased PGF account activity is resulting in new concerns which require further examination:

- The majority of bank drafts are accepted by service providers without knowing whether the funds are coming from the PGF account holder's own bank account. Some of the drafts are blank, no name has been entered. Others have no reference to the account holder's identity.
- The customer due diligence being conducted for some PGF account holders that are responsible for a significant amount of PGF account activity may not be sufficient. As should be asked with the sourced suspicious cash, does the patron have a legitimate bank account in Canada or at the institution to which the draft has been obtained.

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The PTEP Targeting Process seeks to engage all BC law enforcement agencies in a shared strategic vision that results in the systematic mitigation of the Organized Crime and gang landscape. PTEP results in enhanced public safety and a reduction in gang violence, coordinated regional/provincial policing efforts, regular reporting of metrics associated to gang violence, and a framework for accountability for all participants.

The CFSEU-BC's mandate is to target, investigate, prosecute, disrupt, and dismantle the organized crime groups and individuals that pose the highest risk to public safety due to their involvement in gang violence. PTEP assists not only CFSEU-BC in achieving this mandate, but also all policing agencies within BC.

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s.15 This model would include a documented working relationship with support from BCLC with limited indirect support from gaming services providers. JIGIT and GPEB Compliance Division leadership identified that this project model aligns with the PTEP approach and recommended that JIGIT take ownership of the project.

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This information is proving well founded within the current investigation and these

subjects have been identified as threats to public safety through the PTEP targeting model because of their involvement in a wide array of criminal activity.

**WHAT IS BEING IMPLEMENTED?**

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**ANTICIPATED OUTCOMES:** The primary expected results of these proposed team are:

- Investigations, seizures and prosecutions related to proceeds of crime activity at casinos within BC.
- Referrals to Civil Forfeiture Office.
- Reduction in suspicious cash activity at casinos within BC.
- Disruption of organized crime's ability to integrate the proceeds of crime into the economy via casinos in BC.
- Collection of intelligence associated to the proceeds of crime and money laundering schemes.
- Assessment of patrons to determine if the business relationship should be severed or the patron prohibited from attending BC gaming facilities or using online gambling.
- Increased public awareness, via media coverage, of enforcement action targeting suspicious currency transactions at BC casinos.

The secondary results are:

- The collection of intelligence associated to the integrity of gaming operations at BC casinos.
- Enhanced communication between CFSEUBC, GPEB, BCLC and the service providers operating the casinos.

- Sustainability of a long-term and sustained approach by GPEB regardless of whether JIGIT funding is renewed.
- Increased understanding, identification and reporting of suspicious transactions by the service providers operating the casinos.
- Development of rationale in support of policy, regulatory, and legislative reform.

This approach has a high likelihood of success. It is a policing initiative which GPEB will gain benefit from and will engage BCLC. The next step is a planned meeting with JIGIT, GPEB and BCLC scheduled for May 10, 2017. The Executive Director of Compliance Division will be GPEB's representative at that meeting. It is anticipated that the initiative will be implemented shortly after.

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Leonard Joseph Meilleur  
Executive Director  
Compliance Division

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Date

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## ISSUE NOTE

## Issue:

- Although government's anti-money laundering (AML) strategy has made significant progress since it was first launched in 2011, there remains concern about the proceeds of crime entering B.C. gambling facilities.
- The Gaming Policy and Enforcement Branch (GPEB) continues to work with the British Columbia Lottery Corporation (BCLC), gambling facility operators, and law enforcement agencies in a sustained effort to combat money laundering.

## Background:

- Government launched the AML strategy in 2011, initially focusing on reducing the use of cash in B.C. gambling facilities through the development and promotion of cash alternatives, such as electronic fund transfers and patron gaming accounts at casinos.
- Since 2015, the AML strategy has focused on areas of highest risk to the integrity of gambling, including large and suspicious cash transactions and illegal gambling houses.
- In April 2016, the Ministers of Finance and Public Safety and Solicitor General, and the Combined Forces Special Enforcement Unit B.C. created the Joint Illegal Gaming Investigations Team (JIGIT). JIGIT's mandate is to address organized crime involvement in illegal gambling and prevent criminals from using B.C. gambling facilities to legalize the proceeds of crime. JIGIT is a <sup>s.1</sup>/<sub>5</sub> member team, comprised of police personnel and Special Provincial Constables from GPEB.
- In May 2016, GPEB also formed its own Intelligence Unit within its Compliance Division. The unit's mandate is to provide stakeholders, management, executive and government with situational awareness of threats to the integrity of gambling. The unit conducts the intelligence function by working with local, regional, national and international law enforcement, security and intelligence agencies.
- BCLC is required to report large-cash transactions over \$10,000, foreign exchanges over \$3,000, and all "suspicious" transactions to the federal Financial Transactions and Reporting Analysis Centre of Canada (FINTRAC). FINTRAC uses this information to identify patterns and gather evidence of potential money laundering. It shares this data with law enforcement.
- In addition to meeting its reporting requirements to FINTRAC, BCLC also provides suspicious transaction reports directly to CFSEU and to GPEB. GPEB monitors each suspicious transaction report by examining the facts surrounding the report, gathering information on suspected criminal activity related to the transaction, and sharing investigative findings with the local police, who have the legal authority to launch an investigation.
- GPEB has noted a downward trend in the total dollar value of cash entering B.C. gambling facilities

through suspicious transactions from 2014 through 2016. Despite the downward trend, GPEB remains concerned by the volume of unsourced cash (i.e. cash that cannot be traced to a financial institution or specific financial transaction) and the circumstances under which the cash was accepted as detailed in suspicious transaction reports.

- In 2015 and 2016 the province provided direction to BCLC, both through the Minister of Finance and through GPEB's General Manager, emphasizing the need for BCLC to examine the source of funds coming into B.C. gambling facilities prior to accepting those funds. This direction is also included in BCLC's 2017/18 mandate letter.
- Going forward, the AML strategy will require a sustained effort that includes:
  - Ongoing support of the work being conducted by JIGIT;
  - Ongoing work by GPEB's Intelligence Unit to ensure responsiveness to criminal trends; and,
  - Exploration of further initiatives that leverage the resources of JIGIT, GPEB and the BCLC.

Decision Required:

- Further AML initiatives may require the General Manager, GPEB, with the approval of the Minister, or the Minister, to issue directive(s) to BCLC and/or GPEB.



# Financial intelligence highlights: 2015–16

## Results in the fight against money laundering and terrorist activity financing

**September 2016**

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is Canada's financial intelligence unit. The Centre contributes to the safety of Canadians and helps protect the integrity of Canada's financial system through the detection and deterrence of money laundering and terrorist activity financing.

With the financial transaction reports that FINTRAC receives every year from reporting entities across the country, it is able to provide actionable financial intelligence that assists Canada's police, law enforcement and national security agencies in combatting money laundering, terrorism financing and threats to the security of Canada, while safeguarding the information of Canadians.

FINTRAC's disclosures contain designated information that identifies individuals and entities, as well as account and transaction information. Disclosures are made when the Centre has reasonable grounds to suspect that the information would be relevant to the investigation or prosecution of a money laundering or terrorist activity financing offence or to threats to the security of Canada. This intelligence allows FINTRAC to establish critical links between transactions, individuals and groups in Canada and abroad that support criminal and terrorist activities.

In June 2015, the RCMP's Combined Forces Special Enforcement Unit recognized FINTRAC's contribution to a two-year multi-jurisdictional and international investigation into the 'Ndrangheta criminal organization operating in the Greater Toronto Area. Project OPHOENIX resulted in the arrest of nineteen people for numerous offences related to drug importation and trafficking, firearms trafficking, extortion, possession and laundering of the proceeds of crime.

Often based on hundreds or even thousands of financial transactions, FINTRAC's disclosures show links between individuals and businesses that have not otherwise been identified in an investigation, and may help investigators refine the scope of their

cases or shift their sights to different targets. The Centre's disclosures are also used by police and other law enforcement agencies to prepare affidavits to obtain search warrants and production orders in pursuit of charges.

The Centre's intelligence is also used by regime partners to identify assets for seizure and forfeiture, reinforce applications for the listing of terrorist entities, negotiate agreements at the time of sentencing and advance the government's knowledge of the financial dimensions of terrorism, organized crime and other threats.

FINTRAC maintains very strong and productive working relationships with its police, law enforcement and national security partners to ensure that its financial intelligence is relevant, valuable and closely aligned to their priorities. The Centre's Deputy Director of Operations is a member of the Canadian Association of Chiefs of Police and FINTRAC is the only non-law enforcement organization to serve on the Canadian Integrated Response to Organized Crime Committee (CIROC). Below are some recent investigations to which FINTRAC contributed.

## **Contributing to priority law enforcement and national security investigations**

In May 2015, the Service de police de la Ville de Montréal recognized FINTRAC's contribution to an investigation into a contraband alcohol network that is alleged to have defrauded the government of \$14 million in tax revenue. The investigation resulted in 11 arrests with charges related to fraud and laundering the proceeds of crime.

The RCMP recognized FINTRAC's contribution to a cocaine trafficking investigation in the Acadian Peninsula. Several drug related charges were initially laid against six men in September 2013, with two men convicted and sentenced to four years in prison in September 2015. Four additional men were arrested in July 2015 in Operation J-Touchdown. More than two kilograms of cocaine, two vehicles and cash were seized.

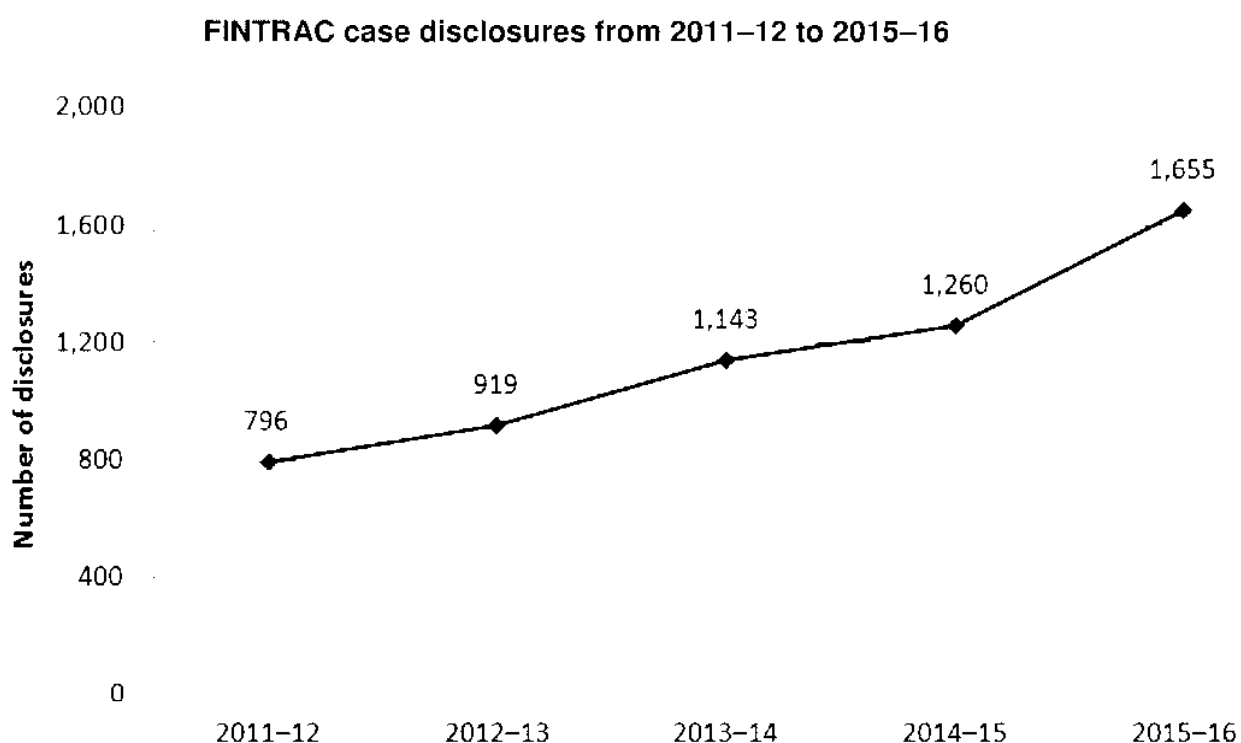
In October 2015, the Ontario Provincial Police Temiskaming Crime Unit recognized FINTRAC's contribution to a three-year investigation into an alleged fraud surrounding the restoration and sale of a vacant commercial property. Five individuals were charged with a total of 60 *Criminal Code* offences and the financial loss was approximately \$7.5 million.

