

ADVICE TO MINISTER

**CONFIDENTIAL
ISSUES NOTE**

Ministry of Finance
Updated: Dec. 9, 2016
Minister Responsible: Hon. Michael de Jong

Enhanced illegal gambling enforcement

RECOMMENDED RESPONSE:

- **The Joint Illegal Gaming Investigation Team (JIGIT) improves our ability to uncover and disrupt activities related to illegal gambling and money laundering in B.C.**
- **The main focus of this unit is organized crime and criminal gang involvement in illegal gambling throughout B.C. and money-laundering within B.C.'s gaming facilities.**
- **The team also has a public education component aimed at increasing awareness of how to identify and report illegal gambling.**
- **We believe this is a more efficient and effective model than its predecessor, IIGET, which was tasked with investigating illegal gambling outside casinos and did not focus on illegal activities inside casinos.**
- **JIGIT is highly effective given that it is situated in the RCMP's anti-gang agency, the Combined Forces Special Enforcement Unit – British Columbia (CFSEU-BC), where members have access to significant anti-gang and organized crime resources.**
- **Since 2011, we have continued to advance and strengthen programs aimed at putting a stop to criminal activity such as money laundering. (see measures below)**
- **JIGIT was formed as part of our anti-money laundering strategy which we launched on 2011, following a comprehensive review of AML measures at B.C.'s gaming facilities.**

ENFORCEMENT ACTION:

- I can't discuss the details of any ongoing investigations. As JIGIT is located within CFSEU-BC they are responsible for discussing any enforcement actions.
- We're aware of the potential for illegal gambling within the province and that there are criminal elements that may use our gaming facilities to launder money if we let them.

ANTI-MONEY LAUNDERING MEASURES:

- B.C. has a robust anti-money laundering program has benefited from significant investments in technology, training and certification in recent years.
- Under federal anti-money laundering laws BCLC is required to record the name, address, occupation and other personal information of players who complete transactions of \$10,000 or more and/or file suspicious transaction reports when necessary
- BCLC forwards the information collected to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), a federal intelligence agency, for analysis of patterns of criminal activity, and to the province's Gaming Policy and Enforcement Branch (GPEB).
- An information-sharing agreement with law enforcement allows BCLC to ban patrons with known links to criminal organizations, who pose a threat to public safety, or who are involved in criminal conduct likely to generate proceeds of crime.
- To date, over 240 people have been banned from gaming facilities in B.C.
- Other anti-money laundering measures include:
 - Actively promoting the use of cash alternatives such as debit cards, convenience cheques and patron gaming fund accounts.
 - Casino chips can only be used at a single facility and chip passing on the casino floor is closely monitored and strongly discouraged.
 - Tight restrictions on the ability of patrons to exchange small bills for large currency denominations.

ADVICE TO MINISTER

- **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.**

KEY FACTS REGARDING THE ISSUE:

On April 11, 2016 government and RCMP announced a new investigative and enforcement team that focuses on money laundering in B.C. gaming facilities and illegal gambling throughout the province. The Joint Illegal Gaming Investigation Team (JIGIT) provides a coordinated approach to illegal gambling enforcement and money laundering between police and the Gaming Policy and Enforcement.

JIGIT is situated in the Province's anti-gang agency, the Combined Forces Special Enforcement Unit –BC (CFSEU-BC). It focuses primarily on organized crime and criminal gang involvement in illegal gambling and money-laundering. However, the team also has 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 investigators from the Gaming Policy and Enforcement Branch. Governance of the team falls within the CFSEU-BC governance model.

JIGIT funding is 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 to operate for at least five years, meaning further funding will have to be confirmed at some point in the future.

The initiative began as a response to indications that gambling-related illegal activity has been on the rise. These include a steady increase in large cash transactions (more than \$10,000) and a corresponding increase in the number of those that trigger suspicious transaction reports. GPEB, BCLC and RCMP have also received reports of illegal gambling houses and other gambling-related illegal activity in the Lower Mainland. In January, an unusually high number of \$5,000 poker chips missing from River Rock Casino and prompted BCLC to initiate a wholesale chip exchange, rendering the previous River Rock chips unusable.^{s.15}

JIGIT is expected to be more effective than IIGET, which was focused on unlicensed video lottery terminals, common gaming houses, bookmaking and internet gaming and was not tasked with examining money laundering or organized crime within legal gaming facilities.

BACKGROUND / CONTEXT:

JIGIT is the most recent in a series of ongoing improvements to the province's anti-money-laundering efforts, some of which date back as far as 1998. In 2000 the federal government created FINTRAC, which requires businesses that deal in large sums of cash - banks, life insurance companies, real estate companies and gambling facilities – to report large-cash transactions and disbursements over \$10,000, foreign exchanges over \$3,000 and all

“suspicious” transactions (any amount).

In 2011, following a review of B.C.’s existing anti-money laundering (AML) programs, the Gaming Policy and Enforcement Branch 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 included 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.

In February 2014, FINTRAC expanded its “Know Your Customer” monitoring requirements. As a result, transactions thought to be related to proceeds of crime or money-laundering require additional collection of data, increased monitoring, client risk analysis and further examination of client’s business relationships. In February 2015, federal legislation expanded to include reporting and identification regulations for eGaming. BCLC has been voluntarily submitting suspicious eGaming transactions to FINTRAC for several years.

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File Created:	April 1, 2015	
File Updated:	Dec. 9, 2016	
File Location:		

Program Area	ADM	Minister’s Office
GPEB PSSG	JM	

ISSUE NOTE

Gaming Policy and Enforcement Branch (GPEB)

Anti-Money Laundering (AML)

Issue: Anti-Money Laundering (AML)

- Government's anti-money laundering (AML) strategy has made significant progress since it was first launched in 2011, however, there will always be a need for vigilance regarding the potential for 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. These include electronic fund transfers and patron gaming accounts that allow customers to open a casino account, withdraw funds prior to play, and deposit again at the end of play. 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. (CFSEU) created the Joint Illegal Gaming Investigations Team (JIGIT). JIGIT is situated within the CFSEU, the RCMP's Surrey-based integrated anti-gang agency with officers from federal, provincial and municipal agencies. 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 ^{s.15} member team, comprised of police personnel and Special Provincial Constables from GPEB.
- In May 2016, GPEB also formed an 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 gathers and analyzes open source and operational intelligence 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 at gambling facilities 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. GPEB has a Memorandum of Understanding (MOU) with FINTRAC that allows FINTRAC to share results of BCLC audits with GPEB.
- 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

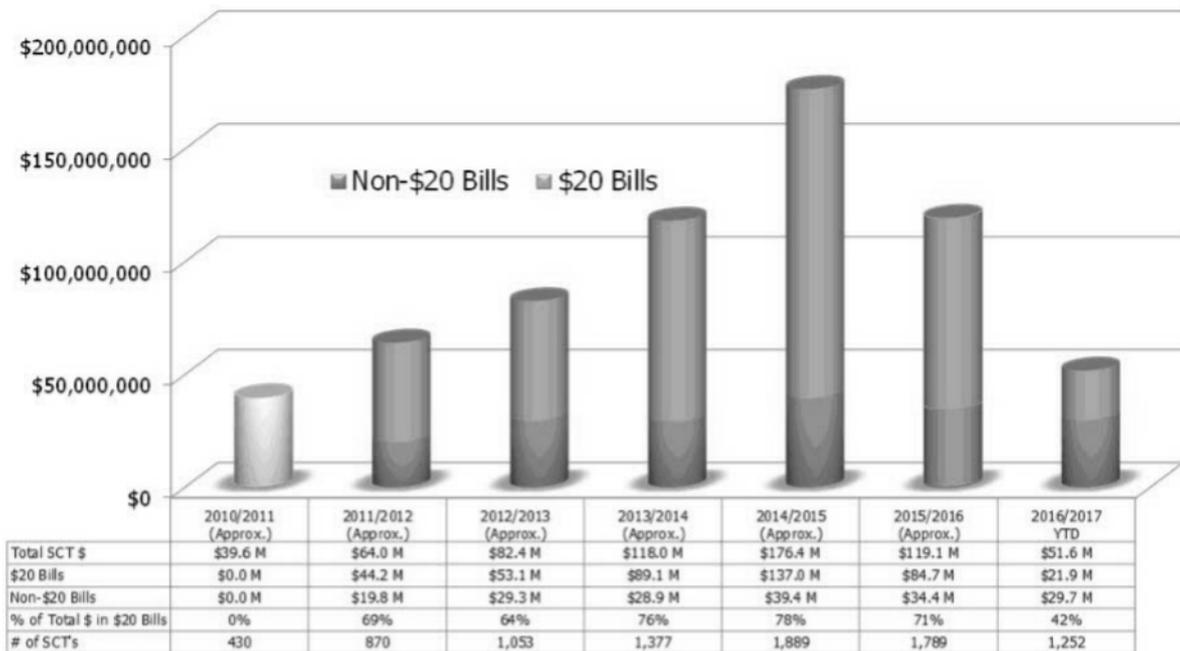
report by examining the facts surrounding the report, gathering information on suspected criminal activity related to the transaction, and sharing investigative findings with the local police, who have the legal authority to conduct an investigation.

- Although there has been a downward trend in the total dollar value of suspicious currency transactions (SCTs) in B.C. gambling facilities from a peak in 2015, GPEB remains concerned about unsourced cash (i.e. cash that cannot be traced to a financial institution or specific financial transaction).
- In addition, the reduction in SCTs has been offset by an increase in new money deposits into PGF accounts. Although the shift to non-cash alternatives is a key component of the AML strategy, there is some concern because bank drafts account for virtually all of the new money deposited into PGF accounts. Because bank drafts cannot always be attributed to a specific individual’s bank account, they can present similar risks to unsourced cash.
- The following table displays the quarterly dollar volume of SCTs compared to PGF new money deposits between January 1, 2015 and March 31, 2017.
- Based on intelligence and evidence from law enforcement sources GPEB remains vigilant in its examination of the use of PGF accounts to ensure the funds being deposited into those accounts are from legitimate funding sources (banks) by patron who hold legitimate bank accounts in Canada.

Suspicious Currency Transaction (SCT) Comparison to PGF New Money Deposits
For the Period January 1, 2015 - March 31, 2017



Suspicious Currency Transactions by Denomination 2010/2011 to 2016/2017 (YTD - through Dec 31, 2016)



*2010/11 - GPEB was not tracking SCTs by denomination

PREPARED BY: GPEB Compliance Division
CONFIDENTIAL - Updated: January 13, 2017

- From 2015 through 2017 the province has 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 monitor of cash alternatives;
 - Ongoing work by GPEB’s Intelligence Unit to ensure responsiveness to criminal trends; and,
 - Exploration and implementation of new AML initiatives, leveraging the resources of JIGIT, GPEB and the BCLC, to combat constantly evolving criminal behaviour.

Decision Required:

- Further AML initiatives may require GPEB’s General Manager (GM) or the Minister of Finance to issue directive(s) to BCLC and/or GPEB. The Minister and the GM have the authority under the *Gaming Control Act* to issue written directives to BCLC and BCLC is required to comply. GM directives related to BCLC require approval of the Minister.

ISSUE NOTE

Issue: Joint Illegal Gaming Investigation Team (JIGIT)

- The Joint Illegal Gaming Investigation Team (JIGIT) was established based on evidence gathered by police and the Gaming Policy and Enforcement Branch (GPEB), which showed that the potential use of legal and illegal gambling by organized crime for the purpose of laundering money was substantial.
- 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. The team also has a public education component aimed at increasing awareness of how to identify and report illegal gambling and money laundering.
- On June 13th, 2017 CFSEU-BC announced that JIGIT conducted a year-long investigation which led to the arrest of a network connected to illegal gaming houses and money laundering. The investigation is ongoing; however it was determined that a criminal organization operated illegal gaming houses, facilitated money laundering for drug traffickers, loan sharking, kidnappings, and extortions.
- Relevant to this Ministry is the allegation that, "it was apparent that there were multiple roles filled by different people which enabled or facilitated the organization in laundering large amounts of money through casinos. CFSEU-BC asserted that the amount of money laundered was in the "millions of dollars."
- JIGIT has been in constant dialogue with Special Prosecutions Branch and ^{s.15}
s.15

Background:

- On April 11, 2016 government and RCMP announced the formation of JIGIT, a new investigative and enforcement team that focuses on money laundering in B.C. gambling facilities and illegal gambling throughout the province. JIGIT provides a coordinated approach to illegal gambling enforcement and money laundering between police and the Gaming Policy and Enforcement Branch (GPEB).
- The initiative began as a response to indications that gambling-related illegal activity has been on the rise. These indicators include a steady increase in large cash transactions (more than \$10,000) and a corresponding increase in the number of suspicious transaction reports. GPEB, the British Columbia Lottery Corporation (BCLC), and RCMP have also received reports of illegal gambling houses and other illegal gambling-related activity in the Lower Mainland.
- s.15
- s.15 The team's operations and governance is overseen by senior police managers from the RCMP and municipal departments and chaired by the commanding officer of RCMP 'E' division (B.C.).

- JIGIT is situated in the RCMP's integrated anti-gang agency, the Combined Forces Special Enforcement Unit (CFSEU) B.C., which includes officers from federal, provincial and municipal agencies. This provides members with access to significant anti-gang and organized crime resources.
- On Feb. 6, 2017, the first public announcement regarding a JIGIT case was made. A dealer and a patron were arrested and charged after an investigation into an incident of cheating –at-play in a Kelowna casino. The investigation was conducted by CFSEU-BC, JIGIT and GPEB. The results of those charges are pending in the courts.
- The total budget for JIGIT is \$4.3 million per year for 2017/18 and 2018/19 (funding for the first year, 2016/17, was \$2.6 million). Funding is shared between the B.C. government through the BC Lottery Corporation (70 per cent), and the federal government through the RCMP (30 per cent). BCLC provided this funding under the direction of its 2016/17 mandate letter.
- Although JIGIT has a five year mandate, provincial funding was committed for a three year period. Funding for the final two years of JIGIT's mandate (2019/20 and 2020/21), which is expected to be materially similar to 2017/18 and 2018/19, requires Treasury Board approval.
- The establishing agreement for JIGIT is 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 in year four to determine whether a recommendation should be made to the Ministers of Finance and PSSG for JIGIT to continue beyond this five year mandate.
- CFSEU-BC is required to provide the Ministry of Finance (MoF) and the Ministry of Public Safety and Solicitor General (PSSG) with quarterly financial reporting and bi-annual performance reporting. The performance 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, PSSG.
- MoF and PSSG have developed and agreed upon a communications protocol for all publically released information by the CFSEU-BC related to JIGIT activities. It provides a mechanism for the CFSEU-BC to consult with GPEB and Police Services Branch in order to confirm content prior to media releases. The protocol agrees that the CFSEU-BC is the police lead and PSSG is the government lead on enforcement and policing communications.
- The Integrated Illegal Enforcement Team (IIGET), which was disbanded in 2009 due to its lack of effectiveness, had a much narrower focus than JIGIT. IIGET focused investigations on illegal gambling activities outside gambling facilities and did not directly investigate money laundering. JIGIT also has the benefit of drawing on the anti-gang and organized crime expertise of CFSEU, something that did not exist with IIGET.

Decision Required:

- s.12

ISSUE NOTE

Issue: British Columbia Lottery Corporation Mandate Letter 2017/18

- The provincial government issues annual Mandate Letters to all provincial crown corporations to confirm each organization's mandate, provide government's annual strategic direction and set out key performance expectations for the fiscal year. The Crown Agencies Resource Office (CARO) manages the process and provides standardized direction that is incorporated into all Mandate Letters, such as maintaining a cost-conscious and principled culture and the prioritization of open information.
- The Gaming Policy and Enforcement Branch (GPEB) works annually with CARO and the British Columbia Lottery Corporation (BCLC) to develop and prepare a Mandate Letter that reflects the Minister's specific direction, key priorities and expectations specific to BCLC. Typically, three to four subject-specific directions are provided in addition to the general direction from government.
- The Mandate Letter requires each board member to acknowledge government's direction by signing and posting it publicly on the Corporation's website.

Background:

- BCLC's 2017/18 Mandate Letter generally directs the corporation to conduct its business in a manner that meets government's expectations for social responsibility and gambling, public safety, gambling integrity, and projected financial targets.
- The Mandate Letter has four specific directions for BCLC to accomplish. These specific directions are prepared by GPEB in consultation with BCLC. In 2017/18, BCLC is specifically directed to take the following strategic actions:
 - 1) Optimize BCLC's financial performance and sustain net return to the Province. This direction includes two specific report-back requirements to government: report on the implementation of the new PlayNow.com subsidiary and provide quarterly reports, including financial forecasts and issues and risks. This direction also requires BCLC to review its approach to commissions paid to gambling service providers.
 - 2) Continue to support government in the implementation of its Anti-Money Laundering (AML) Strategy and mitigate related illegal activities. This direction includes six sub-requirements:
 - a) Work with GPEB to determine and implement measures that effectively combat money laundering and illegal activity in B.C. gambling facilities;
 - b) Fund the Joint Illegal Gaming Investigation Team (JIGIT);

- c) Enhance AML best practices with appropriate consideration of evaluating source of funds prior to cash acceptance; and
- d) Provide a quarterly report to the Minister of Finance on BCLC's activities related to the above.

Please see Transition Binder TAB 09, AML Strategy for additional information.