In December 2015, the Mass Marketing Section of the Toronto Police Service Financial Crimes Unit recognized FINTRAC's contribution to a three-year investigation into an alleged \$93 million pyramid scheme. Two individuals were charged with defrauding the public, possession of proceeds of crime, laundering proceeds of crime and other offences.

In January 2016, FINTRAC's contribution was recognized in a joint forces police operation involving the Ontario Provincial Police, the Ottawa Police Service and the RCMP's "O" Division Ottawa Detachment Financial Crime unit dubbed Project ATTAR. Two properties, with a combined worth of \$1.4 million were restrained in this proceeds of crime investigation.

In March 2016, the RCMP Integrated National Security Enforcement Team in Toronto recognized the Centre's contribution to an extensive national security criminal investigation, Project SWAP, which resulted in a terrorism charge under the *Criminal Code*.

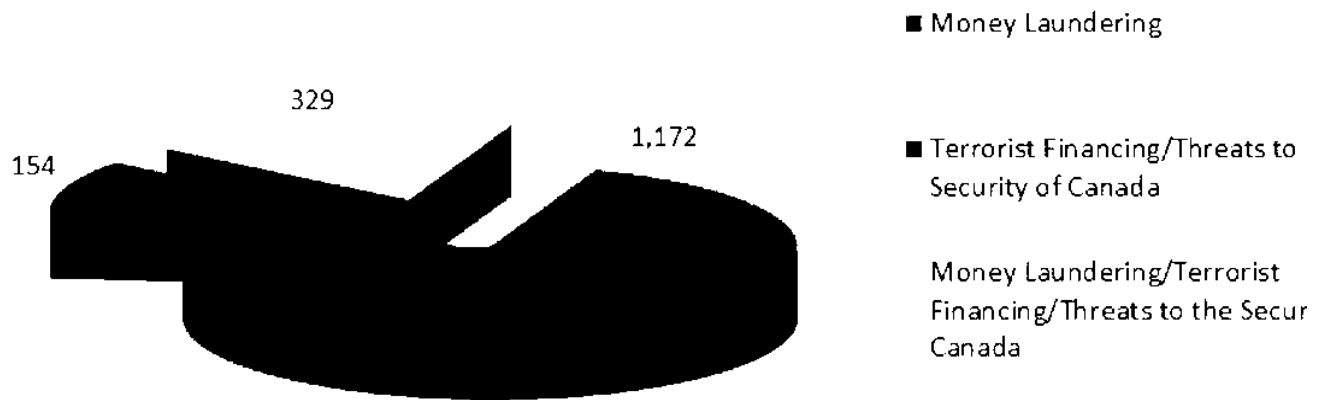
In 2015–16, FINTRAC provided 1,655 disclosures of actionable financial intelligence to its regime partners.



[View the text equivalent](#)FINTRAC case disclosures from 2011–12 to 2015–16

Of FINTRAC's total disclosures, 1,501 were associated to money laundering. An additional 483 cases were relevant to terrorism financing and threats to the security of Canada, an increase of more than 43 percent from the previous year.

#### Disclosures by type



[View the text equivalent](#) Disclosures by type

Throughout 2015–16, the Centre's financial intelligence contributed to a significant number of investigations at the federal, provincial and municipal levels across the country. Canadian police forces — particularly the Royal Canadian Mounted Police — continue to be the main recipients of FINTRAC's financial intelligence.

## Number of disclosure packages by recipient (2015–16) <sup>Footnote'</sup>

### Recipient

Royal Canadian Mounted Police

Municipal police

Canadian Security Intelligence Service

Foreign financial intelligence units (41 countries)

Provincial police

Canada Border Services Agency

Canada Revenue Agency

Provincial securities regulators

Communications Security Establishment

**Footnote \***

Totals include case disclosures that may have been sent to multiple organizations.

[Return to footnote\\*referrer](#)

Over the past year, FINTRAC's financial intelligence was used to assist hundreds of money laundering investigations in the context of a wide variety of criminal investigations, where the origins of the suspected criminal proceeds were linked to fraud, drug trafficking, tax evasion, corruption, theft, human trafficking and other criminal offences.

## **Types of predicate offences related to case disclosures** [Footnote\\*](#)

### **Predicate offence**

Fraud

Drugs

Organized crime

Tax evasion

Customs/excise

*Immigration and Refugee Protection Act* offences (excluding human trafficking/smuggling)

Human smuggling/trafficking

Corruption

Theft

Crimes against persons

Weapons possession/arms trafficking

Charities

Illegal gambling

Prostitution/bawdy houses

Other (Crimes against property, luring, tobacco sales/distribution, other Federal Acts)

Child exploitation

**Footnote \***

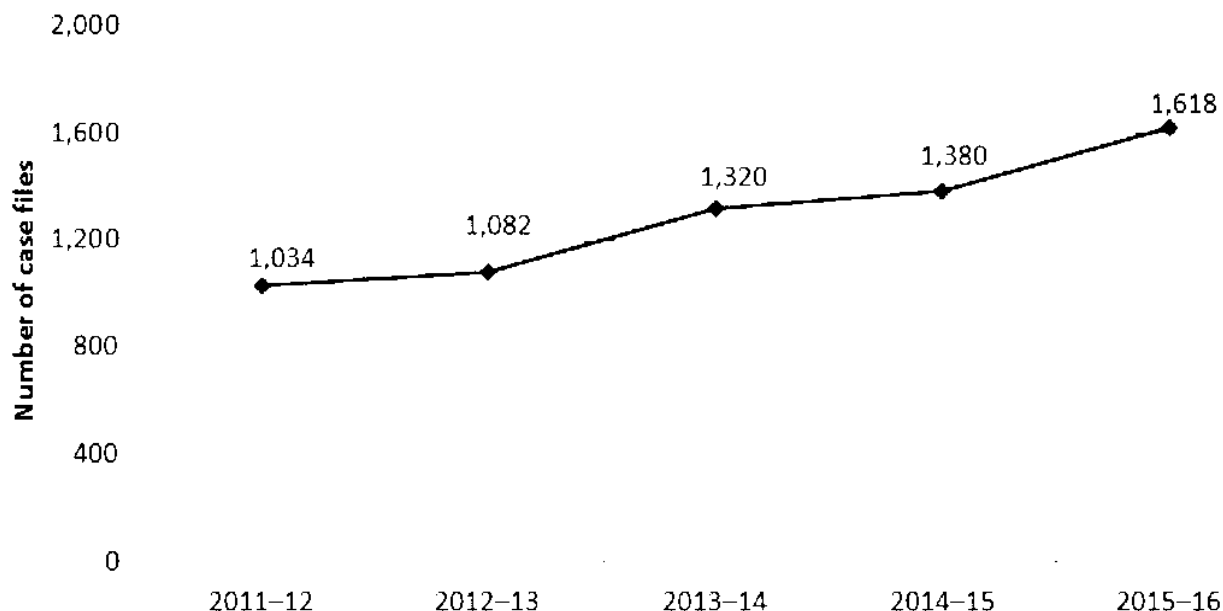
The percentages in this table do not add up to 100 percent since a FINTRAC disclosure may relate solely to money laundering, terrorism financing or threats to the security of Canada, or relate to multiple predicate offences at once.

[Return to footnote\\*referrer](#)

In 2015–16, FINTRAC received 1,618 case files [Footnote 1](#) from police, law enforcement and national security partners, as well as from members of the public. This is an increase of nearly 20 percent from the previous year. These files provide key intelligence on alleged criminals and terrorists and are often the starting point for the Centre's analysis. They are used by the Centre to establish connections between individuals and entities and to

build financial intelligence that, in turn, provides partners with valuable leads in their investigations.

**Number of case files received from 2011–12 to 2015–16**



View the text equivalentNumber of case files received from 2011–12 to 2015–16

When appropriate thresholds are met, FINTRAC also provides proactive disclosures of actionable financial intelligence to its police, law enforcement and national security partners based on observed patterns of transactional activity and information in reported financial transactions, particularly in suspicious transaction reports. The Centre has dedicated significant effort to increasing the quality and volume of suspicious transaction reporting, given its importance to FINTRAC's analysis and the financial intelligence that it generates for its partners. As a result of these efforts and an increased commitment from reporting entities, suspicious transaction reporting increased by 24 percent last year. This has allowed FINTRAC to provide more – and even more timely – proactive disclosures in relation to its partners' ongoing investigations and to help generate new investigations.

The demand for FINTRAC's financial intelligence has grown steadily over the past five years. This speaks to the strong partnerships the Centre has established with Canada's police, law enforcement and national security agencies, and the valuable contribution FINTRAC has made to their priority investigations. It also speaks to the extensive efforts

undertaken by the Centre and reporting entities across the country to increase the quantity and quality of the transaction reporting that FINTRAC receives under the PCMLTFA. The 20 million financial transaction reports the Centre receives from Canadian businesses every year are the lifeblood of its analysis and make it possible for FINTRAC to support its partners' money laundering and terrorist financing investigations.

The Centre's increasing contribution to the investigations of its police, law enforcement and national security partners has been enabled by the commitment and investment that FINTRAC has made in recruiting high-quality employees who have access to the sophisticated training, technology and support required to fulfill their specialized roles. Over the past year, the Centre has also focused on better integrating and aligning its structure and business processes to further strengthen its operational effectiveness. FINTRAC's operating paradigm – compliance for intelligence and intelligence for enforcement – ensures that its focus is always on its core mandate: helping to protect Canadians and the integrity of Canada's financial system.

### **A new partnership to counter human trafficking**

In 2015–16, FINTRAC joined police and national security partners in a unique public-private partnership with the major banks in order to help combat human trafficking and the laundering of the proceeds derived from this activity. In the three months since Project Protect was launched, the Centre's disclosures to law enforcement regarding human trafficking increased significantly. Recognizing the transnational nature of money laundering and terrorist activity financing, FINTRAC also works with foreign financial intelligence units to protect Canadians and the integrity of Canada's financial system. Through bilateral agreements, the Centre is able to disclose financial intelligence to 92 financial intelligence units worldwide when the appropriate thresholds are met. At the same time, foreign intelligence units are able to share their information with FINTRAC, which broadens its analyses of international financial transactions.

In 2015–16, the Centre received 240 queries for information from foreign financial intelligence units and provided 384 disclosures to 41 different countries. For its part, FINTRAC sent 147 requests to foreign financial intelligence units to broaden its own analysis.

Going forward, the Centre will continue to focus on strengthening the relationships that it has with its law enforcement, national security and international partners to ensure that it continues to deliver high-quality, timely and actionable financial intelligence.

#### **Footnote 1**



A case file, also referred to as a voluntary information record, is information on alleged criminals and terrorist financiers that is voluntarily submitted to FINTRAC by police, law enforcement and intelligence partners, as well as members of the public.

[Return to footnote |referrer](#)

Date Modified:

2016-09-12

**MINISTRY OF FINANCE  
GAMING POLICY AND ENFORCEMENT BRANCH  
QUESTIONS AND ANSWERS**

**ISSUE: Joint Illegal Gaming Investigation Team**

**1. Question: What is the Joint Illegal Gaming Investigation Team (JIGIT)?**

Answer:

- The Joint Illegal Gaming Investigation Team (JIGIT) is a new dedicated and integrated enforcement team that will investigate and respond to illegal gaming and unlawful activities, including money laundering, in B.C.'s gaming facilities.
- The team will work to disrupt top-tier organized crime and gang involvement in illegal gaming, and criminals from expanding their organized networks and assets into B.C.'s gaming facilities.
- JIGIT will focus attention on individuals engaged in these unlawful activities who pose the greatest risk to public safety due to their connection to gang violence and organized crime, including those within the Provincial Tactical Enforcement Priority (PTEP).

**2. Question: Who will staff this new team?**

Answer:

- The team will be made up of members from the Combined Forces Special Enforcement Unit British Columbia (CFSEU-BC) and the Gaming Policy and Enforcement Branch (GPEB).
- In the first year the team will consist of nine CFSEU-BC staff, with 13 more to come in year two.
- Government is also assigning four existing GPEB investigators to the team who will act as subject matter experts.
- When fully staffed in 2017, JIGIT will consist of <sup>s.15</sup> teams based out of the CFSEU-BC headquarters in Surrey and will have 26 FTEs (22 CFSEU-BC and four GPEB).

**3. Question: What is CFSEU-BC?**

Answer:

- The Combined Forces Special Enforcement Unit of British Columbia (CFSEU-BC) is the province's anti-gang police agency. It is the largest integrated joint forces police unit.
- CFSEU-BC draws and develops highly-specialized officers from federal, provincial and municipal agencies around the province.
- CFSEU-BC's mandate is to target, investigate, prosecute, disrupt and dismantle the organized crime groups and individuals that pose the highest risk to public safety due to their involvement in gang violence in British Columbia.

**4. Question: What kinds of illegal activities will the team respond to?**

Answer:

- The team's two main objectives are to target top-tier organized crime and gang involvement in illegal gaming, and criminal attempts to legalize the proceeds of crime through B.C.'s gaming facilities.
- An emphasis will be placed on anti-money laundering strategies and combatting organized crime.

**5. Question: Who is paying for this?**

Answer:

- BCLC and the federal government, through the Provincial Police Service Agreement, will jointly fund the team on a 70/30 per cent basis respectively.
- Total funding is \$2.6 million in fiscal 2016/17, and \$4.3 million in each of the following two fiscal years.
- Funding in years four and five will be determined as the team develops.
- The team's four GPEB investigators will be funded from the branch's existing budget.

**6. Question: When will the team be operational?**

Answer:

- Work is already underway to ensure the unit is operational as soon as possible. The CFSEU-BC has identified a Staff Sergeant to be assigned as leader of the new unit.
- We expect it will take a few months for CFSEU-BC to go through the process of staffing the positions and becoming fully operational.

**7. Question: Why are we doing this now?**

Answer:

- Discussions about the need for enhanced investigation and enforcement have been in progress for more than a year, leading to the formation of this unit.
- Over the past 12 months, GPEB and the RCMP have received credible reports of illegal gambling houses operating in B.C., as well as a sharp increase in the number of suspicious cash transactions at gaming facilities in the province.
- The new joint enforcement unit will provide dedicated integrated resources to enhance the co-operative approach between GPEB, BCLC, and police that already exists.

**Contact:** John Mazure, ADM and General Manager  
**Division:** Gaming Policy and Enforcement

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**8. Question: Why do we need to expand upon B.C.'s current AML efforts?**

Answer:

- We know from various law enforcement sources that legal and illegal gambling is being used by organized crime for the purpose of money laundering.
- The CFSEU-BC's valuable anti-gang expertise and organized crime intelligence will make our existing efforts even stronger than they are already.
- In fact, the Ministries of Finance and Public Safety and the Solicitor General have been working on setting up the team for many months now.
- Government has been engaged with CFSEU-BC since the summer of 2015, carefully planning and bringing this team together.
- The new team is expected to be highly effective given that CFSEU-BC members have access to significant anti-gang and organized crime resources.

**9. Question: How much money is being laundered through B.C.'s gaming facilities?**

Answer:

- We know from various law enforcement sources that legal and illegal gambling is being used by organized crime for the purpose of money laundering. That is not at question here and it's why we've created this joint team between CFSEU-BC and GPEB.
- But as the team gets underway we will get a clear picture of the exact scope of the problem as organized crime is targeted in B.C.'s legal gaming facilities and illegal gaming houses.
- Due to the covert nature of these activities, it's difficult to put a dollar figure on. We know some, but not all of what's going on.

**10. Question: Will the team have a physical presence in gaming facilities?**

Answer:

- Yes, people using B.C.'s gaming facilities may notice team members on the gaming floor during their visits.
- While the team will be officially stationed at Green Timbers in Surrey, team members will be active and present in gaming facilities.

**11. Question: Do you think revenue will decrease in B.C.'s gaming facilities as this new force drives out the criminal element?**

Answer:

- To be clear, gaming is a form of entertainment in B.C. The majority of people who enjoy gaming facilities obey the law and that will not change.
- But illegal activities, such as money-laundering and gaming houses, are unacceptable in this province.

**Contact:** John Mazure, ADM and General Manager  
**Division:** Gaming Policy and Enforcement

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- We want gangs and organized crime to know that our team will disrupt top-tier organized crime and gang involvement in illegal gaming, and criminals from expanding their organized networks into B.C.'s gaming facilities.
- Operating with integrity is critical to the long term sustainability of the gaming industry in BC and the benefits it provides to British Columbians.

**INTEGRATED ILLEGAL ENFORCEMENT TEAM (IIGET):**

**12.Question: How is this any different than the Integrated Illegal Enforcement Team (IIGET) that was disbanded in 2009?**

Answer:

- The new joint team is drawing on the anti-gang and organized crime expertise of CFSEU-BC, which is something that did not exist with the previous IIGET team.
- CFSEU-BC draws and develops highly-specialized officers from federal, provincial and municipal agencies around the province.
- CFSEU-BC's mandate is to target, investigate, prosecute, disrupt and dismantle the organized crime groups and individuals that pose the highest risk to public safety due to their involvement in gang violence in B.C.
- As well, the new joint team is mandated to investigate both inside and outside B.C.'s gaming facilities. IIGET focused its investigations on illegal gaming that happened outside gaming facilities.
- IIGET also did not directly investigate money laundering. When IIGET came across that kind of suspicious activity, they provided information to the former RCMP Integrated Proceeds of Crime unit which undertook investigations.

**13.Question: Why was IIGET disbanded if problems still existed in gaming facilities?**

Answer:

- IIGET was disbanded in 2009 because it was seen to be ineffective.
- IIGET also did not directly investigate money laundering. When IIGET came across that kind of suspicious activity, they passed the investigation to the former RCMP Integrated Proceeds of Crime unit.
- Our new, joint team is intended to be funded for five years, and we expect it will be very effective at responding to illegal gaming activities in B.C. over that time.

**14.Question: If you knew money was being laundered at casinos, why did you wait so long to implement another specialized team?**

Answer:

- We wanted to be sure a new enforcement team was properly resourced and had a mandate that enabled it to be effective at combatting criminal activity.
- This new joint team forms part of a broader anti-money laundering strategy.

**Contact:** John Mazure, ADM and General Manager  
**Division:** Gaming Policy and Enforcement

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- In 2011 government launched an evolving anti-money laundering strategy that focuses on moving the industry away from cash transactions as quickly as possible, and scrutinizing the remaining cash for appropriate action in an effort to isolate money laundering from legitimate gaming, enabling enhanced enforcement action.
- The new joint team will significantly enhance the controls that are already in place in B.C.
- This new team is also very different from IIGET. CFSEU-BC has anti-gang and organized crime expertise and will be targeting illegal activity both in and out of gaming facilities.

**15.Question: What will you do to make sure this new force is working better?**

Answer:

- We will review the team in years two and four to ensure it is delivering on its mandate of targeting top-tier organized crime and gang involvement in illegal gaming, and criminal attempts to legalize the proceeds of crime through B.C.'s gaming facilities.
- The partners, including government, BCLC, and police, will receive regular reports that monitor and track the team's performance.

**BC LOTTERY CORPORATION:**

**16.Question: What is the BC Lottery Corporation's role in JIGIT?**

Answer:

- BCLC will play an active role by continuing to gather and report information to GPEB about any occurrence where the conduct, activity or incident involves an offense under the Criminal Code of Canada.

**17.Question: This unit is funded primarily by BCLC, so what happens if their revenues drop? Will funding for this unit be cut like it was for IIGET?**

Answer:

- The partners are committed to funding to the new joint team for five years.
- The team will be reviewed in years two and four to ensure it is delivering on its mandate.

**Contact:** John Mazure, ADM and General Manager  
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**ILLEGAL GAMING HOUSES:**

**18.Question:        How many illegal gaming houses are there in B.C. and where are they?**

Answer:

- Due to ongoing monitoring and enforcement activities, we need to be careful about what investigative information we share.
- But in general, we can say that we are aware that illegal gaming houses are present in B.C. and certainly there are issues related to illegal gaming that need to be addressed.
- With the new unit forming part of CFSEU-BC, we are better positioned to address top-tier organized crime and gang involvement in illegal gaming, and criminal attempts to legalize the proceeds of crime through B.C.'s gaming facilities.

**19.Question:        Why has their presence gone unchecked by the local police?**

Answer:

- We can't speak to matters of local police jurisdiction.
- But again, we can say that police are aware of illegal gaming houses in some B.C. communities.
- This is something the new joint unit will address.

**20.Question:        Are there concerns that casino chips are being used in illegal gaming houses?**

Answer:

- Yes, this is a concern and it is something that the new joint team will be in an excellent position to both investigate and help prevent from happening.

**OTHER ANTI-MONEY LAUNDERING MEASURES:**

**21.Question:        In 2011, you promised to transition away from cash in casinos, but this has not happened. By establishing this team, are you admitting your earlier strategies failed?**

Answer:

- There are several components to B.C.'s anti-money laundering strategy that work together and complement each other.
- They include safeguards and protocols like reporting suspicious information to FINTRAC and GPEB, cash alternatives, enhanced customer due diligence, and now this new team.