- 3) Implement the five remaining commitments found in the *Plan for Public Health and Gambling (February 2015)* (the *Plan*) including offering time and money budgeting tools to Encore Rewards members and PlayNow.com customers and implementing customized responsible gambling messaging on PlayNow.com. BCLC will submit bi-annual progress reports to the Minister of Finance and the General Manager, GPEB on the implementation of commitments under the *Plan*.

Please see Transition Binder TAB 08, *Plan for Public Health and Gambling* for more information.

- 4) BCLC will report out on completing implementation of the recommendations from the *Review of the British Columbia Lottery Corporation (December 2014)* by Internal Audit and Advisory Services (Crown Review) by June 30, 2017.

- s.12

- Related to the fourth direction, BCLC publically announced in June 2017 it has completed all of the Crown Review recommendations. GPEB auditors are currently reviewing BCLC's completed recommendations and a report is due in summer 2017 to the General Manager, GPEB.

Decision:

- A new incoming government may choose to update the Mandate Letter where there are changes in policy. They may also choose to update the standardized direction or specific directions. In these cases, new Mandate Letters would be drafted.



Know your limit, play within it.

July 14, 2016

351679

Jim Lightbody, CEO and President
British Columbia Lottery Corporation
2940 Virtual Way
Vancouver BC V5M 0A6

Dear Mr. Lightbody,

Re: Cash Alternative Proposals and Source of Funds

This letter is in response to the two policy documents proposing cash alternatives that were submitted to the Gaming Policy and Enforcement Branch (GPEB) on April 20, 2015 by Ross Alderson of the B.C. Lottery Corporation (BCLC).

Thank you for sharing these documents and I appreciate the work BCLC has undertaken in preparing these proposals. While there is no requirement for BCLC to seek GPEB approval of these specific proposals in and of themselves, I appreciate the opportunity to review them and provide comment in the broader context of government's anti-money laundering (AML) efforts. Indeed, BCLC has appropriately characterized both proposals as AML initiatives because they provide alternatives to cash entering or leaving gaming facilities. Fundamental to the success of these initiatives and B.C.'s AML Strategy as a whole, however, is the need to evaluate the source of funds and make a risk-based determination of their legitimacy prior to acceptance.

Due diligence on source of funds resulting from the cash alternatives proposed is important to ensure the AML Strategy is not undermined by providing a means to convert illicit funds. In the case of convenience cheques, the conversion would occur upon provision of a convenience cheque by the service provider. In the case of international EFTs, BCLC would be relying primarily on information provided to Canadian institutions from a foreign bank and ultimately the robustness of that country's banking system, their AML legislation and, specifically, that they will investigate source of funds. The Province has previously provided written direction to BCLC to establish the source of funds prior to accepting cash at gaming facilities:

1. **In the 2016/17 mandate letter to BCLC**, the Minister of Finance directed BCLC to provide a quarterly report on implementation of the government's AML Strategy, including "implementation of anti-money laundering compliance best practices with appropriate consideration of evaluating the source of wealth and source of funds prior to cash acceptance within a risk based framework."

Ministry of
Finance

Gaming Policy and
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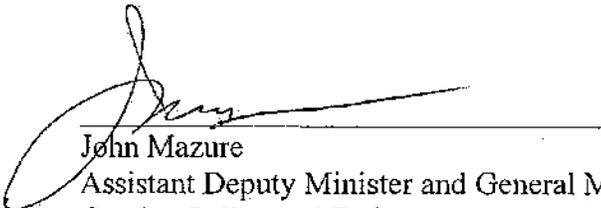
2. **The January 2016 letter from John Mazure, General Manager, GPEB, to Jim Lightbody, CEO and President, BCLC,** included the expectation that “BCLC implement AML best practices with appropriate consideration of evaluating source of wealth and source of funds prior to cash acceptance.”
3. **In the October 2015 letter from the Honourable Michael de Jong, Minister of Finance to Bud Smith, BCLC Board Chair,** BCLC was directed to take the following action in response to the prevalence of large and suspicious cash transactions: “Enhance customer due diligence to mitigate the risk of money laundering in British Columbia gaming facilities through the implementation of AML compliance best practices including processes for evaluating the source of wealth and source of funds prior to cash acceptance.”
4. **The August 2015 letter from John Mazure, General Manager, GPEB, to Jim Lightbody, CEO and President, BCLC,** asked BCLC to pursue specific activities related to enhancing the AML Strategy, including: “Develop and implement additional Customer Due Diligence (CDD) policies and practices constructed around financial industry standards and robust Know Your Customer (KYC) requirements, with a focus on identifying source of wealth and funds as integral components to client risk assessment...”

In providing comments to BCLC on the cash alternative proposals, I understand that FINTRAC also emphasized the need to establish source of funds to ensure the proposed cash alternatives do not introduce additional risks with respect to money laundering.

To ensure the Province is taking the steps necessary to eliminate the proceeds of crime from B.C. gaming facilities and to support the AML Strategy and the integrity of gaming in B.C., BCLC should contemplate not accepting funds where the source of those funds cannot be determined or verified, within a risk-based framework. This approach could include, for example, a source of funds questionnaire and a threshold amount over which BCLC would require service providers to refuse to accept unsourced funds, or a maximum number of instances where unsourced funds would be accepted from a patron before refusal.

I trust that BCLC will continue to work with GPEB to support the AML Strategy and the integrity of gaming in B.C. by evaluating source of funds prior to acceptance at gaming facilities.

Yours sincerely,



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

August 3, 2016

Gaming Policy & Enforcement Branch
PO BOX 9311 STN PROV GOVT
Victoria BC V8W 9N1

Attention: John Mazure
Assistant Deputy Minister and General Manager



Dear Mr. Mazure:

Re: Anti-Money Laundering Matters – Cash Alternative Proposals

I write in regard to your letter of July 14, 2016, and further to the two proposals we provided to you for approval on April 20, 2016 dealing with new non-cash transaction options at casinos.

At GPEB's request the proposals were submitted for approval however it is now the common understanding as between our respective organizations, based on recently acquired information, that GPEB approval is not required in regard to operational gaming matters such as these. I would like to take this opportunity to thank you for taking the time to review and comment on the proposals notwithstanding.

In your letter you have set out a number of excerpts from earlier correspondence between you and I, and from the Minister to the BCLC Board Chair, reminding us of the expectations of BCLC's anti-money laundering regime. I thank you for those reminders and can assure you that BCLC's obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) are an ever present top priority for BCLC. Furthermore, I can confirm that BCLC remains committed to working with GPEB and FinTRAC to ensure our anti-money laundering program is fully compliant and one of the most robust in the industry. I am very pleased to share that just recently (June 2016) FinTRAC completed a comprehensive audit of BCLC's anti-money laundering program and commented that BCLC was industry leading in its anti-money laundering efforts.

I appreciate your suggestion that BCLC ensure its new proposals are conducted within a risk based anti-money laundering framework, and specifically that on a risk basis source of wealth and source of funds inquiries should form part of that framework. I can confirm that source of wealth and source of funds inquiries are in fact incorporated into the BCLC anti-money laundering program and will apply to the proposals when implemented along with all the other program elements aimed at countering money laundering.

With respect to the proposal on electronic funds transfers, you state that "... BCLC would be relying primarily on information provided to Canadian institutions from a foreign bank and ultimately the robustness of that country's banking system...". I believe some clarification is required here. BCLC will not be relying on the anti-money laundering efforts of foreign banks. BCLC will, however, be relying to some extent on the compliance of Canadian banks with Canadian anti-money laundering laws governing international transfers. Under our proposal, electronic funds transfers must first be accepted by a Canadian bank prior to being transferred into a customer's gaming account. BCLC will also subject transactions to its own anti-

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money laundering measures independent of the Canadian bank's assessment. This will ensure that foreign transfers are subjected to two layers of anti-money laundering screening.

Thank you again for taking the time to provide us with your comments and feedback.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Lightbody". The signature is fluid and cursive, with a large initial "J" and "L".

Jim Lightbody
President & CEO

INFORMATION NOTE

British Columbia Lottery Corporation

Date: March 24, 2016

**FOI 16-009: River Rock
Casino Chip Replacement**

Key Facts:

On March 24, 2016, BCLC is releasing its response regarding an FOI request made by a media applicant on January 29, 2016 (and further clarified on March 4, 2016) for:

“Briefing notes, security investigation reports, and presentations related to the \$5,000 chip expiry notice, effective January 18, 2016, at the River Rock Casino from the director and manager levels within the Casino Security Investigations, Operational Gaming Compliance, and Casino Operations departments which indicate:

- when BCLC first became aware of a problem with the chips, and what that problem is,
- BCLC's decision to replace the chips and why, and
- the cost of chip replacement

for the timeframe of October 18, 2015 to January 18, 2016.”

BCLC is providing 202 pages of records in response to the request. They consist of email correspondence between BCLC Corporate Security and Compliance staff, River Rock Casino staff, third party IT support staff and additional records including letters from BCLC to River Rock security and gaming floor staff, and BCLC operational planning, chip replacement processing and investigation summary forms.

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A majority of the records are slightly different versions of emails between 18 staff members, and repeat the same information/conversations.

Some information has been withheld from disclosure under sections 13, 15, 17, 21, and 22 of FIPPA. An additional 36 pages have been withheld in their entirety under sections 14, 15, 17, and 21 of FIPPA.

Disclosure of this information could reasonably be expected to:

- reveal policy advice or recommendations developed by or for BCLC
- reveal information that is subject to solicitor-client privilege
- harm a law enforcement matter
- harm the effectiveness of investigative techniques and procedures
- help facilitate the commission of an offence
- harm the security of any BCLC property or systems
- reveal confidential commercial and financial information
- reveal plans related to the administration of a public body that have not yet been implemented or made public
- harm the business interests or competitive position of a third party
- harm the personal privacy of a third party

Of note in the records:

- a. Some confusion and uncertainty around initiating the chip swap program at RRRCR in September 2015; mention that it was “cancelled last minute” – pg 1, 29
- b. Mention that planning for the swap is moving ahead despite “comfort level” concerns of RRRCR, and the fact a chip policy is in place that must be adhered to, as well as mention the swap was supposed to take place in September 2015 but was put on hold – pg 16
- c. s.15
- d.
- e. Concern raised about what to tell patrons who attempt to cash in their chip(s) after the January 31, 2016 deadline – pg 49
- f. Risks and procedural challenges identified during operation planning; need for enhanced communication between Casino business unit and other stakeholders, including finance department, to develop a better process and action plan around chip stock practices and swaps in the future – pg 59, 61, 62
- g. Concerns around executing the chip exchange due to technical issues (validation disk) with BCLC service provider Gaming Partners International (“GPI”). Remark made that several stakeholders are involved in the project, including Government, and operation should go ahead as planned on Jan 18, 2016 – pg 88
- h. Email update about “hiccups” in rolling out the operation a few days prior to Jan 18 – pg. 114
- i. s.15,s.22
- j. Concerns from RRRCR that they might not have enough \$5,000 chips for the Chinese New Year, due to decision not to issue new \$5K chips until the chip exchange program is complete (Jan 31, 2016) – pg. 150

Note (as noted in the records): BCLC’s initial plan was to conduct a chip swap in September 2015, however it was postponed until January 2016 due to operational needs.

Background:

Between January 18 and 31, 2016, a chip replacement program for \$5,000 chips was conducted at River Rock Casino s.15 . Patrons were given new chips or the cash value for the chips they returned.

In 2015, the River Rock Casino Resort (RRRCR) experienced an increase in patrons leaving with large quantities of RRRCR \$5,000 chips.

BCLC believed the high number of outstanding RRRCR \$5,000 chips posed a personal risk to the safety of those in possession of large quantities of these chips, as they could be targeted in a robbery.

s.15

RRCR \$5,000 Chips:

BCLC has seen the high number of outstanding RRCR chips drop significantly since September 2015 and much of this can be attributed to BCLC's AML strategy in 2015 including:

- New chip tracking policy changes for RRCR (BCLC has also updated its Casino Standards, Policies and Procedures for all service providers to include additional requirements for tracking \$5,000 denomination chips)
- s.15
-

The objectives of the chip replacement were to:

- Replace the current RRCR \$5,000 chip that is in circulation with a new RRCR \$5,000 chip.
- Render valueless the current RRCR \$5,000 chip after January 31, 2016.
- Mitigate the removal of chips from the RRCR and specifically the high limit rooms.
- Encourage patrons to open Patron Gaming Fund accounts and make use of the account as a cash alternative.

BCLC investigators attended RRCR and conducted interviews with patrons when:

- s.15
-
-
-

Signage in the facility was posted January 18, 2016, informing players to bring their \$5,000 chips in for replacement, and warning they will be valueless as of January 31, 2016.

BCLC Response Points:

- **BCLC replaced high value chips in circulation at River Rock Casino Resort in late January, 2016.**
- **It is casino industry practice to periodically refresh casino chip stock to enhance game protection and other aspects of casino security.**
- **Players were encouraged to return their chips in exchange for a payout or for new chips.**
- **BCLC also took this opportunity to encourage patrons to open Patron Gaming Fund accounts, to reduce their reliance on cash and enhance player personal safety.**
- **The replacement of chips is important to maintain the integrity of gaming.**

IF asked:

- **BCLC postponed the chip swap at River Rock (from September 2015 to January 2016) due to operational needs.**

	Name	Number
Program Area Contact:	Laura Piva-Babcock	250-828-5576

February 15, 2017

Gaming Policy & Enforcement Branch
Ministry of Finance
3rd Floor - 910 Government Street
Victoria, BC V8W1X3

**Attention: John Mazure
Assistant Deputy Minister**

Dear John:

Re: Joint Illegal Gaming Investigation Team (JIGIT)

Thank you for your letter dated February 8, 2017 regarding the Joint Illegal Gaming Investigation Team (JIGIT). We appreciate the update on the creation of JIGIT by Gaming Policy Enforcement Branch (GPEB), the Policing and Security Branch (PSB) and the RCMP "E" Division. We are also in receipt of a letter from our Minister of Finance to our Board Chair that directs BCLC to help fund JIGIT over its five year mandate.

Your letter refers to an agreement between BCLC and GPEB regarding performance reporting, financial reporting, confidentiality and public communications. As we understand your letter, there is no action required by BCLC other than providing the funding and cooperating with the JIGIT teams and GPEB. While the performance and financial reports will be interesting, we will have no impact on JIGIT activities and therefore, will treat them as information only.

Yours truly,



Jim Lightbody
President & CEO

cc: Rob Kroeker, VP Corporate Security & Compliance
Amanda Hobson, CFO & VP, Finance & Corporate Services
File



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2940 Virtual Way
Vancouver, BC V5M 0A6

T 604.215.0649
F 604.225.6424
bclc.com



Know your limit, play within it.

FEB 08 2017

350705

Jim Lightbody
CEO and President
British Columbia Lottery Corporation
2940 Virtual Way
V5M 0A6

Dear Mr. Lightbody

Re: Joint Illegal Gaming Investigation Team

The Ministry of Finance's Gaming Policy Enforcement Branch (GPEB), The Ministry of Public Safety and Solicitor General's (PSSG) Policing and Security Branch (PSB), and the RCMP "E" Division have agreed to the creation of the Joint Illegal Gaming and Investigation Team (JIGIT) within the Combined Forces Special Enforcement Unit B.C. (CFSEU-BC). JIGIT is an initiative to help combat police-reported increases in illegal gambling and to increase investigation into the manner in which funds flow through provincial gambling facilities.

I want to thank you for the financial contribution that the British Columbia Lottery Corporation (BCLC) will make to JIGIT and the continued cooperation between our two organizations on compliance.

PSB and GPEB have entered into a Letter of Understanding, which outlines the purpose, structure, governance, funding, duration, performance reporting, and confidentiality requirements of JIGIT. The Letter of Understanding is confidential in nature and is attached for your reference.

This letter provides for the agreement between BCLC and GPEB regarding performance reporting, financial reporting, confidentiality and public communications, as specified below.

Performance Reporting

GPEB will provide BCLC with bi-annual performance information based on reporting received from CFSEU-BC. The report will outline the efforts of JIGIT and include gambling specific metrics.

.../2

**Ministry of
Finance**

Gaming Policy and
Enforcement Branch
Assistant Deputy
Minister's office

Mailing Address:
PO BOX 9202 STN PROV GOVT
VICTORIA BC V8W 9N1
Telephone: (250) 387-1301
Facsimile: (250) 387-1818

Location / Courier Address:
Third Floor, 910 Government Street
Victoria, BC V8W 1X3
Web: www.gaming.bov.bc.ca

The report provided to BCLC may include:

- Number of active JIGIT files
- Total number of investigative techniques [investigative efforts against targets (e.g. surveillance, judicial authorizations, warrants, interviews etc.)]
- Total number of police seizures (including a breakdown of what those were and the value)
- Total number of arrests, charges, convictions and dispositions.

Financial Reporting

Financial reporting on JIGIT will be provided to BCLC on a quarterly basis, in a mutually agreeable form, noting the province cannot disclose information that would be detrimental to JIGIT operations or compromise police investigations. I understand discussions are underway between our two financial departments to determine what format this reporting will take.

Confidentiality

Any reports generated or produced in connection to JIGIT, including performance reports and financial reports, shall remain confidential unless otherwise agreed to by PSB and GPEB or where required by law or regulatory disclosure requirements.