**Contact:** John Mazure, ADM and General Manager  
**Division:** Gaming Policy and Enforcement

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- This dedicated team will significantly enhance our existing anti-money laundering strategies and our ability to investigate illegal activity. The CFSEU-BC's valuable anti-gang expertise and organized crime intelligence will make our existing efforts even stronger than they are already.
- In fact, the Ministries of Finance and Public Safety and the Solicitor General have been working on setting up the team for many months now, and their continued risk monitoring has helped identify a need for this team.
- Government has been engaged with CFSEU-BC since the summer of 2015, carefully planning and bringing this team together.

**22.Question: What else has the Province done to prevent money-laundering in B.C.'s gaming facilities?**

Answer:

- B.C.'s anti-money laundering strategy launched in 2011 focuses on moving the industry away from cash transactions as quickly as possible, and scrutinizing the remaining cash for appropriate action in an effort to isolate money laundering from legitimate gaming, enabling enhanced enforcement action.
- Under the strategy, steps take to date include:
  - Introduction and use of cash alternatives such as debit cards, convenience cheques and patron gaming fund accounts.
  - Placing tight restrictions on the ability of patrons to exchange small bills for large currency denominations.
  - Ensuring that any activities on the gaming floor or elsewhere on the property that raise concerns can result in a temporary ban while the concerns are investigated.
  - Establishing an intelligence unit that enhances the Province's ability to analyze large and suspicious cash transactions that are reported to the federal government's financial tracking authority (FINTRAC) to help law enforcement identify issues.
  - Developing and implementing enhanced customer due diligence policies and practices constructed around financial industry standards.
  - Increased presence in gaming facilities by GPEB and BCLC staff who monitor activity and proactively work with law enforcement to prevent money laundering and the use of proceeds of crime.

**Contact:** John Mazure, ADM and General Manager  
**Division:** Gaming Policy and Enforcement

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**Financial Transactions and Reports Analysis Centre of Canada (FINTRAC):**

**23.Question:       How do you respond to criticism that FINTRAC is a “warehouse” that houses valuable information about potentially illegal activity that no one ever uses?**

**Answer:**

- Federal anti-money laundering laws require BCLC to take proactive steps to know its customers by requiring they produce current, valid government photo ID and record the name, address, occupation and other personal information of players who complete transactions of \$10,000 or more.
- This information is forwarded to FINTRAC and is also shared with the Gaming Policy and Enforcement Branch (GPEB).
- FINTRAC analyzes the information it is provided and will assist police with their efforts to address criminal activity.
- GPEB and FINTRAC meet regularly to discuss concerns of mutual interest.
- Government is aware when suspicious activity is occurring in gaming facilities, and will forward information to police and assist with any criminal investigations.

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**Division:** Gaming Policy and Enforcement

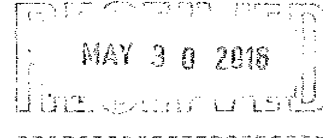
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Financial Transactions and  
Reports Analysis Centre  
of Canada

Centre d'analyse des  
opérations et déclarations  
financières du Canada

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May 26, 2016

Len Meilleur  
Executive Director  
Compliance Division  
Gaming Policy and Enforcement Branch  
Ministry of Finance  
P.O. Box 9309 Stn Prov Govt,  
Victoria, British Columbia V8W 9N1

*L.e.v.*  
Dear ~~Mr. Meilleur~~,

I am pleased to provide you with the revised Memorandum of Understanding between GPFB and FINTRAC. FINTRAC's Director signed both copies you provided on May 13, 2016. We have kept one and enclosed the other for your records. We look forward to continuing our strong relationship in the future.

In furtherance of the MOU, I have also included a copy of the reporting statistics from last year with originals sent to Anna Fitzgerald.

If you have any questions, please do not hesitate to contact me.

Yours sincerely,

Murray Dugger  
Regional Director – West  
FINTRAC  
604-666-8245

Enclosures: 2

**Canada**

## MEMORANDUM OF UNDERSTANDING

**BETWEEN: THE FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA**

represented by the Director and herein referred to as "FINTRAC"

**AND: THE BRITISH COLUMBIA MINISTRY OF FINANCE,  
REPRESENTED BY THE GAMING POLICY AND  
ENFORCEMENT BRANCH**

represented by the General Manager, ADM herein referred to as "GPEB"

hereinafter collectively referred to as the "Parties"

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**WHEREAS** the Parties wish to establish a framework for sharing information between the Financial Transactions and Reports Analysis Centre of Canada and the British Columbia Ministry of Finance, represented by the Gaming Policy and Enforcement Branch in order to minimize any potential duplication or overlap of work given their common interests for combating money laundering and terrorist activity financing, and to minimize the impact on casinos regulated by GPEB of their respective activities in this regard.

The Parties have reached the following understanding:

### 1 INTRODUCTION

- 1.1 This Memorandum of Understanding (MOU) addresses exchanges of information between the Parties for the purposes specified in subsection 2.1 of this MOU. This MOU deals with information to ensure compliance with Parts 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.
- 1.2 Paragraph 66(1) of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* authorizes FINTRAC to, for the purpose of exercising its powers or performing its duties and functions under Part 3, enter into contracts, memoranda of understanding and other agreements with the government of a province in its own name or in the name of Her Majesty in right of Canada.
- 1.3 Subsection 65(2) of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* specifies that for the purpose of ensuring compliance with Part 1 or 1.1, FINTRAC may disclose to or receive from any agency or body that regulates or supervises persons or entities to whom Parts 1 and 1.1 apply information relating to the compliance of those persons or entities with these Parts.
- 1.4 Subsection 65(3) of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* specifies that any information disclosed by FINTRAC may be used by GPEB only for purposes relating to compliance with Part 1 or 1.1.

- 1.5 Subsection 33.2(i) of the *Freedom of Information and Protection of Privacy Act* RS British Columbia, specifies that A public body may disclose personal information referred to in Section 33 inside Canada as follows to a public body or law enforcement agency in Canada to assist in a specific investigation: 33.2(I)  
(i) undertaken with a view to a law enforcement proceeding , or  
(ii) from which a law enforcement proceed is likely to result.

## 2 PURPOSE

- 2.1 This MOU establishes the administrative framework for the sharing of information by one party to this MOU to the other party, for the purpose of ensuring compliance with Parts 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.
- 2.2 This MOU documents the information that the Parties may share between them for the purposes specified in subsection 2.1 of this MOU and the terms and conditions that apply to such sharing of information.
- 2.3 This MOU applies in respect of all casinos Regulated by GPEB in the Province of British Columbia to which Parts 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* apply.

## 3 OFFICIALS

- 3.1 The following officials, for the Parties, have overall administrative responsibility for this MOU:

**For FINTRAC:**

Deputy Director

Operations

Financial Transactions and Reports Analysis Centre of Canada

234 Laurier Avenue West,

Ottawa ON K1P1H7

Telephone: 613-947-6859

Fax: 613-943-7931

**For GPEB:**

General Manager, Assistant Deputy Minister

Gaming Policy and Enforcement Branch,

3<sup>rd</sup> Floor 910 Government Street

Victoria, BC

V8W 1X3

- 3.2 The Parties may name other officials for other purposes in relation to this MOU.

## 4 COMMUNICATIONS

- 4.1 In order to promote the best cooperation possible in administering this MOU, the Parties agree to continuously monitor the operation of this agreement and to hold meetings of their officials, at mutually agreed upon times and locations, to discuss the results of compliance examinations and areas of mutual interest related to those programs.
- 4.2 The Parties agree that at least one meeting shall be held each year.

**4.3 Both Parties will also, in a timely manner:**

- 4.3.1 provide notice to the officials listed above of any new activities or initiatives, or of any change in legislation, regulations, operational policies and procedures, or practices, relating to their programs that may affect the administration of this MOU;
- 4.3.2 maintain close and on-going communication pertaining to their respective activities, as these may relate to any matters identified in this MOU; and
- 4.3.3 where appropriate, ensure timely communication / consultation occurs with respect to any existing issues and new or proposed measures, which may affect any activity or responsibility of either party outlined in this MOU.

**5 CONFIDENTIALITY AND SECURITY OF INFORMATION**

The information received by each party from the other will be treated according to the security classification assigned to it, and will be protected from further disclosure as provided by FINTRAC and in accordance with this clause. The information can only be used for purposes relating to compliance with Parts 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

**6 ADMINISTRATIVE DETAILS**

**Date in effect**

- 6.1 This MOU shall come into effect immediately after it has been signed by both Parties, and shall remain in effect until terminated by the Parties in accordance with subsection 6.4.

**Dispute resolution**

- 6.2 Any unresolved disagreement with respect to this MOU shall be referred to the appropriate officials who have overall administrative responsibility for this MOU or any named officials identified for this purpose for consideration and resolution. If those officials are not able to resolve the disagreement, it shall be resolved by the persons occupying the positions of the signatories to this MOU.

**Additions and amendments**

- 6.3 This MOU may be amended at any time with the mutual consent of the Parties, and such amendments may be effected by an exchange of letters between the persons occupying the positions of the signatories to this MOU.

**Termination**

- 6.4 This MOU will be terminated ninety (90) days from the date one party gives written notice to the other party of their intention that the MOU be terminated. For this purpose, notice must be given by a person occupying the position of the signatory to this MOU.
- 6.5 This MOU may be terminated at any time, with the mutual consent of the Parties, through an exchange of letters between the persons occupying the positions of the signatories to this MOU.

## **7 NATURE OF THIS MOU**

7.1 This MOU is an administrative understanding between the Parties and is not intended to be legally binding or enforceable before the Courts.

## **8 COST SHARING**

8.1 The Parties agree that no costs are payable by FINTRAC for work routinely conducted by GPEB in accordance with this MOU.

8.2 In the event that FINTRAC requests GPEB to perform work, in addition to any work that GPEB would normally undertake for compliance with Part 1 and / or 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, and that GPEB agrees to perform such work, FINTRAC agrees to reimburse GPEB the cost of such work in an amount agreed upon prior to the work being performed.

## **9 COMPLIANCE WITH PARTS 1 AND 1.1 INFORMATION THAT MAY BE RECEIVED BY FINTRAC FROM GPEB PURSUANT TO SUBSECTION 65(2) OF THE PROCEEDS OF CRIME (MONEY LAUNDERING) AND TERRORIST FINANCING ACT:**

9.1 GPEB agrees to disclose to FINTRAC the following information:

- 9.1.1 the name of each regulated casino that GPEB plans to examine for compliance with Parts 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* during a given planning period and the term of the planning period;
- 9.1.2 a copy of GPEB compliance review program used to review policies and procedures to ensure compliance with Parts 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*;
- 9.1.3 the results of each compliance review undertaken by GPEB relating to compliance with Parts 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*;
- 9.1.4 a copy of the correspondence between GPEB and its regulated casinos and casino gaming service providers regarding any compliance deficiencies with Parts 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*;
- 9.1.5 where applicable, a description of the actions, and results thereof, that GPEB has asked its regulated casinos to take to rectify any deficiencies identified; and
- 9.1.6 a description of progress made by its regulated casinos in taking the corrective actions identified.