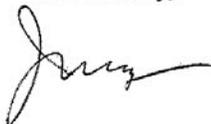
The attached Letter of Understanding between GPEB and PSB must also remain confidential.

Public Communications

External, public-facing communications of JIGIT activities, such as media releases and press conferences, are within CFSEU-BC jurisdiction. The Ministry of Finance and the Ministry of Public Safety and Solicitor General have requested that JIGIT communication of investigative matters pre and post operation be shared by the RCMP with both Ministries as early as possible to the extent advisable by the CFSEU-BC. The Ministry of Finance will ensure that BCLC is briefed on these issues where advisable by the CFSEU-BC.

The attached Letter of Understanding may be amended as required.

Yours sincerely,

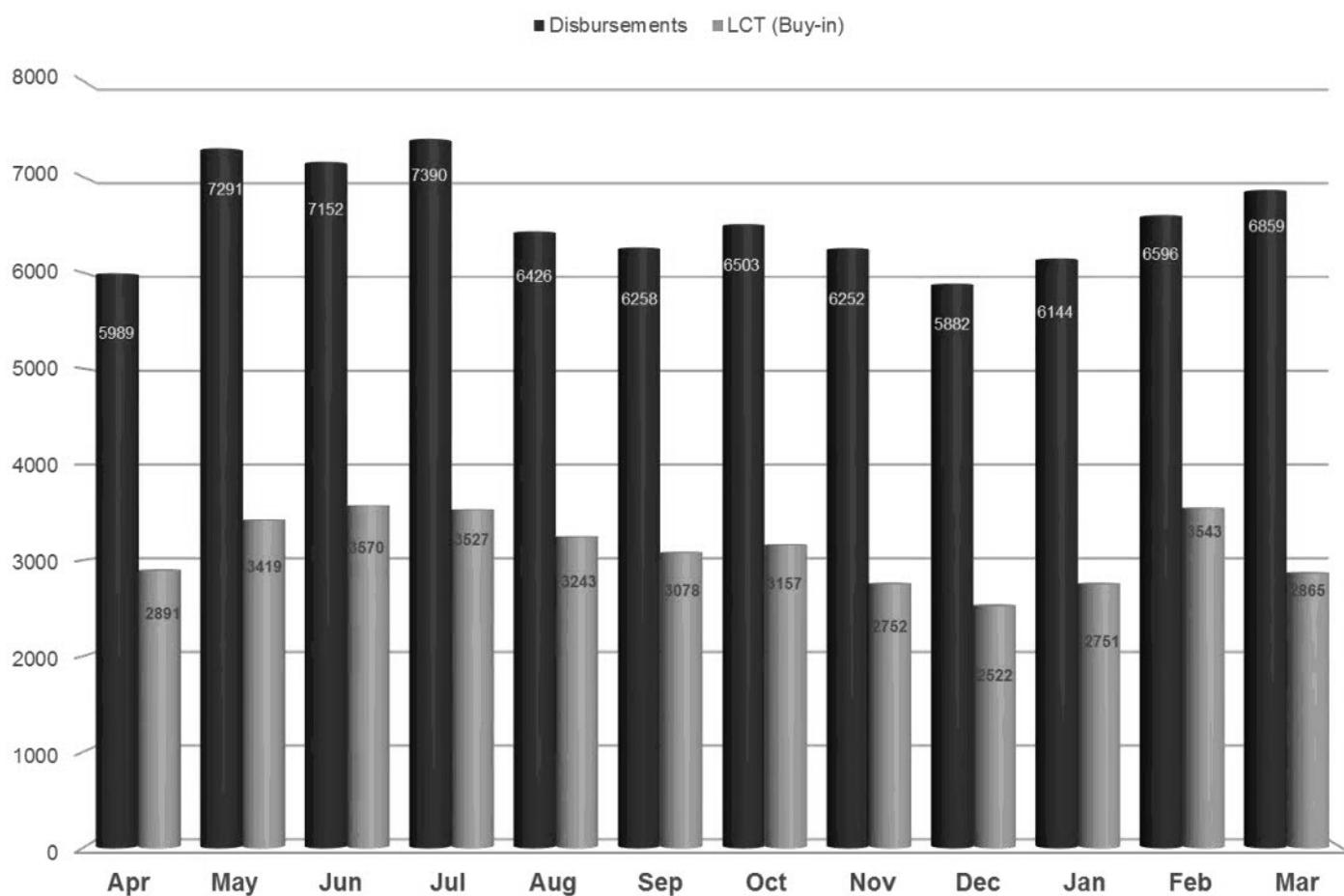


John Mazure
Assistant Deputy Minister and General Manager
Gaming Policy and Enforcement Branch
Ministry of Finance

pc: Mr. Clayton J. D. Pecknold, Assistant Deputy Minister and Director of Police Services
Mr. J.E.L. (Len) Meilleur, Executive Director, Compliance Division
Ms. Amanda Hobson, Vice-President, Chief Financial Officer, Finance and Corporate Services,
BCLC
Mr. Rob Kroeker, Vice-President, Corporate Security and Compliance, BCLC

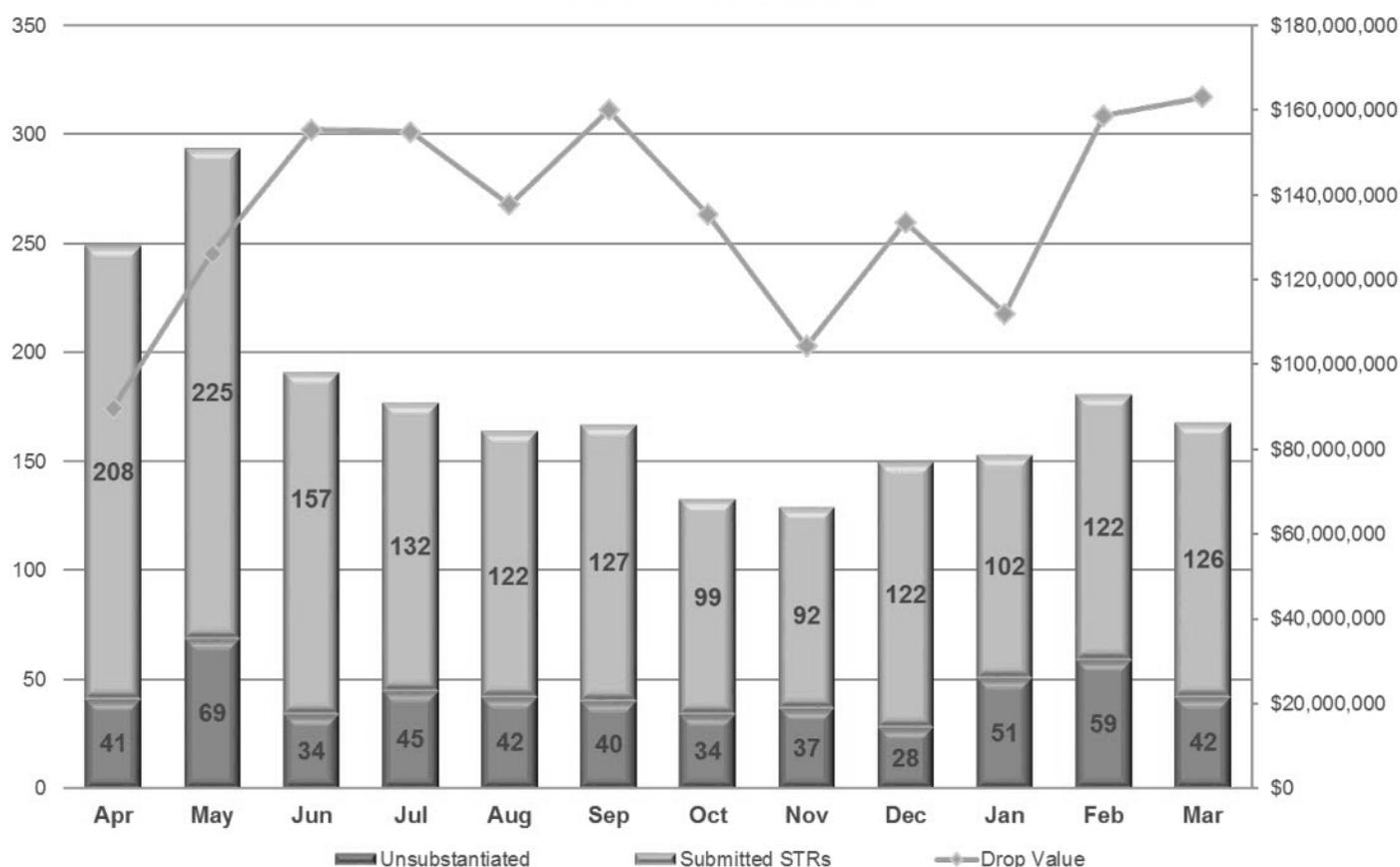
BCLC Corporate Security & Compliance Monthly Dashboard March 2017

Monthly Submissions to FINTRAC Fiscal Year 2016/17



Monthly Suspicious Incident Files vs Monthly High Limit Table Drop Values Fiscal Year 2016/17

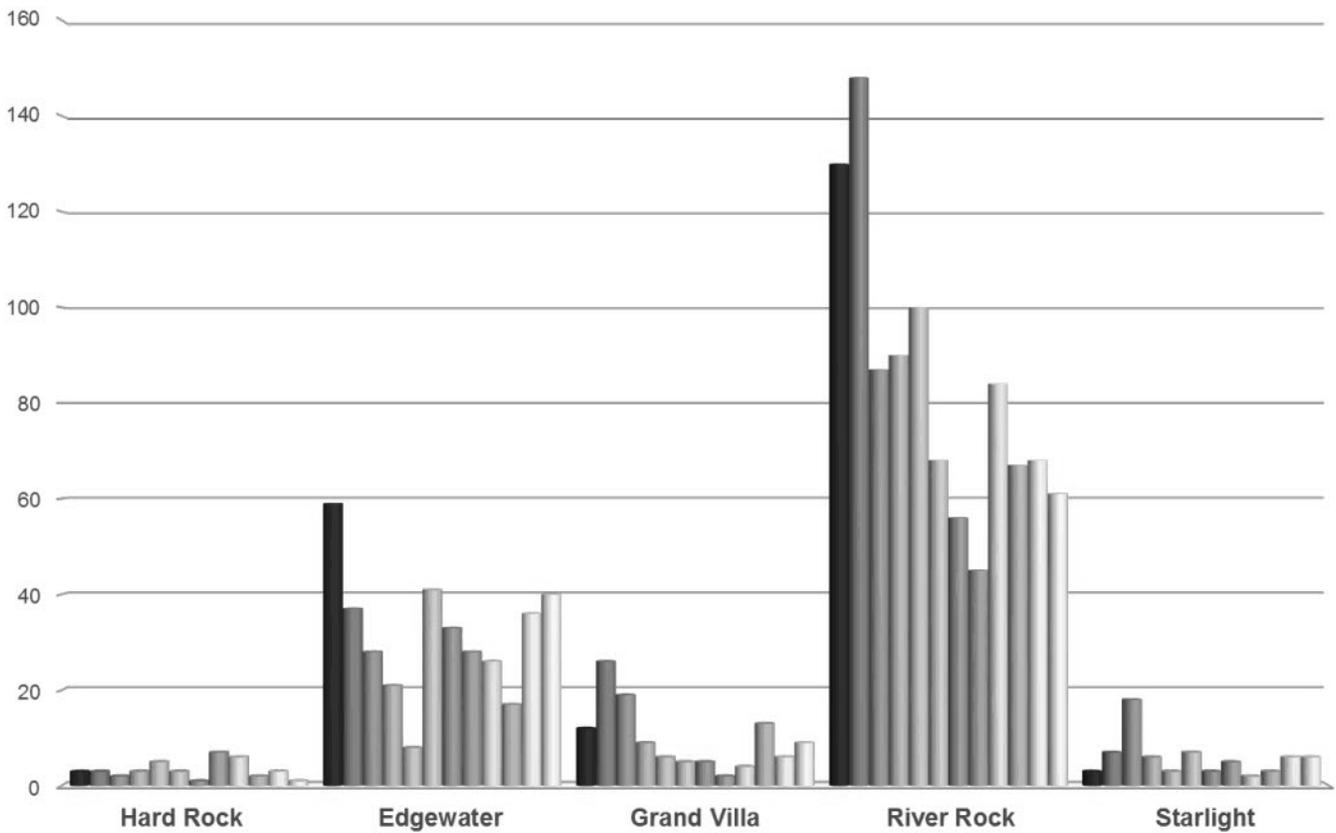
Note: monthly totals may be adjusted as STRs may be filed within 30 days of occurring



Suspicious Transaction Reports filed by Site Fiscal Year 2016/17

Note: statistics are displayed for 5 largest casino properties. STRs also filed at other sites.

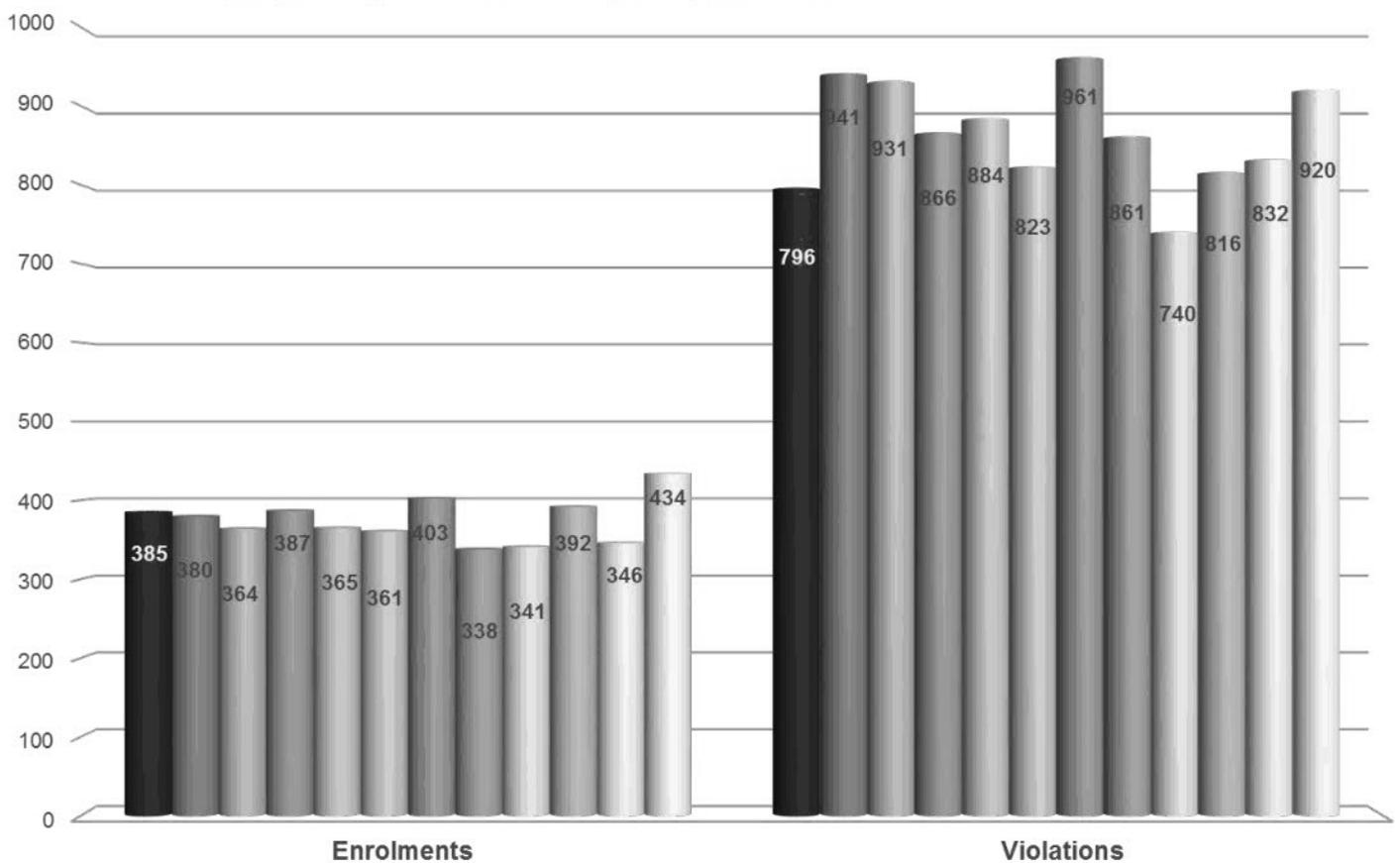
■ Apr ■ May ■ Jun ■ Jul ■ Aug ■ Sep ■ Oct ■ Nov ■ Dec ■ Jan ■ Feb ■ Mar



Monthly Report on VSE Enrolments & Violations Fiscal Year 2016/17

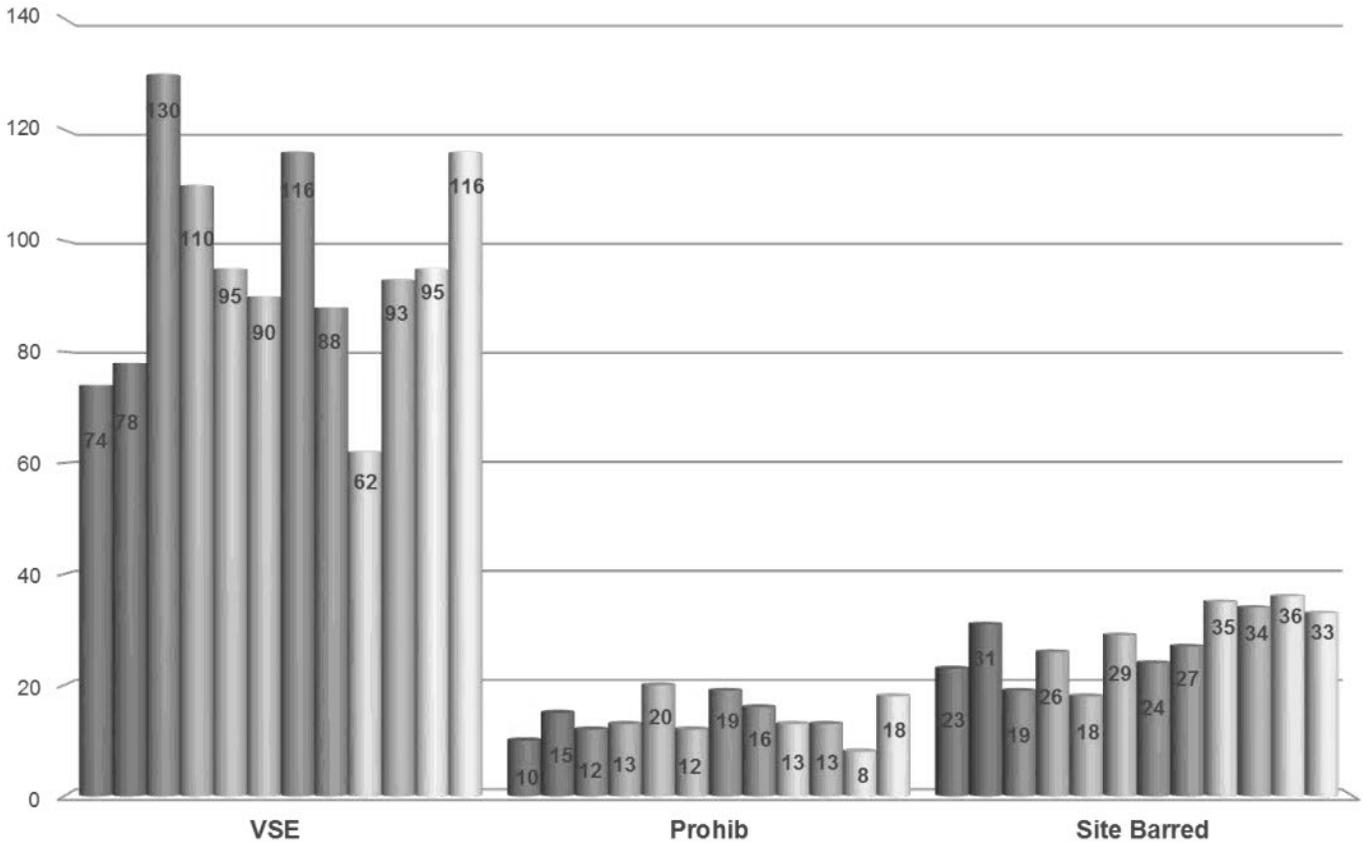
Note: violations include staff, LPR, ID Scanner and Ineligible Win detections

■ Apr ■ May ■ Jun ■ Jul ■ Aug ■ Sep ■ Oct ■ Nov ■ Dec ■ Jan ■ Feb ■ Mar



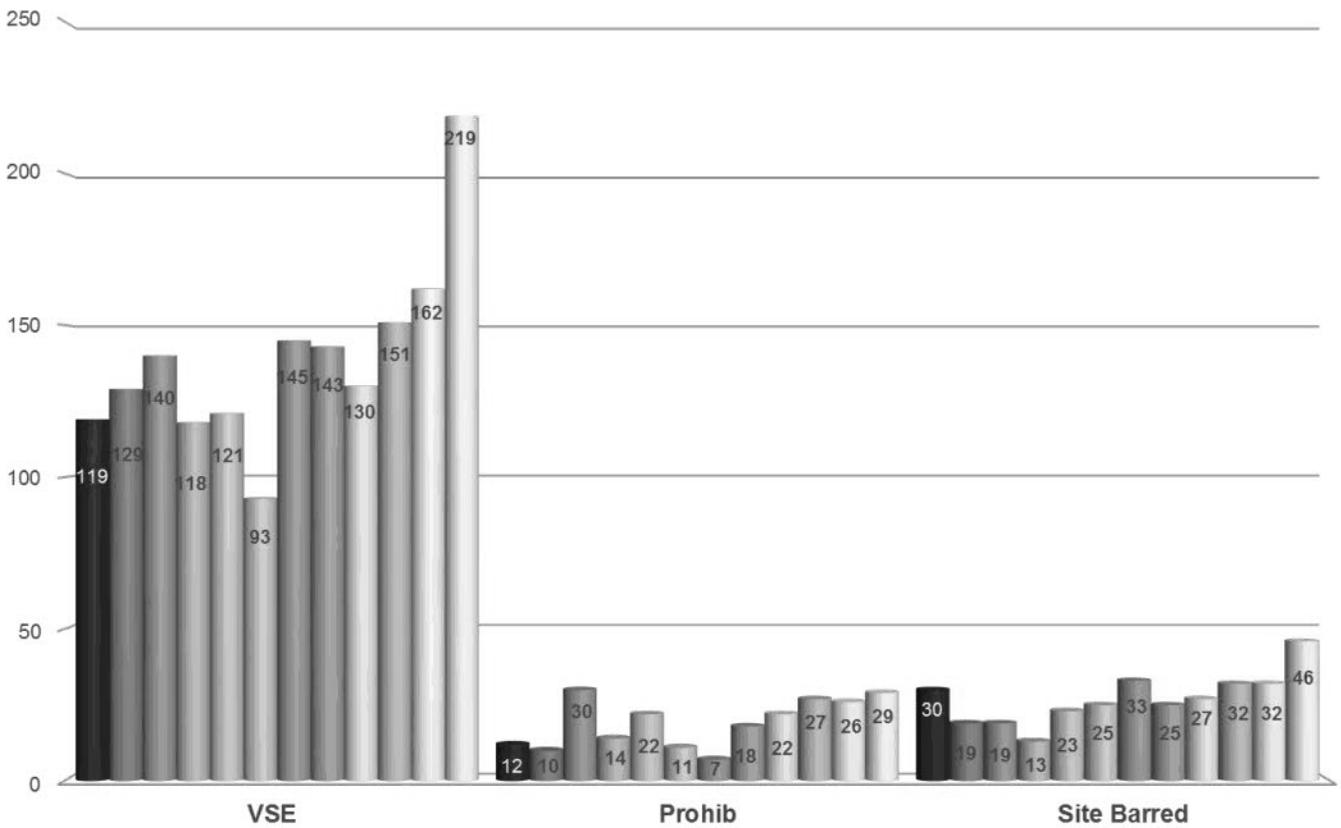
ID Scanner Captures Monthly Report Fiscal Year 2016/17

■ Apr ■ May ■ Jun ■ Jul ■ Aug ■ Sep ■ Oct ■ Nov ■ Dec ■ Jan ■ Feb ■ Mar

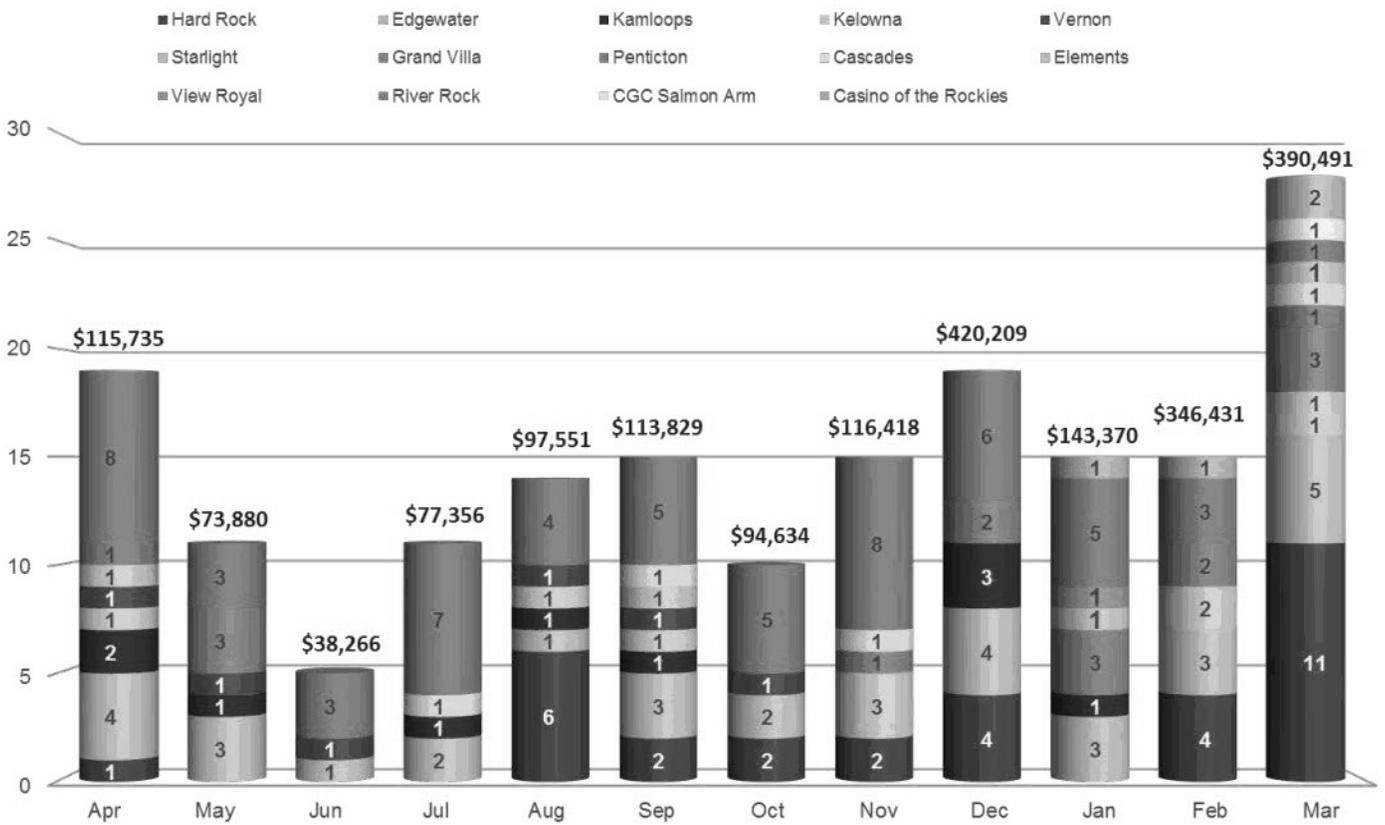


LPR Captures Monthly Report Fiscal Year 2016/17

■ Apr ■ May ■ Jun ■ Jul ■ Aug ■ Sep ■ Oct ■ Nov ■ Dec ■ Jan ■ Feb ■ Mar

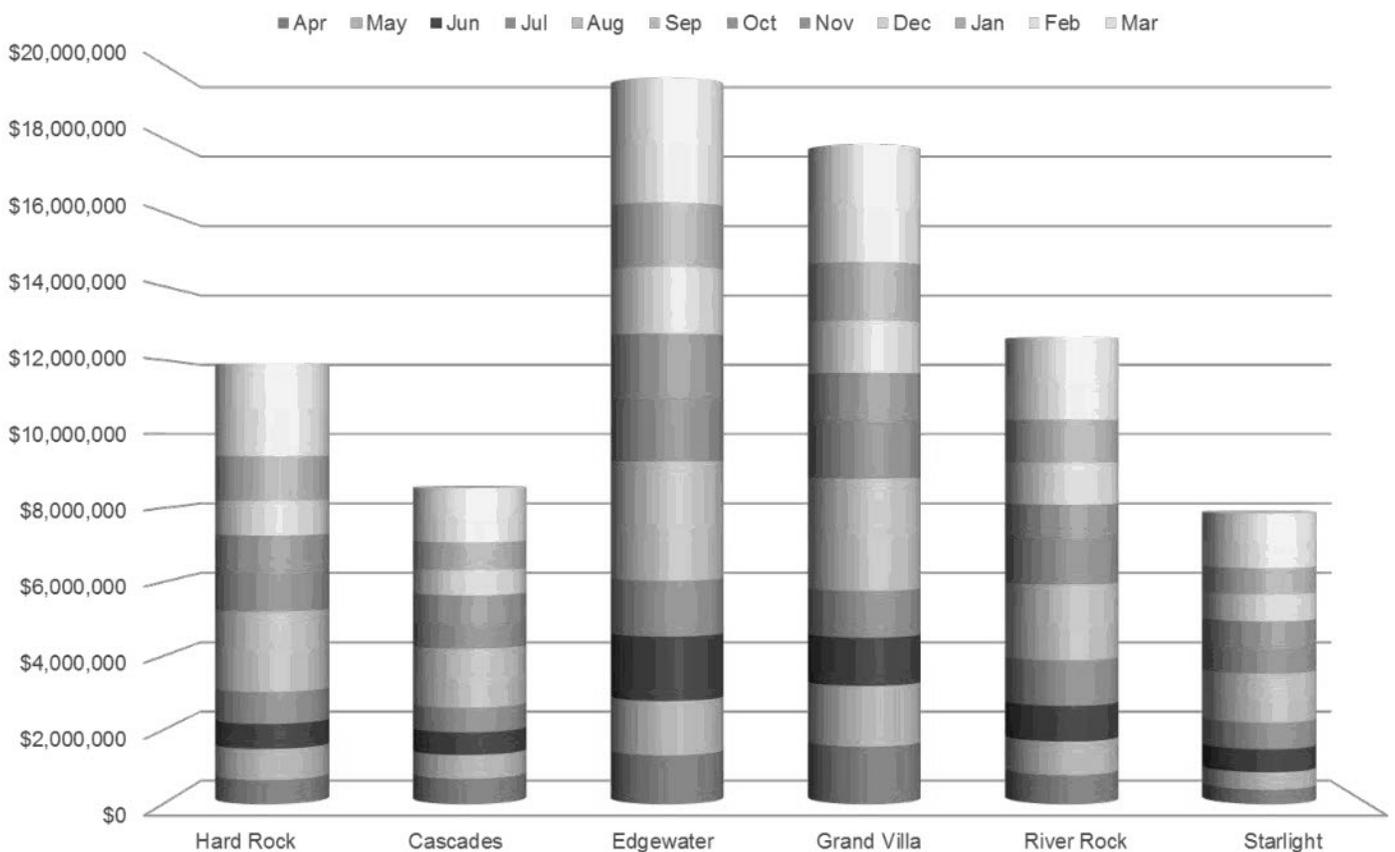


Convenience Cheques Issued Fiscal Year 2016/17 Total Dollar Value = \$2,028,173 Total Cheques Issued = 179



Debit Card use at Cash Cage Monthly Totals by Property Fiscal Year 2016/17

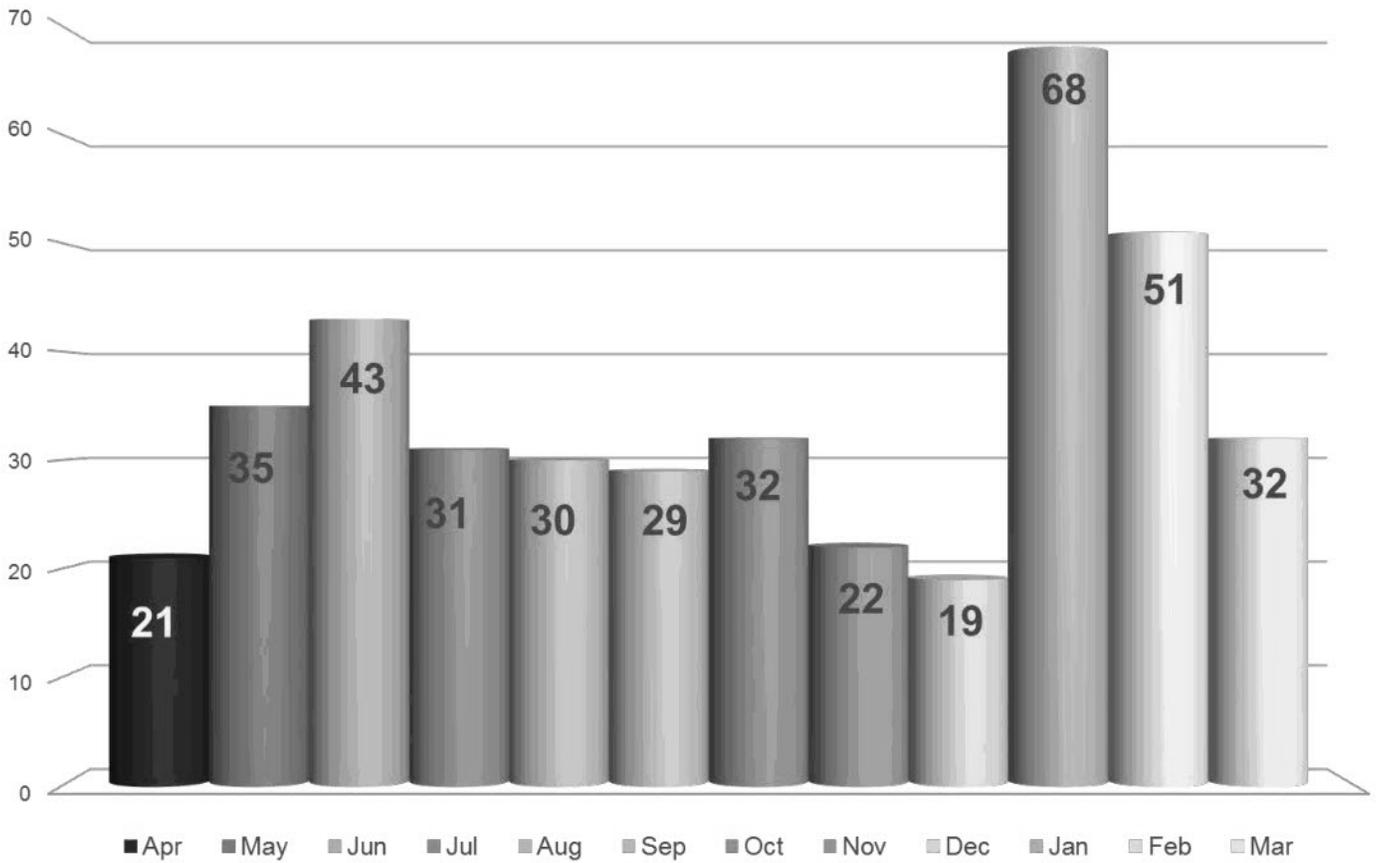
Note: also in use at CGCs Abbotsford, Campell River, Chilliwack, Courtenay, Cowichan, Dawson Creek, Fort St. John, Kelowna, Maple Ridge and casinos Elements, Hastings, Kamloops, Kelowna, Penticton, Treasure Cove, Vernon, View Royal with lower totals