**10 COMPLIANCE WITH PARTS 1 AND 1.1 INFORMATION THAT MAY BE DISCLOSED BY FINTRAC TO GAMING POLICY AND ENFORCEMENT BRANCH, COMPLIANCE DIVISION, PURSUANT TO SUBSECTION 65(2) OF THE PROCEEDS OF CRIME (MONEY LAUNDERING) AND TERRORIST FINANCING ACT:**

- 10.1 FINTRAC agrees to disclose to GPEB the following information:
  - 10.1.1 compliance related information, such as guidance provided to casinos regulated by GPEB regarding the reporting, record keeping, client identification and compliance regime requirements, overview of issues arising from FINTRAC's compliance program including monitoring of GPEB's regulated casinos reporting performance, and other similar information that GPEB may use as part of its risk assessment when reviewing its regulated casinos for compliance with Parts 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*;
  - 10.1.2 the results of FINTRAC's compliance actions regarding any casino regulated by GPEB with respect to compliance with Parts 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*; and
  - 10.1.3 a copy of the correspondence between FINTRAC and casinos regulated by GPEB regarding their compliance deficiencies with Parts 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*;
- 10.2 It excludes information that would directly or indirectly identify a client of a person or entity referred to in section 5 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

IN WITNESS THEREOF, this Memorandum of Understanding was signed in duplicate, each copy being equally authentic.

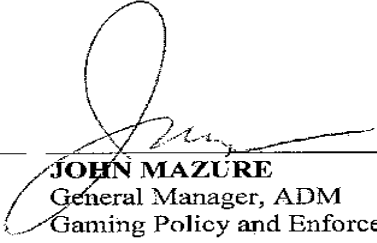
SIGNED in Ottawa, Ontario this 13 day of May, 2016.

**FOR THE FINANCIAL TRANSACTIONS  
AND REPORTS ANALYSIS CENTRE OF  
CANADA**

SIGNED in Victoria, British Columbia  
this 4<sup>th</sup> day of May 2016.

**FOR THE BRITISH COLUMBIA  
MINISTRY OF FINANCE,  
REPRESENTED BY THE GAMING  
POLICY AND ENFORCEMENT  
BRANCH**

  
**GERALD COSSETTE**  
Director of the Financial Transactions and  
Reports Analysis Centre of Canada

  
**JOHN MAZURE**  
General Manager, ADM  
Gaming Policy and Enforcement Branch





February 7, 2017  
Ref: 515516

John Mazure  
Assistant Deputy Minister and General Manager  
Gaming Policy and Enforcement Branch  
Ministry of Finance  
3<sup>rd</sup> Floor – 910 Government Street  
Victoria BC V8W 9J4

Dear Mr. Mazure,

This letter confirms the understanding between the Ministry of Public Safety and Solicitor General (PSSG) and the Ministry of Finance (MoF) regarding the creation, operation and funding of the Joint Illegal Gaming Investigation Team (JIGIT).

### 1. Purpose and Intent

The MoF's Gaming Policy and Enforcement Branch (GPEB) identified an increase in illegal gambling activities and the possible legitimization of the proceeds of crime through B.C.'s provincial gaming facilities. This finding is supported by information and intelligence from police. This evidence suggests that organized crime may be "laundering" money in both provincial gaming facilities and through illegal gambling means.

GPEB, PSSG's Policing and Security Branch (PSB), and the RCMP "E" Division have agreed to the creation of JIGIT as an initiative to help combat police-reported increases in illegal gaming and to increase investigation into the manner in which funds flow through provincial gambling facilities and illegal gaming activities.

From within the Combined Forces Special Enforcement Unit – British Columbia (CFSEU-BC), JIGIT will provide a dedicated, coordinated, multi-jurisdictional investigative and enforcement response to unlawful activities within B.C. gaming facilities (with an emphasis on anti-money laundering strategies) and illegal gambling in B.C. (with an emphasis on organized crime).

JIGIT will have three key strategic objectives:

- The targeting and disruption of organized crime and gang involvement in illegal gaming;
- Criminal investigation of illegal gambling activities; and
- The prevention of criminal attempts to legalize the proceeds of crime through gaming facilities.

JIGIT will have a further strategic objective of a public education function with respect to the identification and reporting of illegal gambling in B.C. in collaboration with its provincial partners.

Ministry of Public Safety and  
Solicitor General

Policing and Security Branch

Mailing Address:  
PO Box 9285 Stn Prov Govt  
Victoria BC V8W 9J7

Telephone: 250 387-1100  
Facsimile: 250 356-7747  
Website: [www.gov.bc.ca/pssg](http://www.gov.bc.ca/pssg)

JIGIT will also educate and advise local police of jurisdiction on organized crime matters involving gaming.

## **2. Organizational Structure**

At full capacity, JIGIT will be comprised of two operational teams (22 law enforcement positions) located within CFSEU-BC at the RCMP "E" Division Headquarters, in Surrey BC.

JIGIT will be staffed in two stages. The first stage will consist of nine positions filled during the first year of operation (2016/17). The second stage will consist of the remaining 13 positions filled during the second year of operation (2017/18). Police investigators will be drawn from federal, provincial and municipal agencies.

Five GPEB personnel, appointed as investigators under the *Gaming Control Act* (GCA) will act as subject-matter-experts within JIGIT. The scope of duties of these GPEB investigators is limited by what is legally permissible under their SPC appointments under the *Police Act*. The selection of GPEB investigators for JIGIT will be done in consultation with CFSEU-BC. Funding for these positions will remain the responsibility of GPEB.

The British Columbia Lottery Corporation (BCLC) is statutorily required to gather and report information to the General Manager of GPEB in respect of investigations related to the integrity of lottery schemes, including reporting on occurrences where the conduct, activity or incidents in, around or related to provincial gaming involves the commission of an offence under the *Criminal Code* or the *Gaming Control Act*. This letter does not change these reporting obligations. This letter of understanding has no impact on the current relationship between BCLC and the police of jurisdiction.

## **3. Governance**

Operational governance over JIGIT will be the responsibility of the CFSEU-BC Board of Governance. The mandate of the Board of Governance includes strategic-level governance and provides a process to make certain that all teams including JIGIT are targeting organized crime and gang involvement in illegal gaming in British Columbia. Given that governance is the responsibility of the CFSEU-BC Board of Governance, any issues of concern that GPEB may have regarding JIGIT will need to be raised through the Director of Police Services who will consider them and bring them forward to the Board where deemed appropriate.

Within the strategic-level governance, the Board's responsibilities include reviewing and approving operational plans which are submitted prior to beginning an investigation, and the setting of unit performance measurements and outcomes. This includes financial and budget oversight.

Internally in the case of JIGIT, the Chief Officer of CFSEU-BC will be utilizing existing accountability mechanisms currently in place to monitor, assess, and provide quarterly reporting on the actions of JIGIT to the Board. CFSEU-BC also provides performance accounts to the RCMP "E" Division Investigative Services and Organized Crime (ISOC) bi-annual report as well as the bi-annual BC RCMP Performance Plan. The activities of the new operational teams will form an additional chapter to the current reporting requirements.

#### 4. Funding Structure

Funding for JIGIT will be provided by BCLC via the Ministry of Finance for the first three years of the Team's current mandate. The Ministry of Finance will submit a quarterly invoice to BCLC and upon receipt of funds, journal voucher the proceeds to the Ministry of Public Safety and Solicitor General. Funding for JIGIT for the first three years of the agreement is as follows:

- 2016/17 - \$1.8 million
- 2017/18 - \$3.0 million
- 2018/19 - \$3.0 million

This provincial funding is 70 per cent under the Provincial Police Service Agreement (PPSA) with the federal government providing the remaining 30 percent. All funds provided for JIGIT will be fenced, meaning they are fully committed to the unit and its agreed mandate and will not be used for any other purpose.

Some extraordinary costs related to ongoing investigations have been included in the budget. This includes costs for wiretap, surveillance and document management related to the prosecution of complex investigations. There is no reasonable methodology to predict the totality of these costs, as they are situation specific to each investigation. In special circumstances should a more complex investigation require investigative costs above and beyond what has been budgeted for, CFSEU-BC would approach and seek approval from all interested parties to enter into extraordinary cost recovery agreements. Timely approvals would be required to take advantage of appropriate investigational techniques.

On a quarterly basis, the RCMP will report to PSSG and MoF on the estimated cost of JIGIT. These reports will be monitored by our two ministries. Discussions will occur if costs are forecasted to go over the set budgets and corrective action will be taken to ensure overall annual funding amounts are not exceeded.

As final costs for each fiscal year will not be known by March 31, the RCMP will provide a detailed reconciliation in the following months. Any differences from this reconciliation will be adjusted in the following fiscal year's funding. The RCMP will provide advice about predicted costs for the final period of the year, based on the information available at the time. This information will be received by the second week of April each year in order to facilitate proper accounting of accounts by the MoF.

The funding levels for the remaining two years of this agreement will be determined at a later date between MoF and PSSG, in consultation with the RCMP. It is expected that the funding structure for the final two years will be materially similar to the established three years, and that any difference will be incremental, and communicated in advance.

#### 5. Duration

The agreement will remain in force for a period of five years, from April 1, 2016 to March 31, 2021.

A review will be undertaken by PSSG, MoF and the RCMP / CFSEU-BC late in year two to determine if JIGIT will continue beyond this five year mandate. Another review would take place in the fourth year of operation to determine whether JIGIT should continue to deliver on its mandate

after year five. Terms of the review will be established through consultation and agreement between the parties.

If it is determined that JIGIT will continue beyond the five year mandate, MoF and PSSG commit to enter into discussions before the end of fiscal 2017/18 to either extend this agreement, or draft a new agreement.

If it is determined that JIGIT will not continue beyond the five year mandate, MoF and PSSG agree to the following:

- A period of time following the term of this agreement may be needed to allow investigators to wind down and conclude their investigations already underway;
- In the last September before this agreement ends JIGIT will provide an estimate of the wind down time required, based on the information then-available;
- Any judicial proceedings already in progress at the end of the five year period will continue beyond the term;
- Any costs related to any of the above activities will be payable by MoF, as per the terms of the agreement.

## **6. Performance and Reporting**

CFSEU-BC will provide both PSSG and GPEB with a JIGIT bi-annual performance outcomes report. The report will outline the efforts and successes of JIGIT and include gaming specific outcomes. CFSEU-BC reporting that is of a sensitive nature will only be provided to the Director of Police Services.

s.15, s.16

The General Manager of Gaming will provide quarterly, and as needed, briefings to MoF officials on JIGIT efforts.

In addition to the bi-annual outcomes report, CFSEU-BC will provide MoF and PSSG with quarterly financial reporting. The format of these reports (quarterly financial and bi-annual performance) will follow the current best practices in place and, at the request of MoF/PSSG, may be refined to better suit MoF and/or PSSG's needs over time.

## **7. Confidentiality**


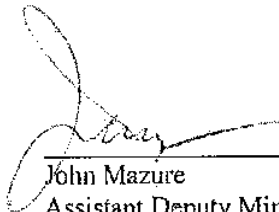
Terms of the agreement shall be confidential with the following exceptions: (1) each Participant may disclose the same on a "need to know" basis to their agents, advisors, consultants, directors, officers, contractors, affiliates and such other persons as may reasonably be required, and (2) the Participants may disclose the information as required by law or in connection with any regulatory disclosure requirements which must be satisfied in connection with JIGIT.