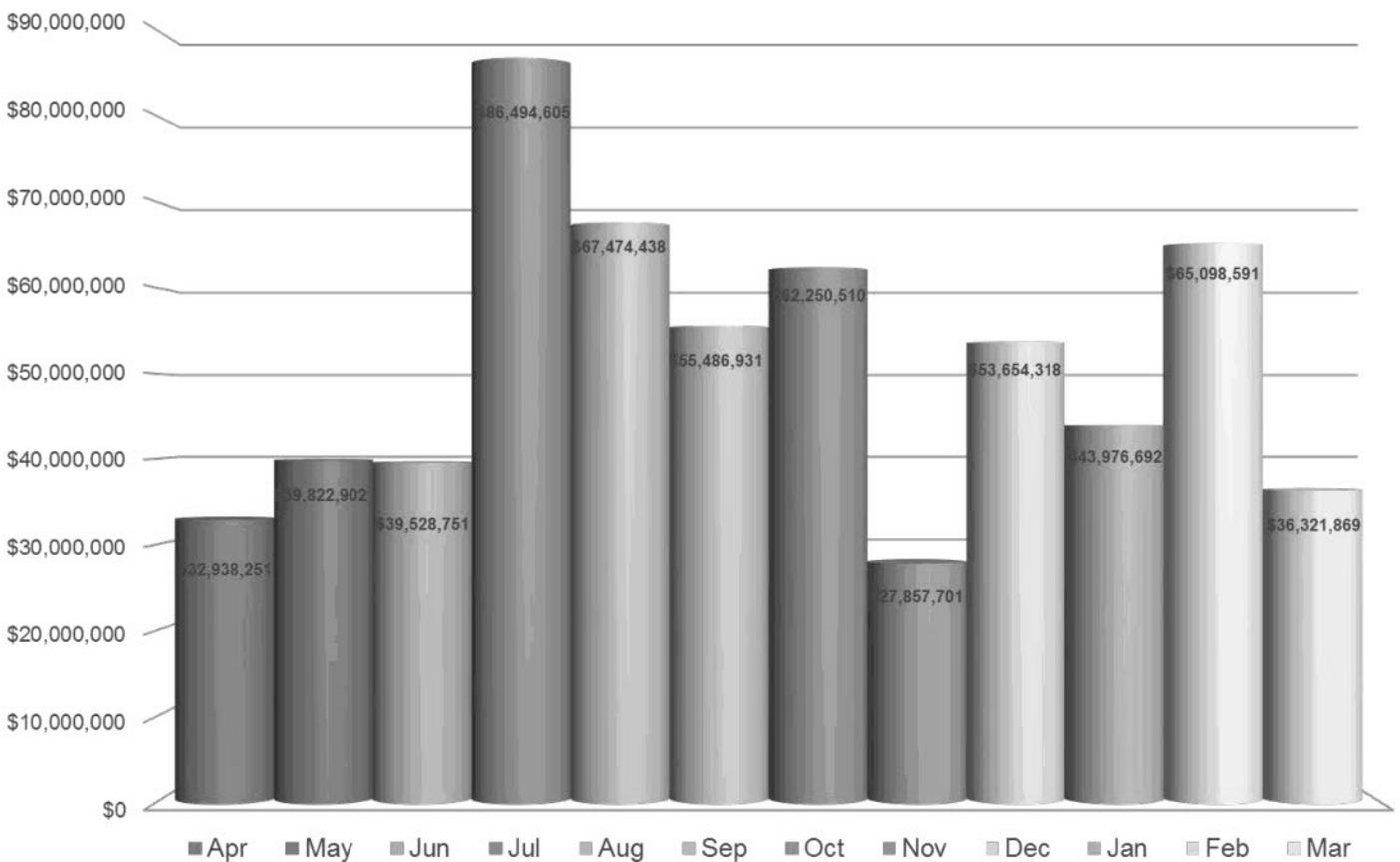
Note: River Rock Casino held a PGF promotion from Jan 15 - Feb 8, 2017. This is the reason for the large spike in Jan & Feb.

Monthly PGF Account Openings Fiscal Year 2016/17

Accounts Opened/Reopened since Apr 1, 2016 = 413

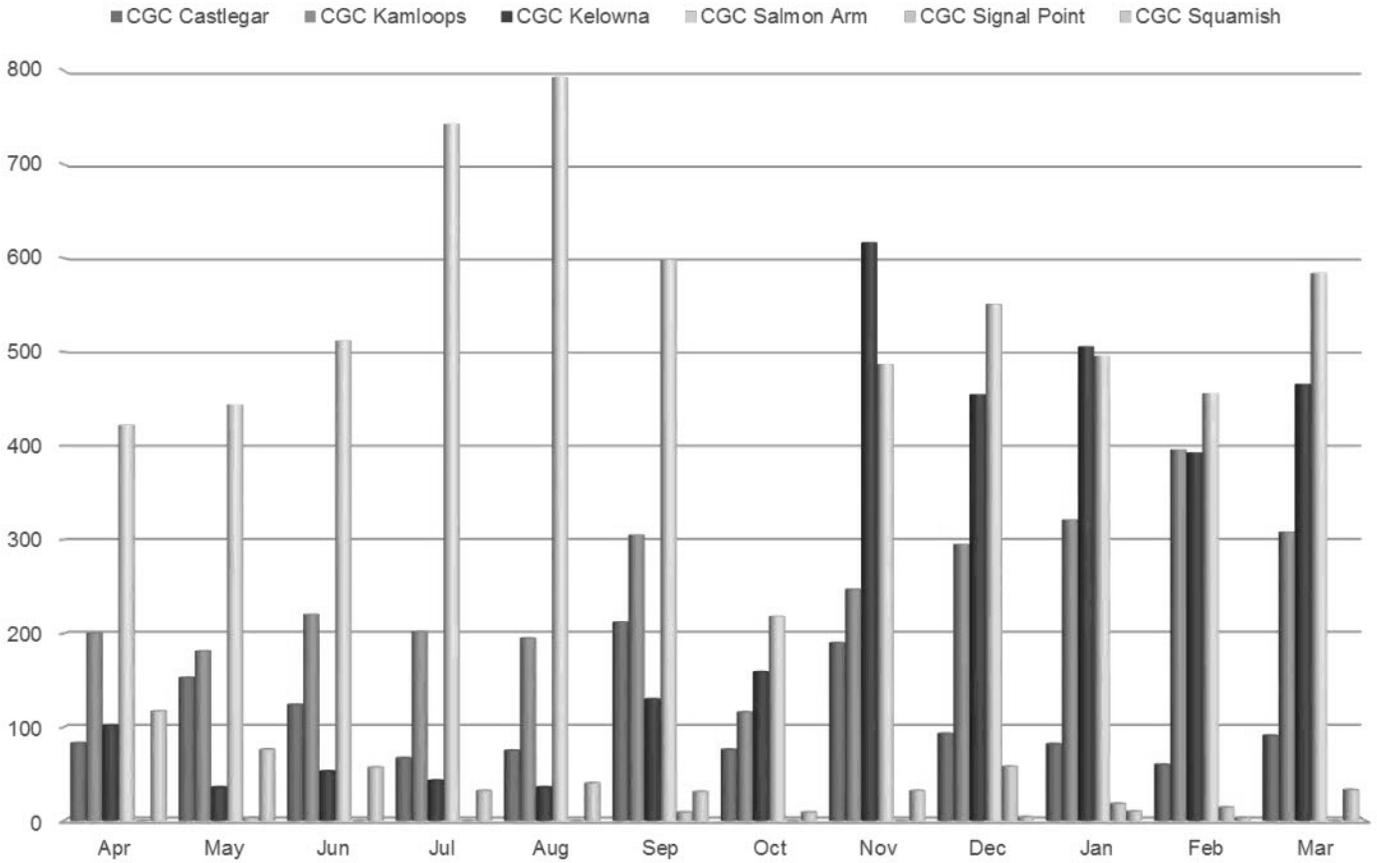


PGF Account Use Deposits = \$610,905,558 Fiscal Year 2016/17

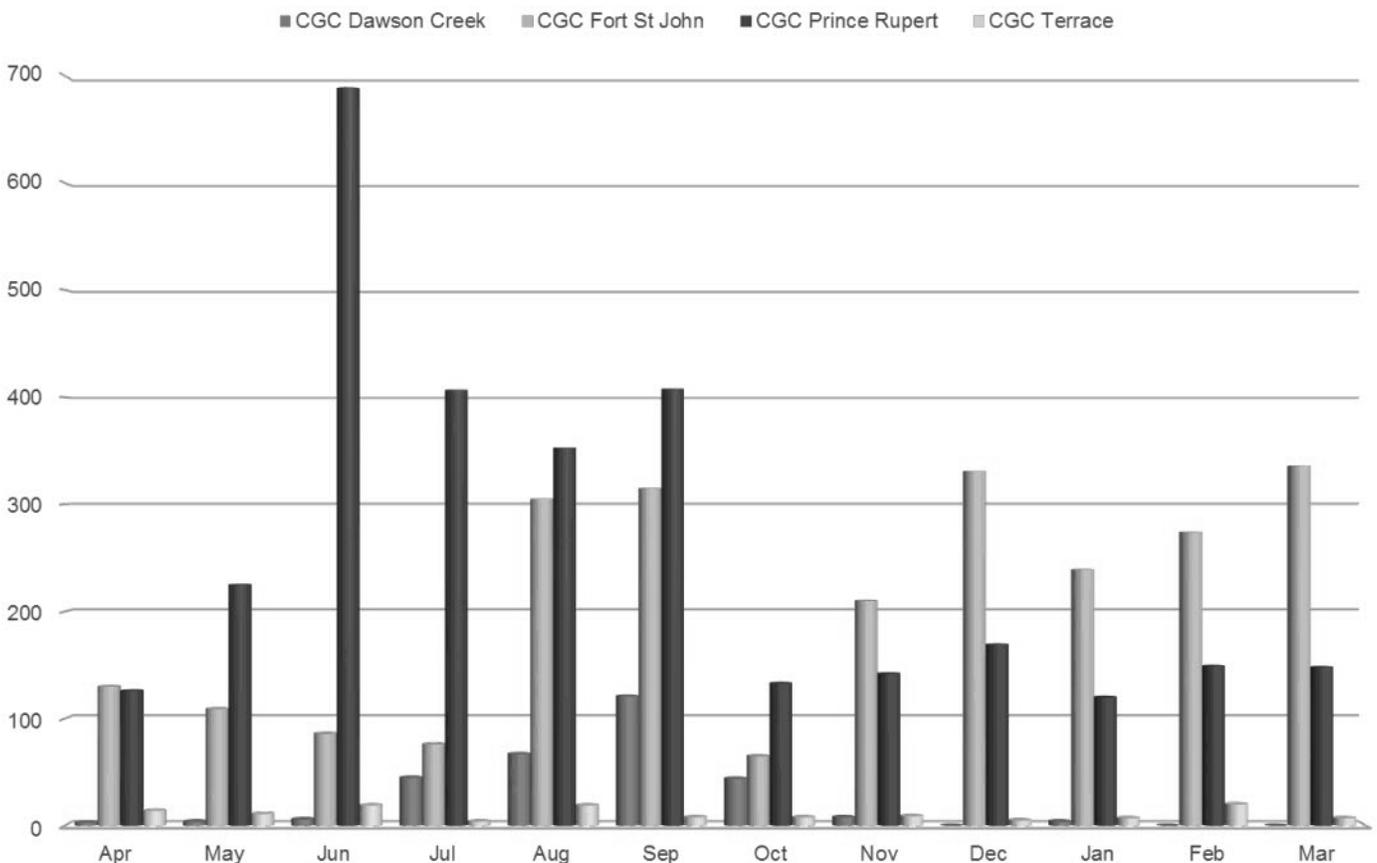


Note: iKiosk stats for month of October for all sites displays only half a month of data due to technical issue.

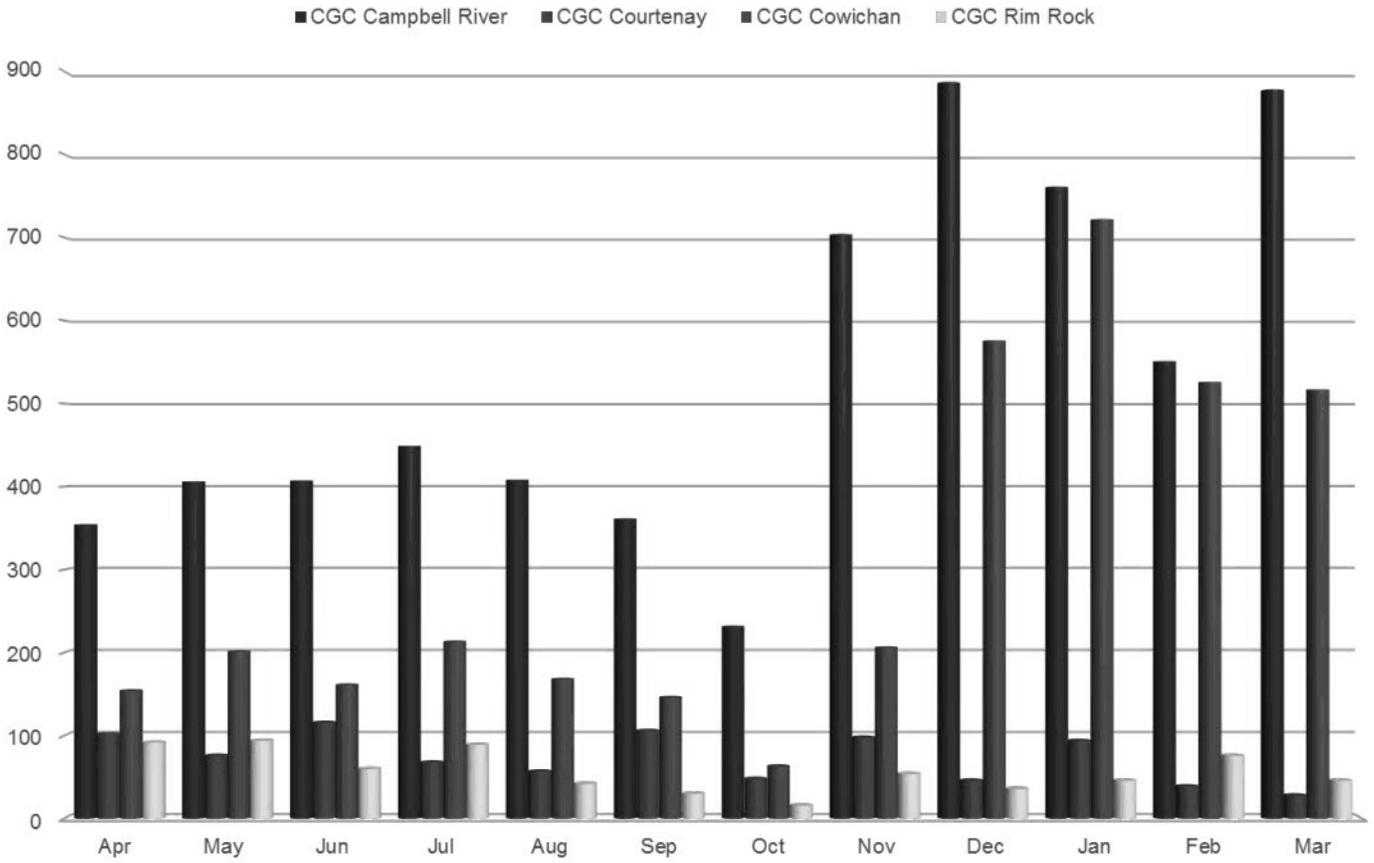
iKiosk Scans per Site Interior CGCs Fiscal Year 2016/17



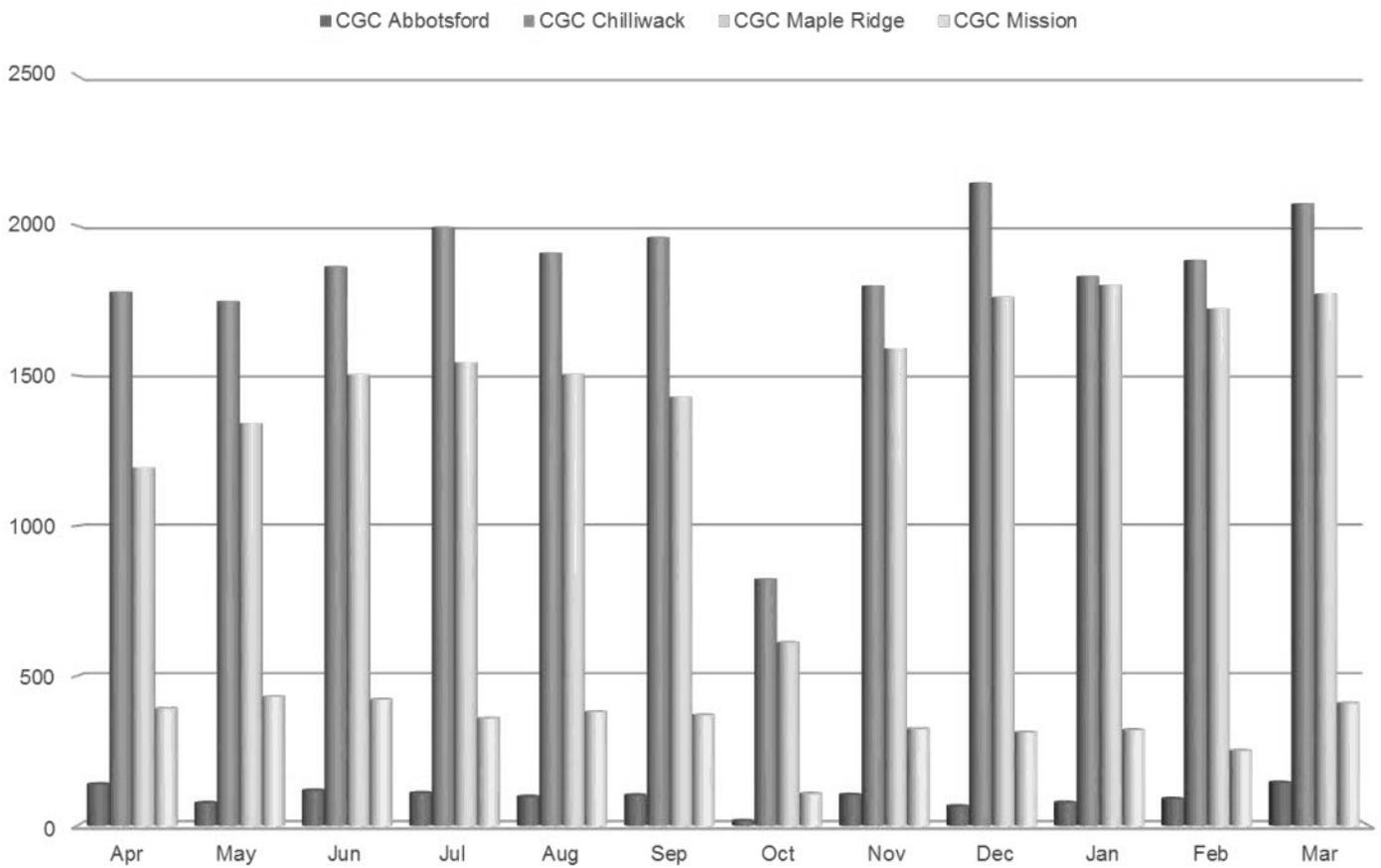
iKiosk Scans per Site Northern CGCs Fiscal Year 2016/17



iKiosk Scans per Site Island CGCs Fiscal Year 2016/17

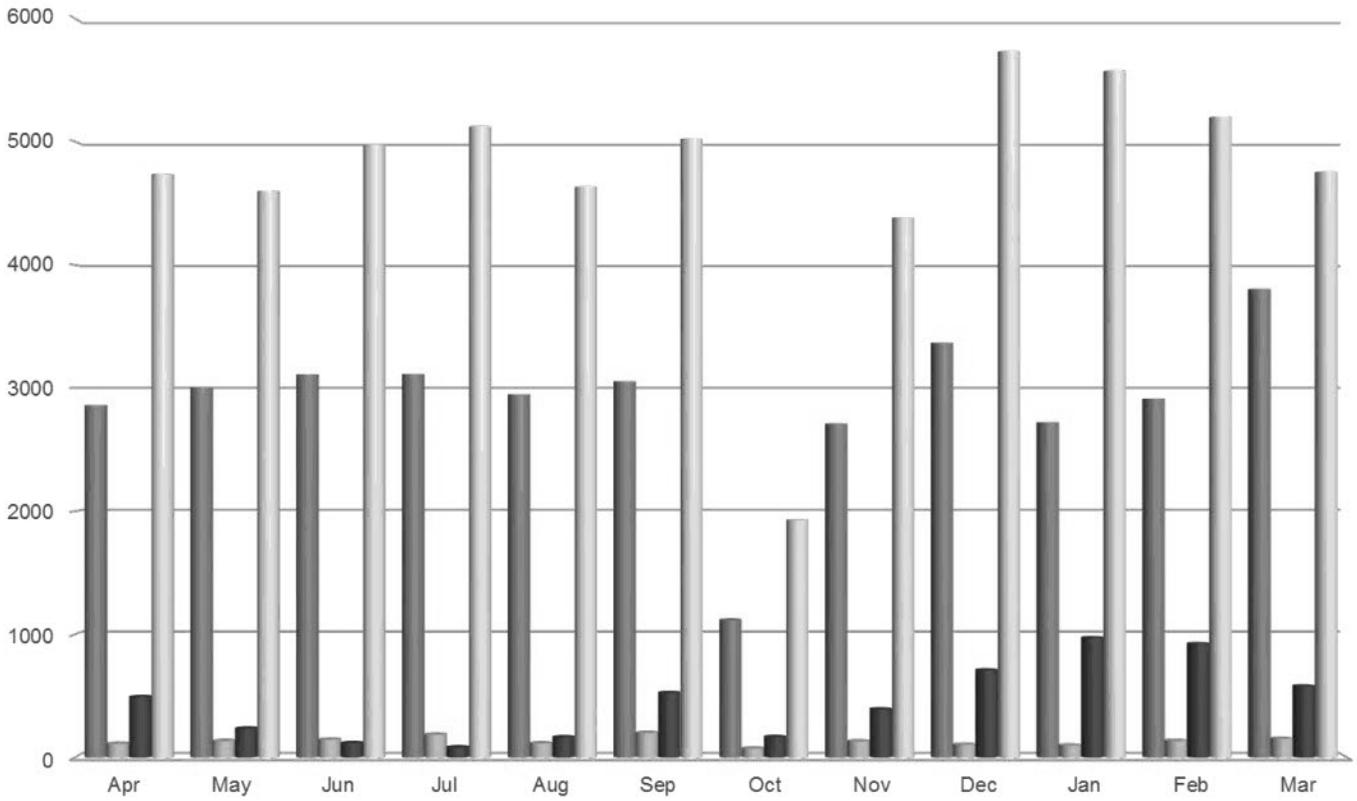


iKiosk Scans per Site Lower Mainland CGCs Fiscal Year 2016/17



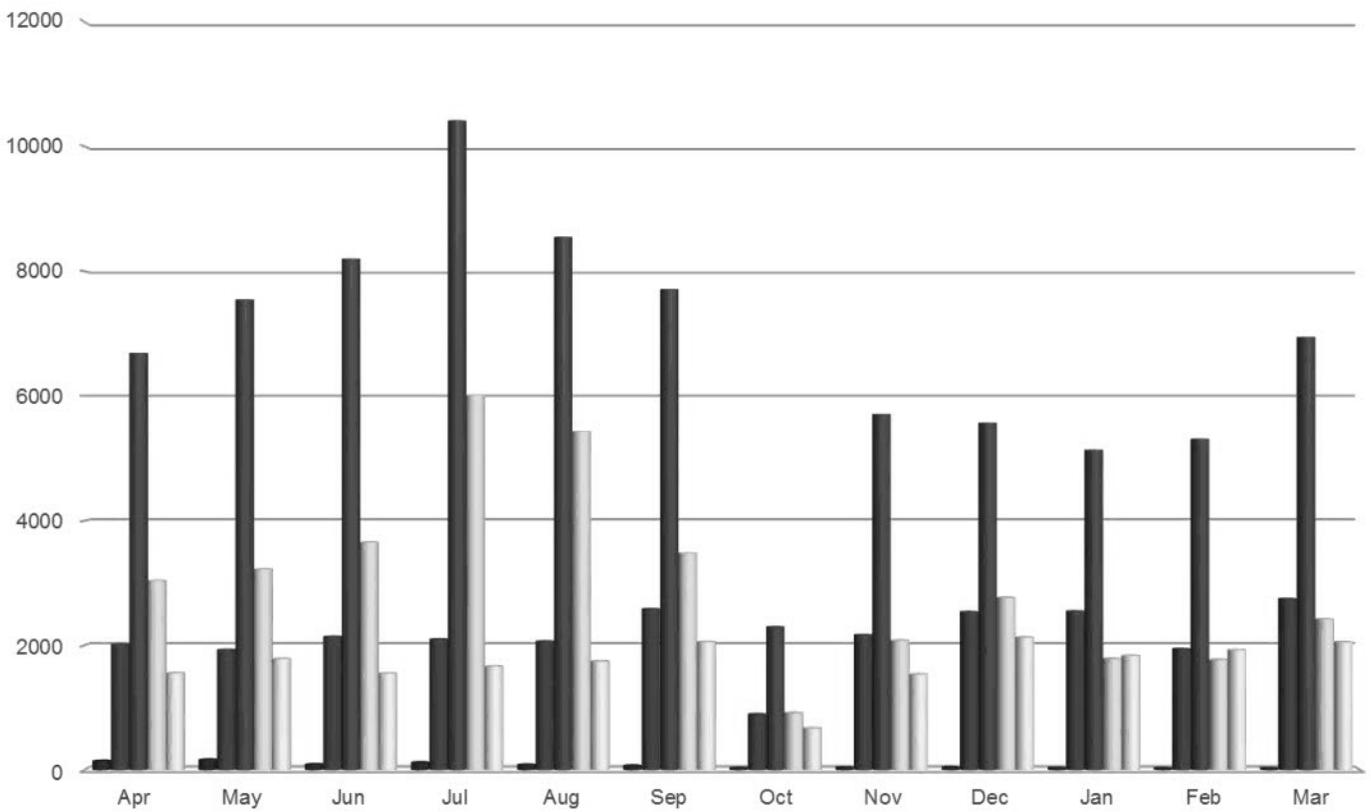
iKiosk Scans per Site Island and Northern Casinos Fiscal Year 2016/17

■ Nanaimo ■ Quesnel ■ Treasure Cove ■ View Royal

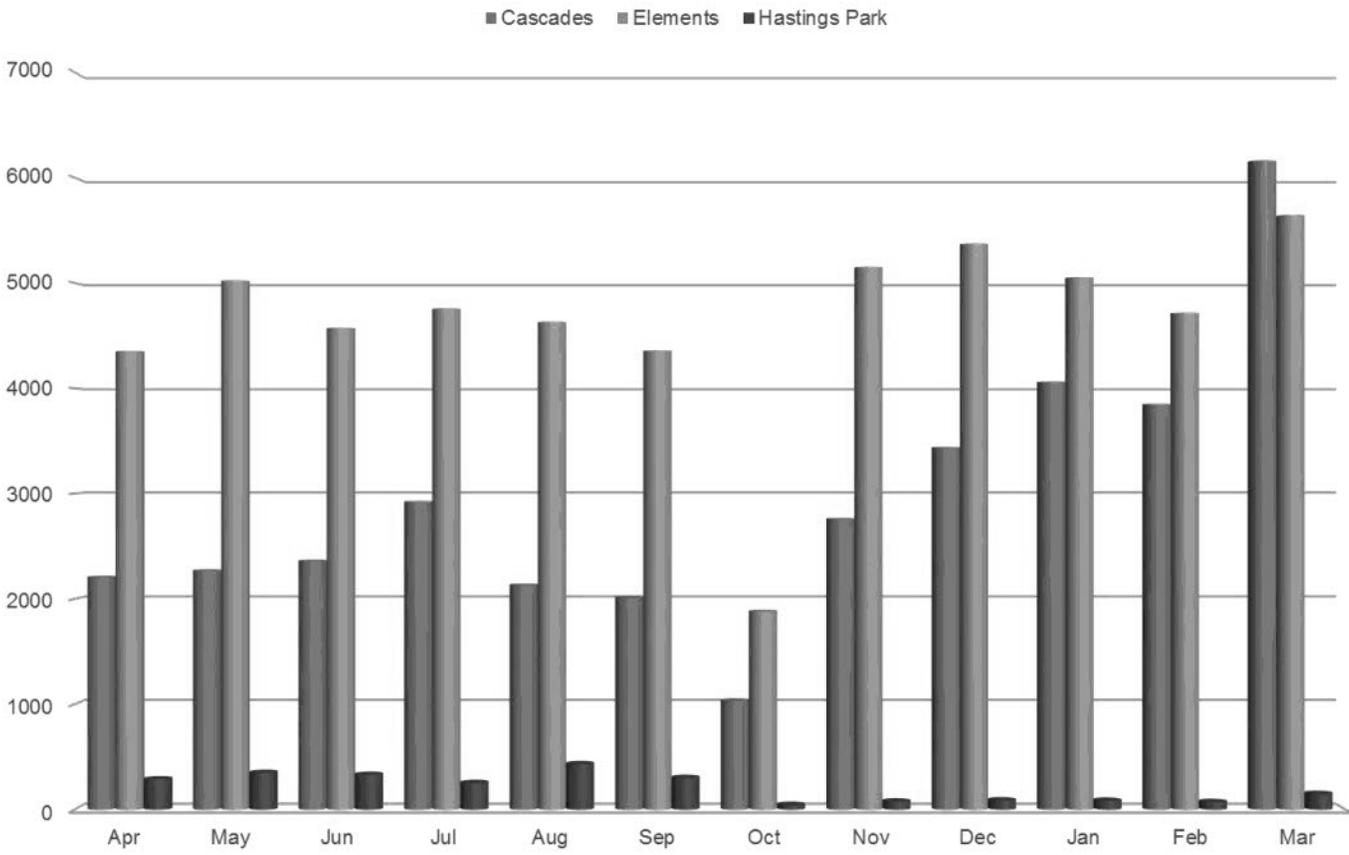


iKiosk Scans per Site Interior Casinos Fiscal Year 2016/17

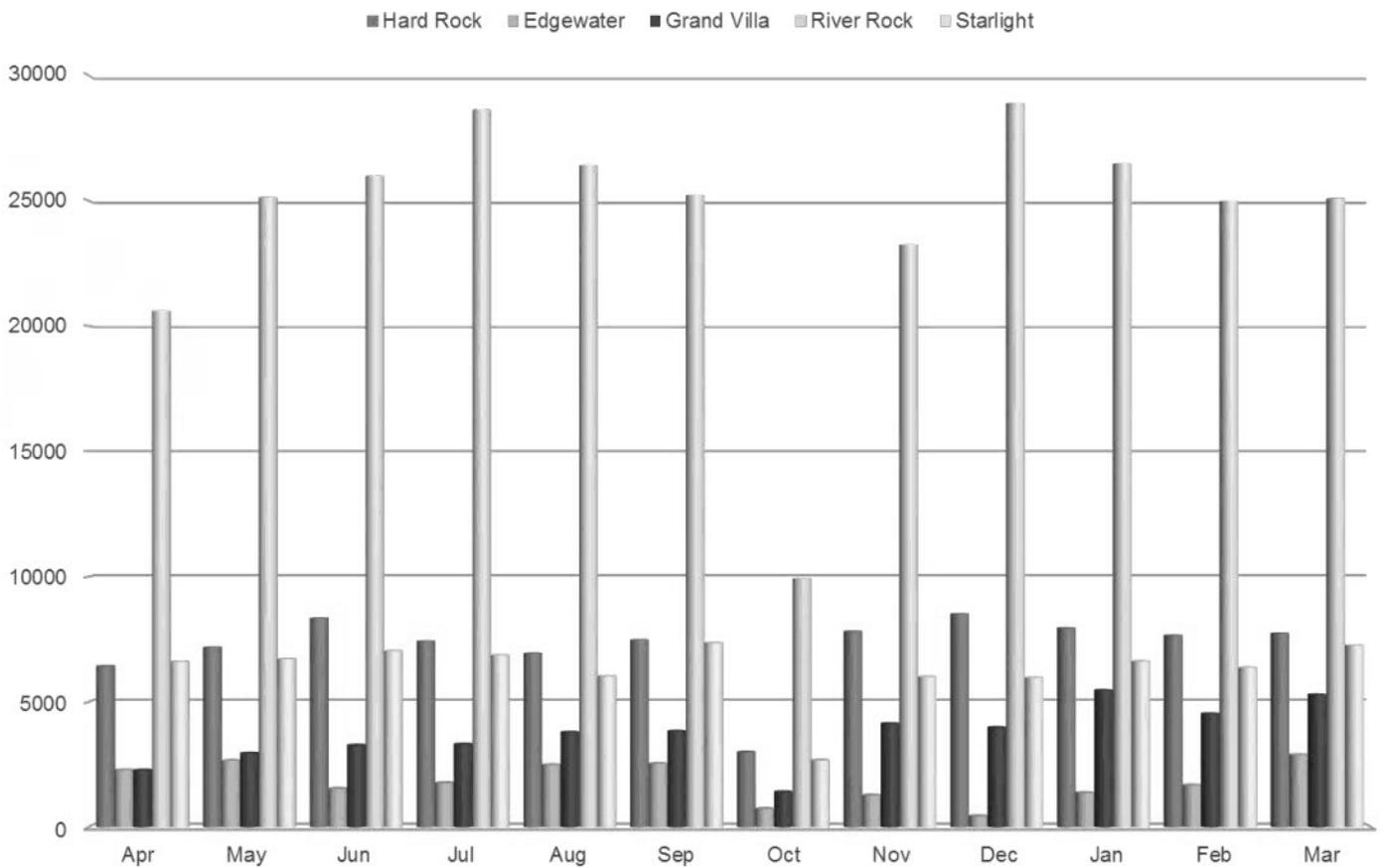
■ Casino of the Rockies ■ Kamloops ■ Kelowna ■ Penticton ■ Vernon



iKiosk Scans per Site Small Lower Mainland Casinos Fiscal Year 2016/17



iKiosk Scans per Site Large Lower Mainland Casinos Fiscal Year 2016/17



Reducing Reliance on Cash New Payment Initiatives

Fiscal Year 2016/17

Q2

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Patron Gaming Fund (PGF) Accounts	4
Convenience Cheques	7
Existing Methods of Reducing Cash in Casinos	9
Quarterly Comparisons	10
Summary for fiscal year 2016/17	10

Fiscal Year 2016/17

Executive Summary

The reducing reliance on cash initiatives continue to have a strong and steady performance with a 26% overall increase this quarter. The deposits into Patron Gaming Fund (PGF) accounts have shown the largest increase – 87% over last quarter.