The Participants agree that any documents or reports generated or produced in connection to this agreement shall remain confidential unless otherwise agreed to by both Participants or where disclosure is required by law or regulatory disclosure requirements.

#### 8. General

All external, public-facing communications of JIGIT activities, such as media releases and press conferences, are within CFSEU-BC jurisdiction. When JIGIT determines it is necessary and appropriate to brief PSSG and MoF on pending public announcements, PSSG and MoF will initiate a reporting protocol. This protocol will include briefing the Deputy Ministers of Finance and PSSG, and if needed, the Minister of Finance and Minister of PSSG.

Yours truly,

  
\_\_\_\_\_  
Clayton J. D. Pecknold  
Assistant Deputy Minister and Director of Police Services  
Policing and Security Branch  
Ministry of Public Safety and Solicitor General  
\_\_\_\_\_  
John Mazure  
Assistant Deputy Minister and General Manager  
Gaming Policy and Enforcement Branch  
Ministry of Finance

cc: Ms. Tonia Enger, Executive Director and Deputy Director, Policing and Security Branch  
Ms. Alana Best, Executive Director, Policing, Security, and Law Enforcement Infrastructure and Finance  
Mr. J.E.L. (Len) Meilleur, Executive Director, Compliance Division, Gaming Policy Enforcement Branch

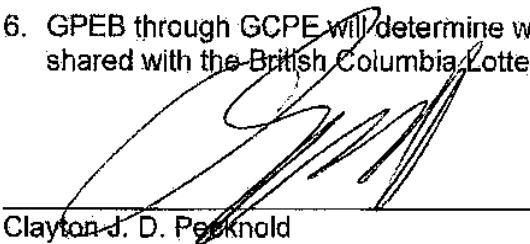
**Media Protocol for  
Joint Illegal Gaming Investigation Team (JIGIT)  
subsequent to Section 8, of the Operation and Funding Agreement  
Between the Minister of Public Safety and Solicitor General and  
the Ministry of Finance dated, February 7<sup>th</sup>, 2017**

Between:

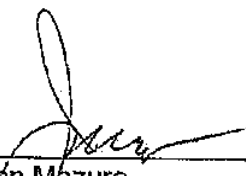
Ministry of Public Safety and Solicitor General (PSSG),  
Policing and Security Branch (PSB)  
And Ministry of Finance, (MoF)  
Gaming Policy and Enforcement Branch (GPEB)

The parties agree that in support of effective communications regarding the JIGIT, the protection of JIGIT investigations and prosecutions, and ensuring an arm's length relationship between the police and government, the following protocol will apply:

1. Where the CFSEU-BC (JIGIT) intends to issue a media release regarding an activity, investigation or prosecution by JIGIT, they may at their discretion provide an early heads-up "draft" of the release and speaking points to PSB. When necessary PSB may confirm content and information of the draft embargoed media release with the Executive Director of Compliance Division, GPEB.
2. PSB, through PSSG Communications, will provide MoF Communications and the Executive Director of Compliance Division, GPEB with an embargoed copy of the release.
3. MoF will keep the matter confidential within the ministry until such time as the RCMP release it publicly.
4. PSSG and MoF Communications will agree on responsive messaging with the understanding that CFSEU is the police lead and PSSG is the government lead on enforcement and policing communications.
5. Unless otherwise agreed to by the ministers, the Solicitor General is the lead spokesperson for policing related matters of JIGIT.
6. GPEB through GCPE will determine what media information needs to be obtained or shared with the British Columbia Lottery Corporation.



Clayton J. D. Peckhold  
Assistant Deputy Minister and Director of Police Services  
Policing and Security Branch  
Ministry of Public Safety and Solicitor General



---

John Mazure  
Assistant Deputy Minister and General Manager  
Gaming Policy and Enforcement Branch  
Ministry of Finance

pc: Ms. Tonia Enger, Executive Director and Deputy Director, Policing and Security Branch  
Mr. J.E.L. (Len) Meilleur, Executive Director, Compliance Division, Gaming Policy  
Enforcement Branch  
PSSG Communications  
MoF Communications  
CFSEU – Assistant Commissioner Kevin Hackett

**SECONDMENT AGREEMENT**

***BETWEEN***

**Gaming Policy Enforcement Branch  
Ministry of Finance  
Province of British Columbia**

***AND***

**ROYAL CANADIAN MOUNTED POLICE  
“E” DIVISION**

***RESPECTING***

**JOINT ILLEGAL GAMBLING INVESTIGATION  
TEAM**



# **SECONDMENT AGREEMENT**

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4.0 Salary, Benefits and Financial Obligations

5.0 Security and Confidentiality

6.0 Dispute Resolution

7.0 Notification

8.0 Provisions Applicable to Non-RCMP Members

9.0 Term of Agreement

Signatories

## **SECONDMENT AGREEMENT**

### **BETWEEN:**

Gaming Policy and Enforcement Branch,  
as represented by the Assistant Deputy Minister & General Manager

(hereinafter referred to as *GPEB*)

### **AND:**

Royal Canadian Mounted Police,  
as represented by the Commanding Officer, "E" Division

(hereinafter referred to as the *RCMP*)

### **PURPOSE AND OBJECTIVE:**

- A. The purpose of this Secondment Agreement (Agreement) is to set out the roles and responsibilities of the Gaming Policy and Enforcement Branch (GPEB) and the Royal Canadian Mounted Police (RCMP) "E" Division pertaining to the secondment of GPEB Investigators (Secondee(s)) to the position of Investigator as deemed necessary to carry out the duties assigned within the teams specified as the RCMP Joint Illegal Gambling Investigation Team, hereinafter referred to as JIGIT.
- B. The objectives of this Agreement are to:
  - Target and disrupt top-tier organized crime and gang involvement in illegal gambling in British Columbia;
  - Deliver a multi-jurisdictional investigative and enforcement response to illegal gambling;
  - Provide investigative leadership with respect to the detection, investigation, and prevention of illegal gambling across the Province;
  - Collaboration between RCMP and GPEB to ensure effective communication and a synergy between units and strategies;

- Gather intelligence concerning the gambling industry and manage this information effectively to ensure that all facets of the gambling industry operate with honesty and integrity;
- Provide a specialized capability which includes the provision of expert advice, operational assistance, major case management and gambling education to police services across BC;
- Prevent criminal attempts to legalize the proceeds of crime through gambling activity in the Province;
- Collaborate with police officers and other strategic partners across Canada to ensure a common investigative standard as well as leverage best practices; and,
- Ensure both positive public perception and media coverage of unit and investigations to maintain trust and confidence as well as raise awareness of the provincial mandate to ensure the integrity of Gambling.

## THE PARTICIPANTS AGREE AS FOLLOWS:

### SECTION 1.0 INTERPRETATION

- 1.1 In this **SECONDMENT AGREEMENT** each of the following terms shall, unless the context otherwise requires, have the meaning set out beside it:
- a. **Commanding Officer**, means the Commanding Officer of the Royal Canadian Mounted Police, "E" Division.
  - b. **Emergency**, means an urgent and critical situation of a temporary nature that is not a Special Event and that requires additional police resources to maintain law and order, keep the peace or ensure the safety of persons, property or communities.
  - c. **Fiscal Year**, means the period beginning on April 1 in any calendar year and ending on March 31 in the next calendar year.
  - d. **Force**, means the Royal Canadian Mounted Police, Government of Canada.
  - e. **Member**, means any person who has been appointed as an officer pursuant to section 5 or section 6(4), or other member of the Force appointed pursuant to section 7(1), of the *Royal Canadian Mounted Police Act*, R.S.C. 1985, Chapter R-10, and any Regulations made pursuant thereto.
  - f. **Participating Agency or Partner Agency**, means an Agency that has contributed human resources or financial resources or both to the Joint Illegal Gambling Investigation Team.
  - g. **Provincial Police Service Agreement**, or **PPSA**, means the Memorandum of Agreement made between the Government of Canada and the Government of British Columbia, dated April 1, 2012.
  - h. **RCMP**, or **R.C.M.P.**, or **R.C.M. POLICE**, means the Royal Canadian Mounted Police, Government of Canada.
  - i. **Seconded**, means the Member of the Gaming Policy and Enforcement Branch assigned to the Joint Illegal Gambling Investigation Team pursuant to the terms of this Secondment Agreement.
- 1.2 The singular number includes the plural and the plural number includes the singular where such is consistent with the context.

## **SECTION 2.0**

### **AGREEMENT AUTHORITY**

- 2.1 This Agreement is entered into by the Commanding Officer under the authority of section 5 and in relation to section 20 of the *Royal Canadian Mounted Police Act* in aiding the administration of justice in the province and in carrying into effect the applicable legislation.

## **SECTION 3.0**

### **SUBJECT MATTER**

- 3.1 The Seconded(s) will work with JIGIT to carry out the objectives listed in this Agreement.
- 3.2 Gaming Policy and Enforcement Branch undertakes to provide disclosure of related *Regina v. McNeil* disciplinary records should such records be required in the course of any prosecution in which the Seconded(s) is involved.

## **SECTION 4.0**

### **SALARY, BENEFITS AND FINANCIAL OBLIGATIONS**

- 4.1 The Seconded(s) will continue to receive the salary, benefits and other entitlements pursuant to their Agreement in place with the participating agency.

GPEB is fully responsible for all costs for the Seconded(s) while the Seconded(s) is working with JIGIT. The RCMP will not be billed by GPEB for any costs in related to this secondment.

- 4.2 GPEB will be financially responsible for all operational and administrative costs that are incurred in relation to any secondment activities including, but not limited to, travel, accommodation and meals.
- 4.3 GPEB will be responsible for payment of hourly wages, in accordance with entitlements, and any compensable travel costs, subject(s) court attendance time, specific to any required court appearances arising from tasks performed in the course of the secondment, regardless of whether the secondment has since ceased.
-

## **SECTION 5.0**

### **SECURITY AND CONFIDENTIALITY**

- 5.1 All information and documentation provided to, collected by, delivered to or compiled by or on behalf of the participants to this Agreement in the performance of their duties and responsibilities shall be dealt with subject to and in accordance with federal and provincial statutes, particularly the *Privacy Act*, R.S.C. 1985, c. P-21, the *Access to Information Act*, R.S.C. 1985, c. A-1, and the *Freedom of Information and Protection of Privacy Act*, R.S.B.C. 1996, c. 165.
- 5.2 The participants agree that for the purposes of section 13(1) of the *Access to Information Act*, section 19(1)(a) of the *Privacy Act* and section 16(1)(b) of the *Freedom of Information and Protection of Privacy Act*, all information disclosed and received between the participants under this Agreement is disclosed and received in confidence.
- 5.3 Where a participant receives a request under the *Access to Information Act*, the *Privacy Act*, or the *Freedom of Information and Protection of Privacy Act*, or a Court order, summons or subpoena for disclosure of records relating to this Agreement, that participant shall immediately consult all other participants to this Agreement before disclosing the records to the applicant.
- 5.4 The participants agree to establish a coordinated media relations plan to regulate contacts with the media in relation to this Agreement. All media releases shall be reviewed by all participants to the Agreement before disclosing those media releases to the media and the public.