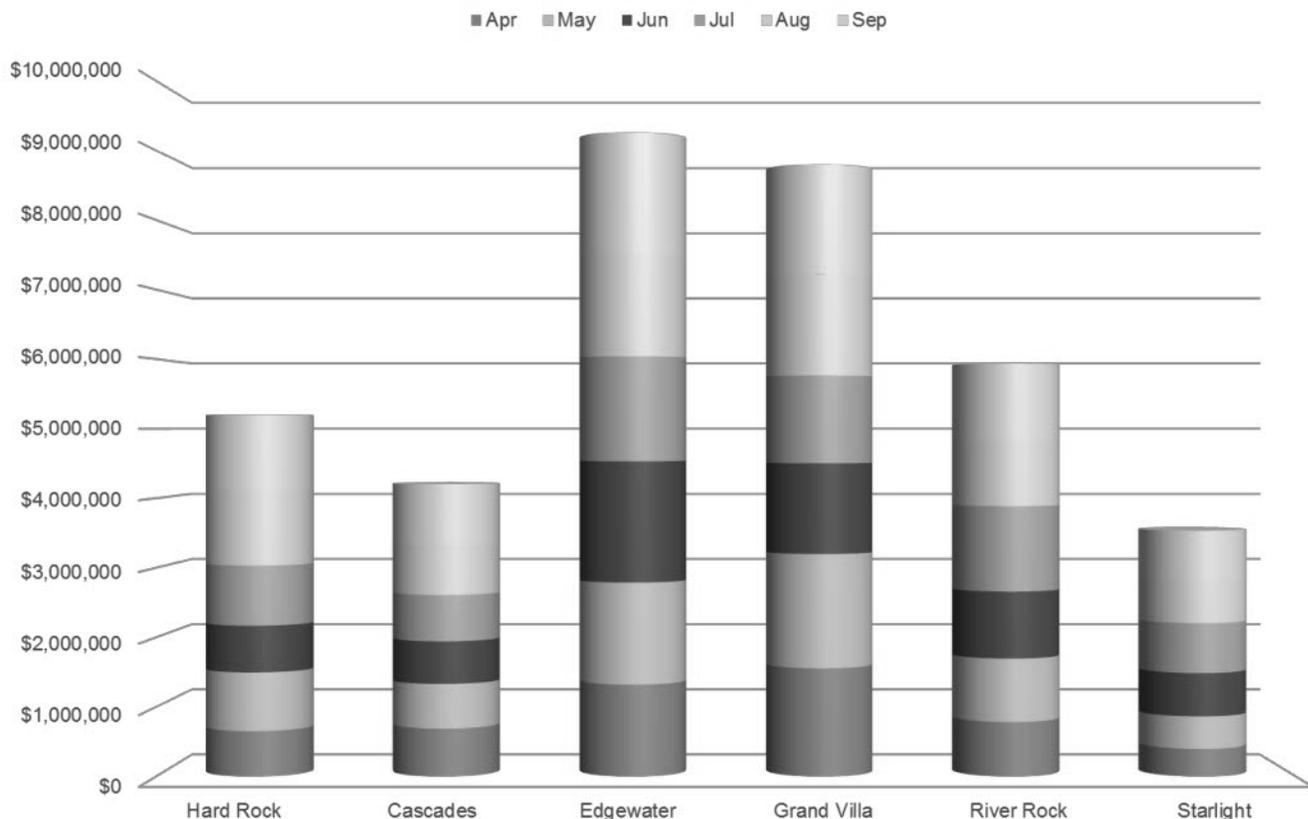
Debit at the cash cage continues to be a viable option for players and its usage shows a steady increase each quarter. The average monthly issuance of convenience cheques has also increased from 10 cheques to 12.5 cheques monthly.

In April 2016, two cash alternatives were presented to the Assistant Deputy Minister, John Mazure, for review; delimiting convenience cheques and international electronic funds transfers. These initiatives have been authorized to move forward and the BCLC AML unit is currently finalizing policies, procedures and controls required to implement these initiatives in Q3.

Use of Debit at Cash Cage

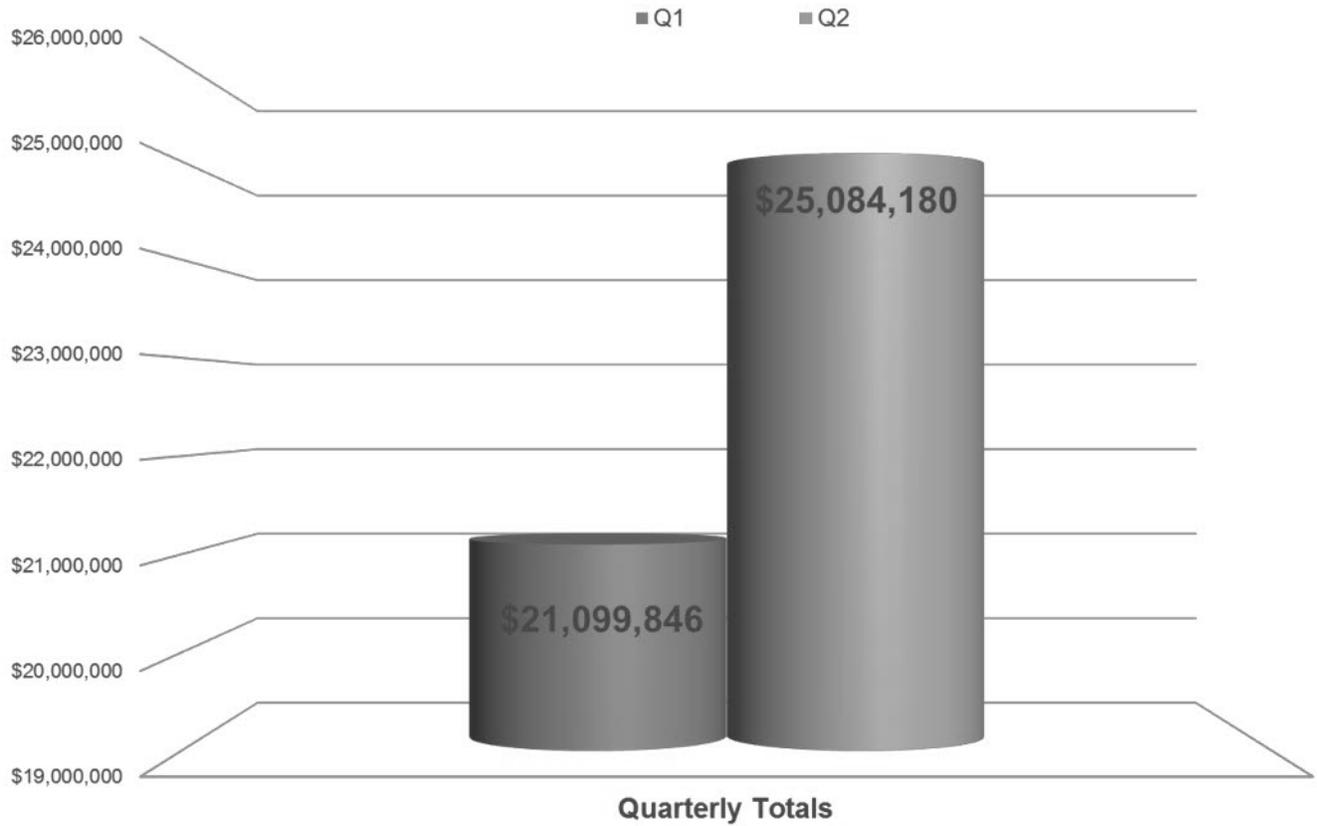
Debit card use at the cash cage is intended for transactions in amounts above ATM limits. Some of the gaming facilities provide this debit option to patrons for any amount while some sites have established minimum monetary limits for withdraw.

Debit Card use at Cash Cage Monthly Totals by Property Fiscal Year 2016/17



- Edgewater is the property where this option is utilized the most, followed closely by Grand Villa Casino.
- The latest property to offer this option includes the new Cascades Casino located in Kamloops. In total 24 Casino and CGC properties utilize this option. These include CGC's Abbotsford, Campbell River, Chilliwack, Courtenay, Cowichan, Dawson Creek, Kelowna, Maple Ridge, Langley, and casinos Elements, Hastings, Kamloops, Kelowna, Penticton, Treasure Cove, Vernon and View Royal.
- In order to make this option even more successful, it would be suggested that:
 - it is offered at more gaming facilities
 - advertise the service to patrons

Debit Use at Cash Cage Fiscal Year 2016/17



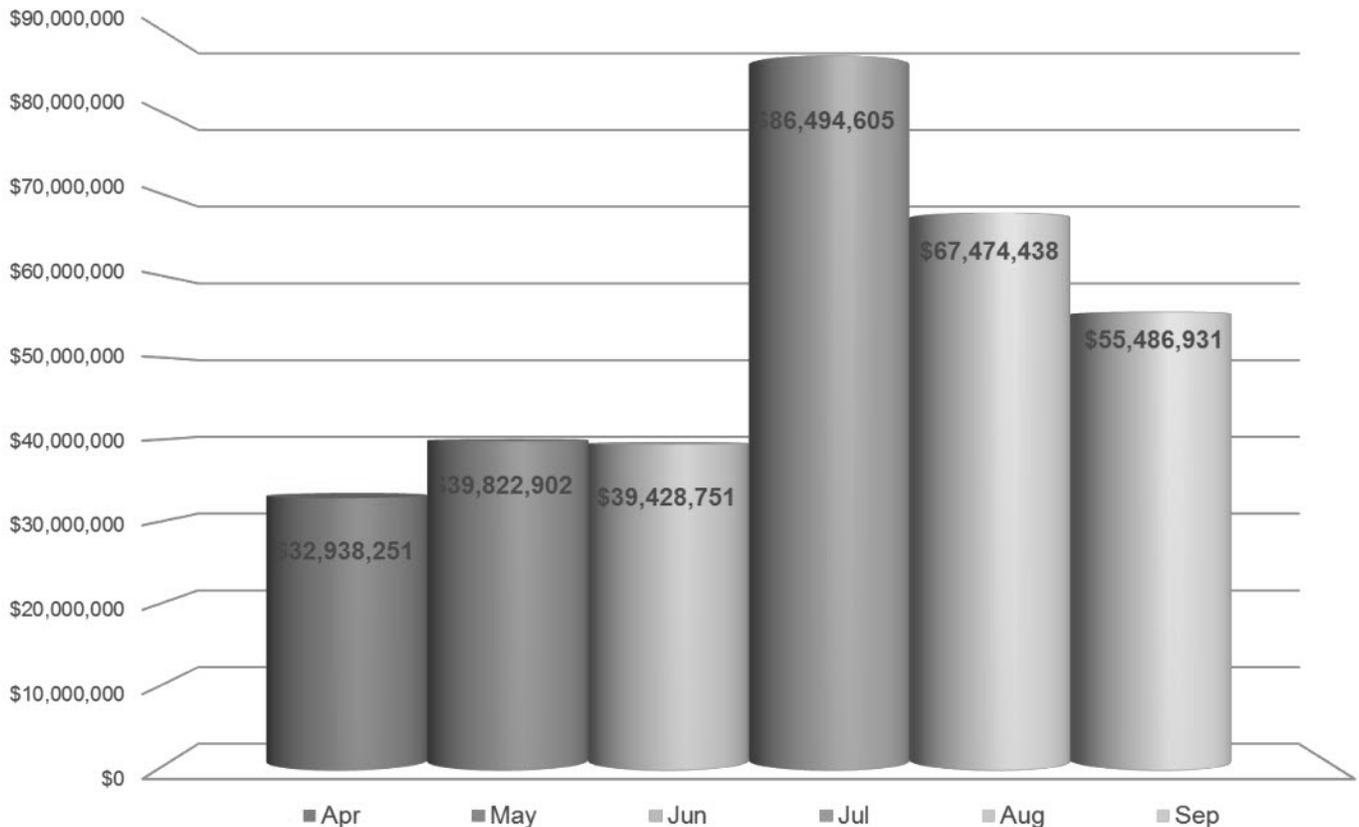
- A 19% increase from the previous quarterly total.
- Q2 total for previous fiscal year 2015/16 was \$15,088,333 an increase of 66% over same quarter last fiscal year.

Patron Gaming Fund (PGF) Accounts

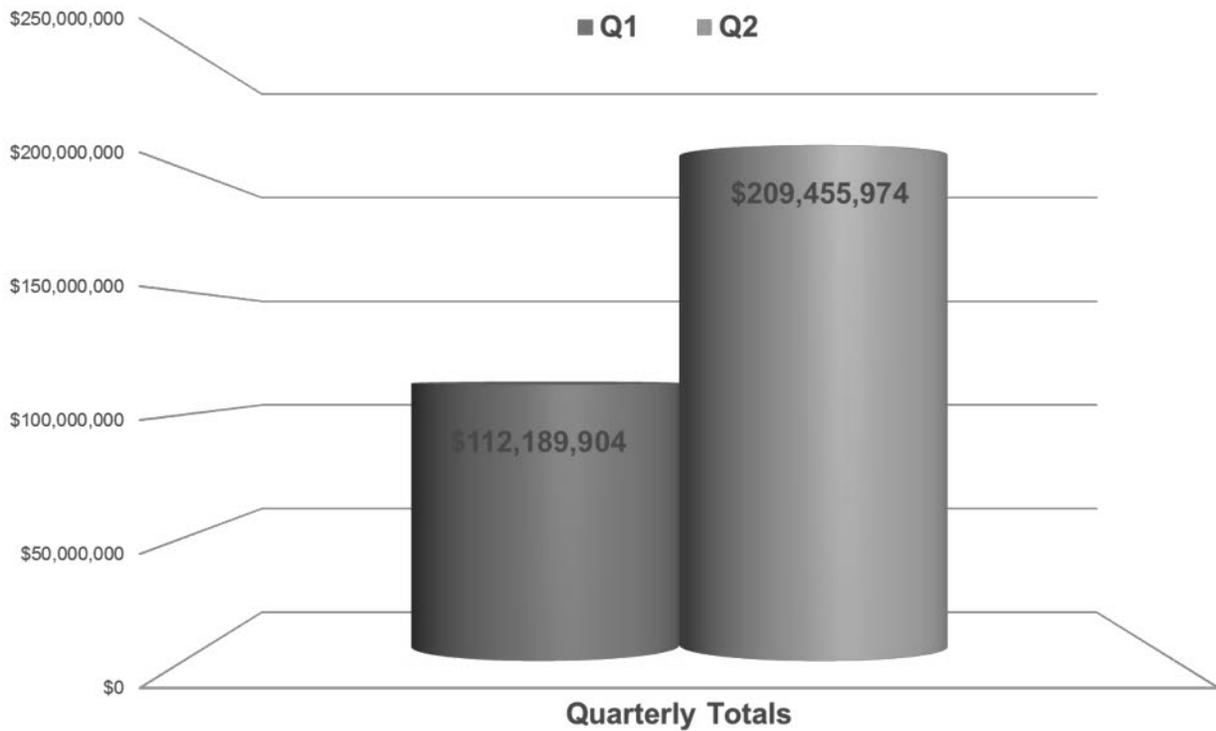
Data on PGF Accounts from April 1, 2016 to September 30, 2016

- \$15,020,484 used as initial deposits to open accounts.
- In March 2016, PGF accounts were approved for use at Elements Casino. For the past six months, there has been little PGF use at this site.