## **SECTION 6.0**

### **DISPUTE RESOLUTION**

- 6.1 Any new issue, matter of general concern or dispute arising from this Agreement shall be dealt with by a joint management group consisting of the following position holders or their delegates:
- (a) Officer-In-Charge (OIC), Combined Forces Special Enforcement Unit, "E" Division.
  - (b) Gaming Policy and Enforcement Branch, Executive Director Compliance Division.

## **SECTION 7.0**

### **NOTIFICATION**

- 7.1 All notices or communications provided for in this Agreement will be in writing and

will be mailed or delivered to the individuals or positions responsible for the discharge of the obligations detailed in this Agreement. For the purposes of delivery of Notice, the addresses for delivery are:

For GPEB:

Executive Director,  
Compliance Division  
Gaming Policy and  
Enforcement Branch

3<sup>rd</sup> Floor, 910 Government  
Street Victoria BC V8W 1X3

For the RCMP:

OIC, Combined Forces Special  
Enforcement Unit

14200 Green Timbers Way  
Surrey BC V3T 6P3

or at such address as a participant has advised in writing.

- 7.2 Any such notice or communication given by mail will be deemed to have been delivered 72 hours after having been deposited in the mail service with first class postage prepaid. If given by personal delivery, then such notice or communication will be deemed effective when delivered.

## **SECTION 8.0 PROVISIONS APPLICABLE TO NON-RCMP MEMBERS**

- 8.1 The Seconded(s) must, prior to beginning their duties, and throughout their assignment, meet the qualifications for, and hold status as, supernumerary constables pursuant to section 9.1 of the *RCMP Act* and as a Special Provincial Constables under Section 9 of the *Police Act* (BC).
- 8.2 The OIC Human Resources Pacific Region is responsible for determining whether the Seconded(s) meets the qualifications to be appointed as supernumerary constables and, if the qualifications are met, will appoint the Seconded(s) as a supernumerary constable, in accordance with section 9.6(1) of the *RCMP Act*.
- 8.3 Upon being appointed a supernumerary constable, the Seconded(s) is then deemed to be Crown Servant for the purposes of the Treasury Board of Canada's *Policy on Legal Assistance and Indemnification* (the TB Policy).
- 8.4 The OIC Human Resources Pacific Region is responsible for determining whether supernumerary constables have met the requirements of the TB Policy and are eligible for and entitled to legal assistance at public expense or indemnification in accordance with the TB Policy.

- 8.5 In the event the OIC Human Resources Pacific Region decides that the Seconded(s) is not eligible for or entitled to legal assistance or indemnification under the TB Policy, the Gaming Policy and Enforcement Branch will provide assistance or indemnification in accordance with its usual procedures and policies.
- 8.6 In accordance with section 8 of the *RCMP Act*, all pay, compensation, benefits, and other forms of remuneration for the Seconded(s) will continue to be paid by the Gaming Policy and Enforcement Branch throughout the assignment pursuant to the Agreement.
- 8.7 The Seconded's status as a supernumerary constable may be revoked by the OIC Human Resources Pacific Region at any time in accordance with section 9.6(2) of the *RCMP Act*.
- 8.8 If the Seconded's status as a supernumerary constable is revoked, either participant may, at its sole discretion, decide whether the Seconded must return to the Gaming Policy and Enforcement Branch.

## **SECTION 9.0 TERM OF AGREEMENT**

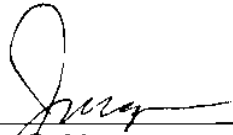
- 9.1 This Agreement will come into full force when signed by both participants.
- 9.2 This Agreement will remain in full force and effect until replaced by another Agreement or terminated in accordance with this Agreement.
- 9.3 In compliance with the directive issued by the Solicitor General of Canada (2002) to the Commissioner of the RCMP that addresses Agreements entered into by the RCMP, the participants agree:
- (a) to reviews, audits and evaluations of any aspect of this Agreement;
  - (b) to amendments by mutual written Agreement duly executed by participants to this Agreement; and,
  - (c) that any of the participants to this Agreement may terminate participation in this Agreement upon provision of [30 days] written notice to the other participants of their intention to terminate this Agreement.
- 9.4 Nothing in this Agreement is in any way intended to replace or amend any obligation that either Participant is bound to or required to perform by operation of law.
- 9.5 Nothing in this Agreement shall be interpreted to conflict with or derogate from the



*Royal Canadian Mounted Police Act, or Royal Canadian Mounted Police Regulations, 2014, or the British Columbia Police Act, R.S.B.C. 1996, c. 367 and Regulations under the Police Act but shall be interpreted in all respects to be subject to the Royal Canadian Mounted Police Act and Royal Canadian Mounted Police Regulations, 2014 or the Police Act and Regulations under the Police Act. Should any provision of this Agreement be found in conflict or derogation of the Royal Canadian Mounted Police Act or Royal Canadian Mounted Police Regulations, 2014, or the Police Act and Regulations under the Police Act such provision shall be null and void.*

- 9.6 Nothing in this Agreement shall be interpreted as in any way derogating from the responsibilities and obligations of the RCMP pursuant to the PPSA entered into between Canada and the Government of the Province of British Columbia, dated April 1, 2012.
- 9.7 This Agreement reflects the good faith and spirit of cooperation of the participants but is not legally binding on any of the participants.


Signed on behalf of **Gaming Policy and Enforcement Branch:**

  
\_\_\_\_\_  
John C. Mazure  
Assistant Deputy Minister & General Manager  
Gaming Policy and Enforcement Branch  
Province of British Columbia

Feb 20, 2017.  
Date

Signed on behalf of the **Royal Canadian Mounted Police:**

s.22

  
\_\_\_\_\_  
Craig J. Callens, Deputy Commissioner  
Commanding Officer, "E" Division

2017.02.28  
Date

## B.C. Taxpayer Accountability Principles

Further information available at: <http://gov.bc.ca/crownaccountabilities>

- |  |  |
|--|--|
| <b>1 Cost Consciousness (Efficiency)</b> | <p>Strengthen cost management capabilities and foster a culture of cost-consciousness at all levels of public sector organizations. Provide public services and programs as efficiently and effectively as possible to "bend the cost curve" and support sustainable public policies and programs as a lasting legacy for generations to come.</p>                 |
| <b>2 Accountability</b>                  | <p>Transparently manage responsibilities according to a set of common public sector principles in the best interest of the citizens of the province. By enhancing organizational efficiency and effectiveness in the planning, reporting and decision making, public sector organizations will ensure actions are aligned with government's strategic mandate.</p> |
| <b>3 Appropriate Compensation</b>        | <p>Comply with a rigorous, standardized approach to performance management and employee compensation, which reflects appropriate compensation for work across the public sector that is consistent with government's taxpayer accountability principles and respectful of the taxpayer.</p>  |
| <b>4 Service</b>                         | <p>Maintain a clear focus on positive outcomes for citizens of British Columbia by delivering cost-efficient, effective, value-for-money public services and programs.</p>   |
| <b>5 Respect</b>                         | <p>Engage in equitable, compassionate, respectful and effective communications that ensure all parties are properly informed or consulted on actions, decisions and public communications in a timely manner. Proactively collaborate in a spirit of partnership that respects the use of taxpayers' monies.</p>   |
| <b>6 Integrity</b>                       | <p>Make decisions and take actions that are transparent, ethical and free from conflict of interest. Require the establishment of a strong ethical code of conduct for all employees and executives. Serve the citizens of British Columbia by respecting the shared public trust and acting in accordance with the taxpayer accountability principles.</p>        |

**Ministry of Finance**

**BRIEFING DOCUMENT**

**To:** Michael de Jong  
Minister of Finance

**Date Requested:** March 31, 2016  
**Date Required:** April 8, 2016

**Initiated by:** ADM

**Date Prepared:** March 31, 2016

**Ministry  
Contact:** John Mazure

**Phone Number:** <sup>s.17</sup>  
**Email:** John.Mazure@gov.bc.ca

**[Cliff #]** 350268

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**TITLE:** Backgrounder for announcement of the Joint Illegal Gaming Investigation Team (JIGIT)

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**PURPOSE:**

(X) FOR INFORMATION

**DATE PREPARED:** March 30, 2016

**TITLE:** Backgrounder for announcement of the Joint Illegal Gaming Investigation Team (JIGIT)

**ISSUE:** In preparation for the announcement of JIGIT on Friday April 8, 2016. This note summarizes the history and all related facts of the issue.

**BACKGROUND:**

- s.15
- 
- In 2009, GPEB's Compliance Division identified a growing number of suspicious cash transactions occurring in Lower Mainland casinos. A file review covering a 12-month time frame confirmed that in excess of \$30 million dollars in suspicious cash had been reported by the gaming facility service providers.
- Intelligence indicated that predominantly wealthy Asian male patrons were responsible for accessing and bringing in suspicious cash to Lower Mainland casinos. The cash was presented in primarily used \$20 Canadian denominations, in \$10,000 bundles, held together by elastic bands and transported in plastic bags or large hockey style bag. \$100,000 buy-ins became common, while larger buy-ins over \$1,000,000 were also occurring at the River Rock Casino.
- GPEB Compliance Division, in conjunction with several police agencies, developed further intelligence that some suspicious cash being presented by the Asian patrons was being supplied by loan sharks associated to organized crime groups. The Asian patrons would use the suspicious cash to gamble with and would repay the loan via methods integrated into the Canadian financial system, effectively laundering the cash. The loan sharks were observed by casino security delivering the cash to the Asian patrons outside the casino, who would then enter the casino and present the cash to engage in gaming.
- Some reasons why Asian patrons would use the services of loan sharks include the ease of obtaining large sums of cash in a short period of time, and the difficulties of getting cash out of China. Re-payment methods include patrons writing a series of post-dated cheques under the \$10,000 Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) reporting threshold, the exchange of real estate,

jewelry, vehicles, and other items of value.

s.15

## DEFINITIONS:

<b>Money Laundering:</b>	The process used to disguise the source of money or assets derived from criminal activity. This illegal activity can include drug trafficking, smuggling, fraud, extortion and corruption. Criminals must launder the profits and proceeds from these crimes to be able to enjoy them.
<b>Placement:</b>	Placing cash proceeds from crime into the financial system. For example, depositing the proceeds in a bank.
<b>Layering:</b>	Splitting the criminal funds into various deposit accounts to hide their origin.
<b>Integration:</b>	Withdrawing the layered funds and bringing them back together in one account or multiple accounts so that they appear legitimate.
<b>Smurfing' or Structuring:</b>	Depositing cash at various institutions in amounts less than the amount that must be reported to government, and subsequently transferring them to a central account.
<b>Flight of Capital:</b>	Money legally or illegally leaves a country for use or deposit in another country and almost never returns.
<b>Hawala:</b>	Money transfer without money movement. Hawala transactions between brokers are done without promissory notes because the system is heavily based on trust.

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s.15,s.16,s.22

**Ministry of Finance**  
**BRIEFING DOCUMENT**

<b>To:</b>	Honourable Michael de Jong, Q.C. Minister of Finance	<b>Date Requested:</b>	Nov. 29, 2016
		<b>Date Required:</b>	Jan. 9, 2017
<b>Initiated by:</b>	John Mazure	<b>Date Prepared:</b>	January 9, 2017
<b>Ministry Contact:</b>	John Mazure Assistant Deputy Minister Gaming Policy and Enforcement Branch	<b>Phone Number:</b>	250-387-1301
		<b>Email:</b>	john.mazure@gov.bc.ca
			<b>355016</b>

---

**TITLE:** Letter to the British Columbia Lottery Corporation regarding the funding of the Joint Illegal Gaming Investigation Team

---

**PURPOSE:**

☒ **DECISION REQUIRED**

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**COMMENTS:**

The Minister's approval and signature on the attached letter to BCLC Board Chair, Bud Smith, is required as soon as possible to enable the flow of funds from BCLC to the Ministry of Finance to fund the Joint Illegal Gaming Investigation Team (JIGIT). This letter should be signed in advance of December 13<sup>th</sup> when the Minister is scheduled to attend a joint press conference on JIGIT with the Minister of Public Safety and Solicitor General.

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Executive Director approval: \_\_\_\_\_

ADM approval: \_\_\_\_\_

Associate DM approval: \_\_\_\_\_



**DATE PREPARED:** November 28, 2016

**TITLE:** Letter for the funding of the Joint Illegal Gaming Investigation Team to the British Columbia Lottery Corporation

**ISSUE:**

The Minister's approval and signature on the attached letter to BCLC Board Chair, Bud Smith, are required to enable flow of funds from BCLC to the Ministry of Finance to fund the Joint Illegal Gaming Investigation Team (JIGIT). This letter should be signed in advance of December 13<sup>th</sup> when the Minister is scheduled to attend a joint press conference on JIGIT with the Minister of Public Safety and Solicitor General.

**BACKGROUND:**

*December 13<sup>th</sup> Press Conference*

- On December 13, 2016, the Minister is scheduled to provide an update to the public on JIGIT at a press conference held at RCMP 'E' Division headquarters at Green Timbers. Minister of Public Safety and Solicitor General, Mike Morris, will also attend the press conference to provide a public update on the Office of the Crime Reduction.

*Establishment and Funding of JIGIT*

- The Minister of Finance, the Minister of Public Safety and Solicitor General and the chief operating officer of the Combined Forces Special Enforcement Unit of B.C. (CFSEU-BC) announced the creation of the Province's Joint Illegal Gaming Investigation Team (JIGIT) on April 11, 2016.
- JIGIT's five-year mandate is to disrupt organized crime and gang involvement in illegal gaming activities and prevent criminals from using B.C. gaming facilities to legalize the proceeds of crime.
- In March 2016, the Minister of Finance directed the British Columbia Lottery Corporation (BCLC) to fund the provincial share of JIGIT<sup>1</sup> in an in person meeting. The Comprehensive Cost Ratio target for BCLC was adjusted accordingly. BCLC has adjusted expenditure targets and forecast net revenue to reflect this expense through the entire three year financial planning cycle.
- Funding for the joint team is planned for five years, and the unit's effectiveness will be reviewed by the Province and the CFSEU-BC governance board before the agreement is up for renewal after five years.

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<sup>1</sup> Funding for the unit will be shared between BC Lottery Corporation (70%) and the federal government through the Provincial Police Service Agreement (30%).

- To date BCLC has not paid out money for JIGIT; however accruals have been properly recorded, such that when agreements are finalized and funding flows, funding will have been recognized as an expense in the proper period.
- The agreed upon funding level for JIGIT for the first three years of the Team's mandate are as follows:
  - 2016/17 - \$1.8 million
  - 2017/18 - \$3.0 million
  - 2018/19 - \$3.0 million

**DISCUSSION:**

s.14

- The attached letter summarizes government's funding expectations of BCLC for the first three years of JIGIT's mandate. The remaining two years will be determined at a later date by the Ministry of Finance and the Ministry of Public Safety and Solicitor General. It is expected that the funding structure will be materially similar.
- The letter includes consideration of extraordinary costs related to JIGIT operations. It notes that BCLC may be asked to contribute to these costs.
- The letter does not provide additional information regarding financial reporting or other matters as this will be provided to BCLC in a letter from the GPEB's general manager.

**RECOMMENDATION:**

- Approve and sign the attached letter to the British Columbia Lottery Corporation regarding the funding of the Joint Illegal Gaming Investigation Team (Appendix A)

**APPROVED / NOT APPROVED**

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Michael de Jong, Q.C.  
Minister

---

Date

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Michael de Jong, Q.C.  
Minister of Finance

**Date Requested:** Nov. 23, 2016  
**Date Required:** Nov. 29, 2016

**Initiated by:** John Mazure

**Date Prepared:** Nov. 28, 2016

**Ministry Contact:** John Mazure  
Assistant Deputy Minister  
Gaming Policy and  
Enforcement Branch

**Phone Number:** 250-387-1301

**Email:** john.mazure@gov.bc.ca

**355016**

---

**TITLE:** Letter to the British Columbia Lottery Corporation regarding the funding of the Joint Illegal Gaming Investigation Team

---

**PURPOSE:**

**(X) DECISION REQUIRED**

---

**COMMENTS:**

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Executive Director approval: \_\_\_\_\_

ADM approval: \_\_\_\_\_

Associate DM approval: \_\_\_\_\_

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- In March 2016, the Minister of Finance directed the British Columbia Lottery Corporation (BCLC) to fund the provincial share of JIGIT<sup>1</sup> in an in person meeting. The Comprehensive Cost Ratio target for BCLC was adjusted accordingly. BCLC has adjusted expenditure targets and forecast net revenue to reflect this expense through the entire three year financial planning cycle.
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  - 2017/18 - \$3.0 million
  - 2018/19 - \$3.0 million

**DISCUSSION:**

s.14

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- The letter includes consideration of extraordinary costs related to JIGIT operations. It notes that BCLC may be asked to contribute to these costs.
- The letter does not provide additional information regarding financial reporting or other matters as this will be provided to BCLC in a letter from the GPEB's general manager.

**RECOMMENDATION:**

- Approve and sign the attached letter to the British Columbia Lottery Corporation regarding the funding of the Joint Illegal Gaming Investigation Team (Appendix A)

**APPROVED / NOT APPROVED**

---

Michael de Jong, Q.C.  
Minister

---

Date

**AML Strategy - Reducing Proceeds of Crime  
In Gaming Facilities**

Providing cash alternatives is critical to reducing cash in gaming facilities



**Cash Alternatives** - Providing  
alternatives to cash for  
gaming facility patrons

Must establish source of funds prior to cash acceptance  
to ensure cash alternatives do not undermine AML

**Source of Funds** - refusing  
large amounts of unsourced  
cash at gaming facilities

Establishing source of funds prior to cash acceptance must be  
supported by stopping the flow of cash to illegal gaming houses

**JIGIT** - Stopping the flow of  
money to illegal gaming  
houses

# Advice Bullets

**Date: April 05, 2016**

## **TOPIC:**

**Joint Illegal Gaming Investigation Team (JIGIT)**

## **KEY FACTS REGARDING THE ISSUE:**

Government and RCMP have formed a new joint investigative and enforcement team to focus on money laundering in B.C. gaming facilities and illegal gambling throughout B.C. The team will provide a coordinated approach to illegal gambling enforcement and money laundering between police and the Gaming Policy and Enforcement Branch (GPEB).

As the Joint Illegal Gaming Investigation Team (JIGIT) will be situated in the RCMP's anti-gang agency, the Combined Forces Special Enforcement Unit –BC (CFSEU-BC), it will focus primarily on organized crime and criminal gang involvement in illegal gambling and money-laundering. However, the team will also have a public education component aimed at increasing awareness of how to identify and report illegal gambling.

JIGIT will be comprised of two operation teams consisting of 22 law enforcement personnel, and four GPEB investigators. Funding will be shared between BC Lottery Corporation (70 per cent) and the federal government through the RCMP (30 per cent). The provincial treasury board has approved \$1.8 million for the remainder of fiscal 2016-17 and \$3 million for each of the following two years. RCMP expect this team operate for at least five years.

In 2011, following a review of the B.C.'s existing anti-money laundering (AML) programs, GPEB and BC Lottery Corporation launched a three-phase AML strategy focused on moving the industry away from cash transactions as quickly as possible, and scrutinizing the remaining cash in an effort to isolate money laundering from legitimate gaming and enable enhanced, targeted enforcement action.

The AML strategy includes three phases:

- Phase 1: the development and implementation of cash alternatives;
- Phase 2: the promotion of cash alternatives by gaming facility patrons; and
- Phase 3: regulatory guidance and as necessary intervention about potential additional measures for enhancing AML due diligence.

The strategy led to additional improvements including:

- Patron Gaming Fund (PGF) accounts where casino patrons may transfer money into an account that they then use for gambling.
- Customers with PGF accounts have the ability to electronically transfer money into their accounts through Canadian and U.S. chartered banks.
- Customer convenience cheques clearly marked as a verified win or as a "return of funds that are not gaming winnings."
- Debit withdrawals at the cash cage.
- ATM withdrawals inside gaming facilities.

## **KEY MESSAGES:**

- **We've participated in the formation of a new RCMP unit that will improve our ability to investigate and disrupt activities related to illegal gambling and money laundering in B.C.**
- **The main focus of this unit will be organized crime and criminal gang involvement in illegal gambling throughout B.C. and money-laundering within B.C.'s gaming facilities.**
- **The team will also have a public education component aimed at increasing awareness of how to identify and report illegal gambling.**
- **We believe this is a more effective model than IIGET which was tasked with investigating illegal gambling outside casinos and did not focus on illegal activities inside casinos.**
- **The new team is expected to be highly effective. It is situated in the RCMP's Combined Forces Special Enforcement Unit, where members have access to significant anti-gang and organized crime focused resources.**
- **Four GPEB investigators are also assigned to the team as subject matter experts.**
- **This initiative forms part of the next stage of our anti-money laundering strategy launched on 2011, following a comprehensive review of AML measures at B.C.'s gaming facilities.**

### **Program Area Contact**

**Name:** Michele Jaggi-Smith  
**Title:** Executive Director  
**Phone Number:** (250) 356-1109



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*ANNEX 6 – Anti-Money Laundering Strategy (BC Provincial Government)*

**Anti-Money Laundering Strategy**

Government's Anti-Money Laundering (AML) strategy is focused on minimizing opportunities for money laundering in B.C.'s gaming facilities. Using a three-phase approach, GPEB is progressively implementing tiers of control over the acceptance of funds into gaming facilities. In the first two phases of the strategy, GPEB worked with BCLC and gaming service providers to develop, implement, and encourage casino patrons to use cash alternatives.

As part of Phase 3 in 2014/15, GPEB continued to explore the options for regulatory action to prevent money laundering in B.C.'s gaming facilities. Phase 3 of the AML strategy directs resources at the areas of the highest risk to gaming integrity, with additional measures that enhance due diligence and regulator guidance and intervention.

Progress on Phase 3 of the strategy in 2014/15 continued with:

- Working with BCLC to develop and implement additional customer due diligence policies and practices constructed around financial industry standards as well as robust know your customer requirements. These requirements will focus on identifying source of wealth and funds and will be triggered by suspicious currency transactions.
- Working with BCLC to develop and implement additional cash alternatives, furthering the transition from cash-based transactions.

<http://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/annual-rpt-gpeb-2014-15.pdf>



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