PGF Account Use Deposits = \$321,645,877 Fiscal Year 2016/17

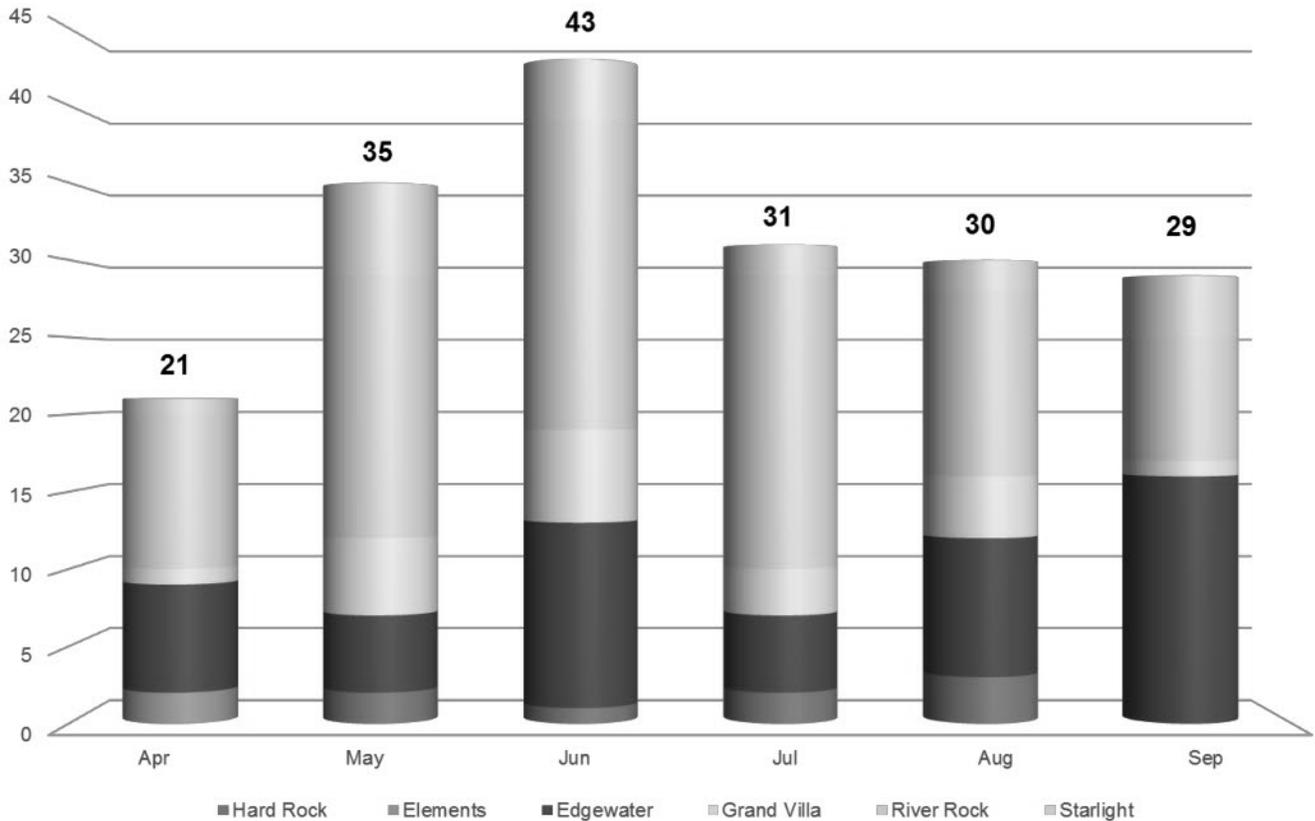


PGF Deposit Totals Fiscal Year 2016/17



- 87% increase from the previous quarterly total.
- Q2 total for previous fiscal year 2015/16 was \$96,046,969 an increase of 118% over same quarter last fiscal year.

**Monthly PGF Account Openings
Fiscal Year 2016/17
Accounts Opened/Reopened since Apr 1, 2016 = 189**



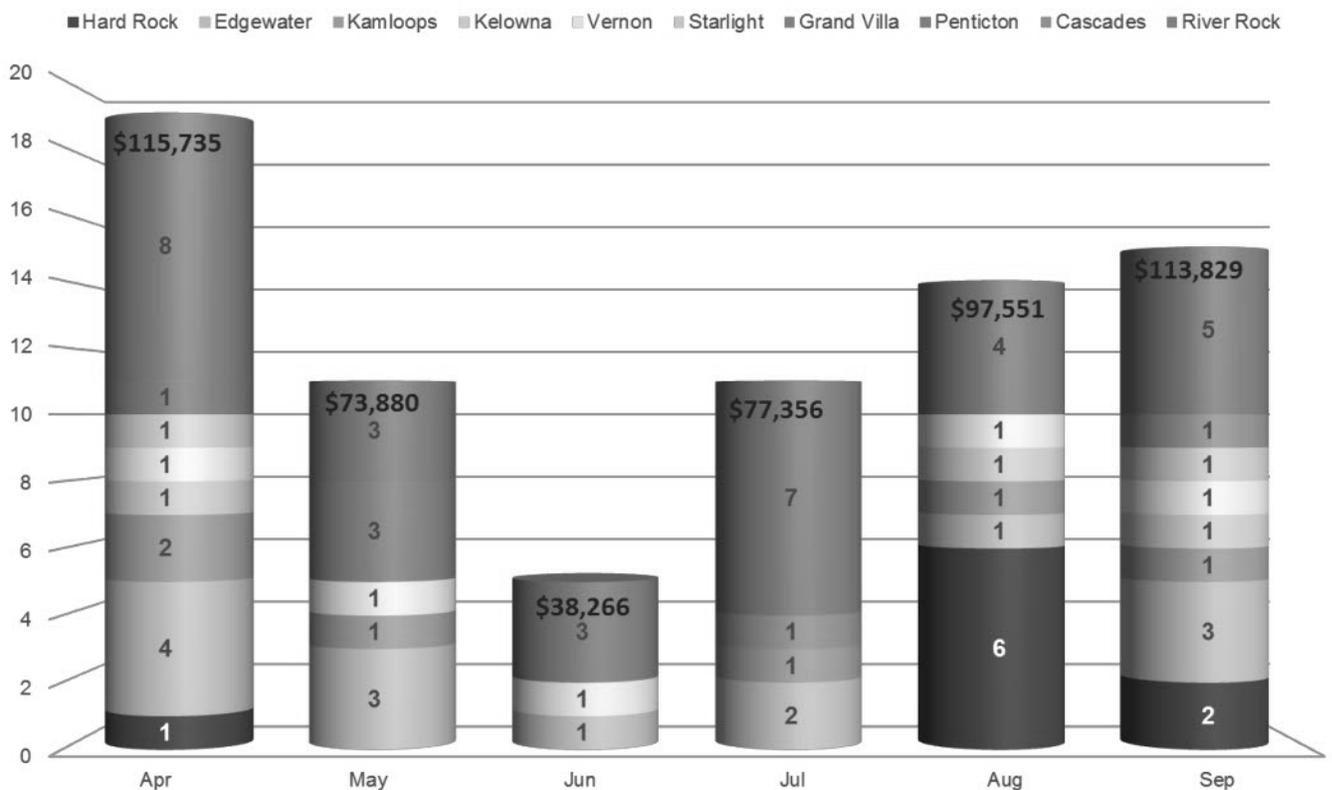
- New PGF accounts decreased by 9% this quarter over previous.
- Q1 Total = 99
- Q2 Total = 90
- Second Quarter total previous fiscal year (2015/16) – 69 new accounts, a 30% increase over same quarter last fiscal.
- A possible explanation for the increase in PGF account openings from the Q2 fiscal year 2015/16 total is that some patrons have been placed on sourced cash conditions and are therefore being encouraged to use PGF accounts for their gaming related activities.
- PGF accounts continue to be an excellent option for VIP players at the larger lower mainland casinos.

Convenience Cheques

Service providers are permitted to issue cheques to patrons for the return of buy-in funds. At the launch of this initiative the initial threshold amount was \$5,000 and was later increased to \$8,000 in January 2013. As of April 2014 the new threshold amount increased to \$10,000. These cheques are clearly marked "Return of Funds – Not Gaming Winnings". Patrons are permitted to receive one cheque per week. This option also enhances the security for patrons who do not wish to exit the gaming facility with large quantities of cash.

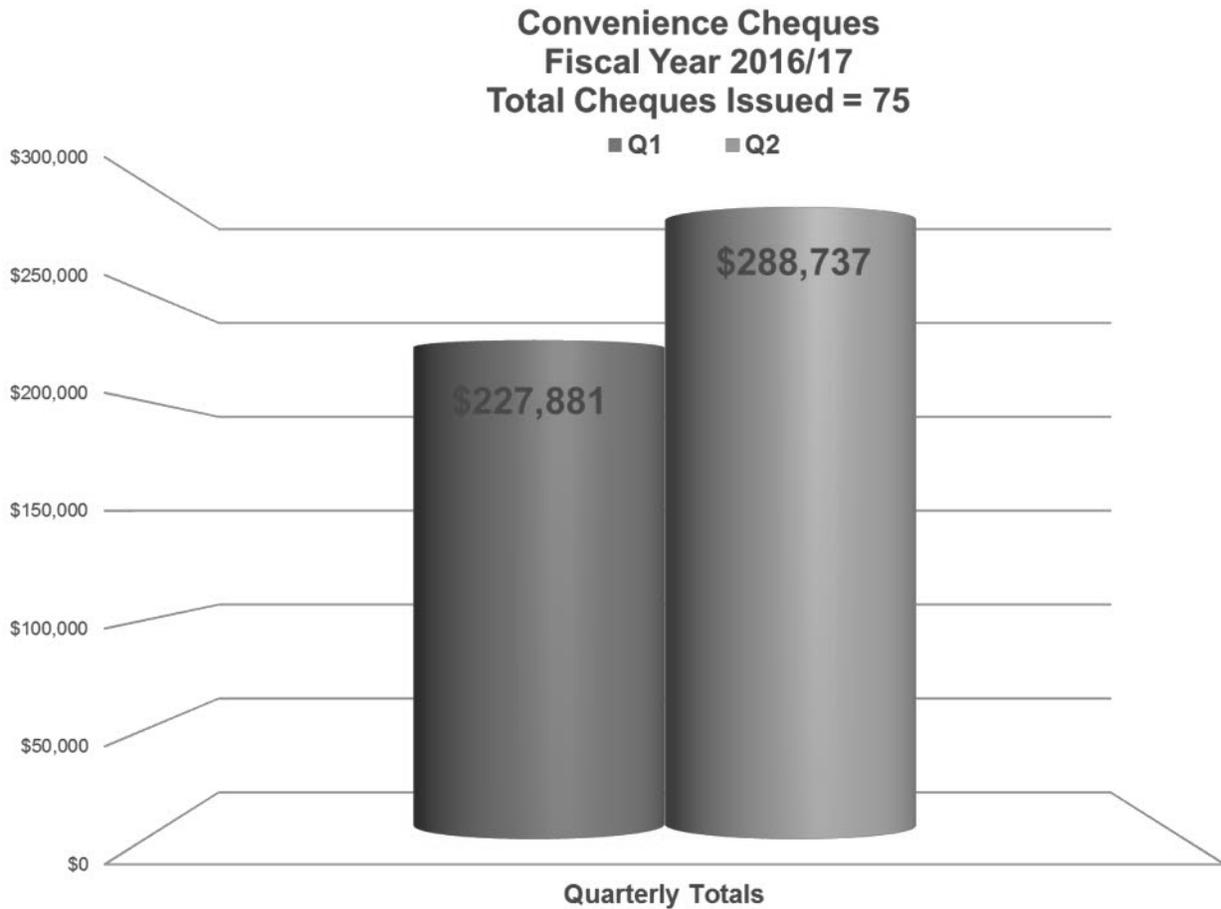
Delimited convenience cheques have been approved but not yet implemented. The policies, procedures and controls for this initiative are currently being drafted. This change has been made to further reduce the use of cash in gaming facilities and replace it with a monetary instrument which is traceable.

Convenience Cheques Issued Fiscal Year 2016/17 Total Dollar Value = \$516,618 Total Cheques Issued = 75



- 5 patrons have received more than one convenience cheque this quarter.
- System alerts to BCLC are in place each time a convenience cheque is issued.

- Compliance with cheque issuance policy is monitored. No breaches in cheque issuance policy occurred this quarter.
- The monthly average cheque issuance has increased from 10 to 12.5.

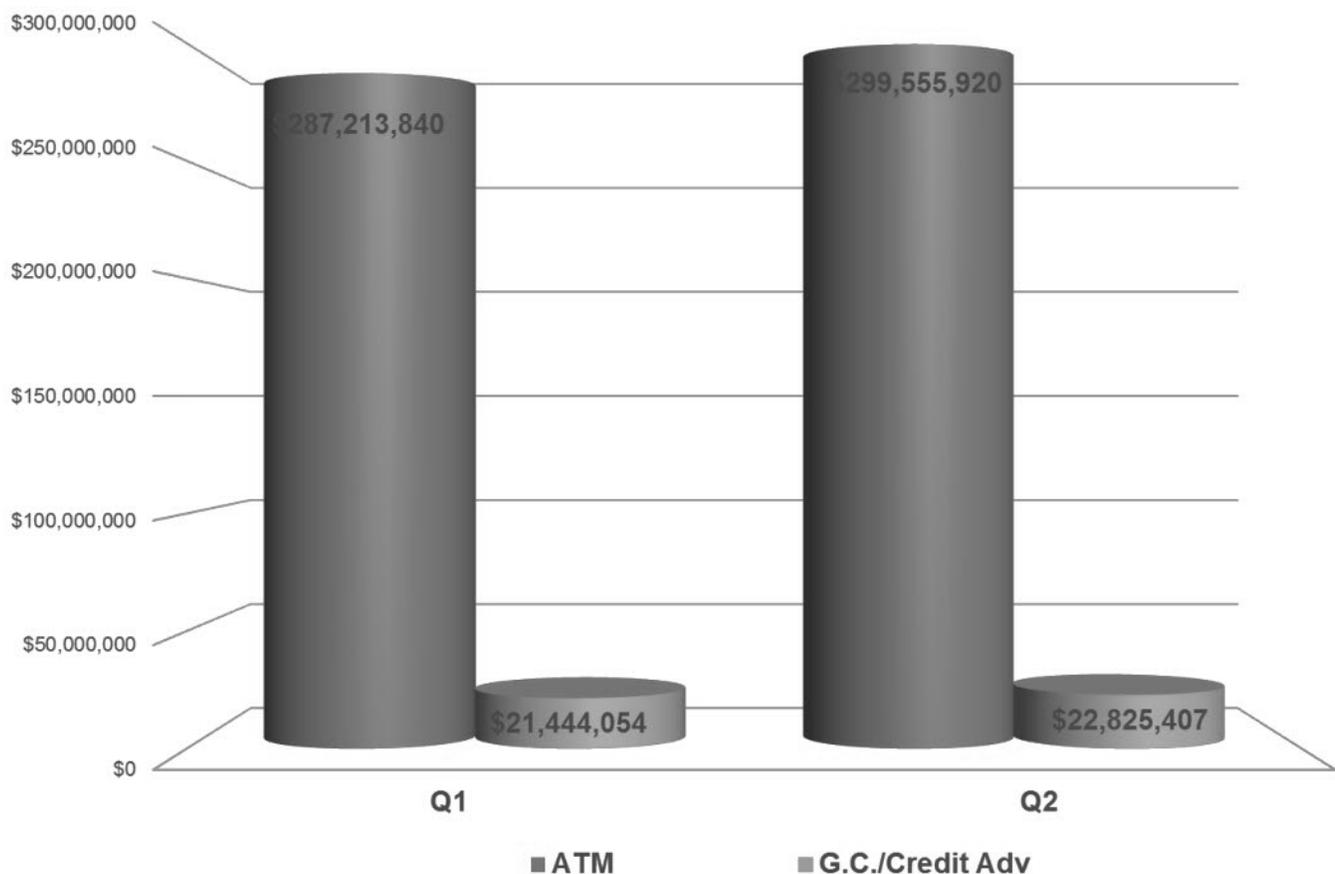


- A 27% increase has occurred over the previous quarterly total.
- Q2 total for previous fiscal year 2015/16 was \$188,263 an increase of 53% over same quarter last fiscal year

Existing Methods of Reducing Cash in Casinos

In addition to tracking the new methods of reducing the reliance on cash in casinos, this report will cover the current methods that are in place to assist with this initiative. The casino service providers currently make use of the following methods to provide access to cash at their gaming facilities for their patrons: ATM machines, Global Cash and Credit Card Advances. Data has been obtained for the current fiscal year and displayed in the chart below. These methods provide other options for patrons who do not wish to carry street cash into gaming facilities.

**ATM, Global Cash, Credit Card Advance Totals
Fiscal Year 2016/17**



Total Q1 & Q2 Totals

- ATM = \$586,769,760
- Global Cash, Credit Card Advances = \$44,269,461
- Total combined = \$631,039,221

Quarterly Comparisons

Cashless Methods	1 st Quarter	2 nd Quarter	% Change from previous Quarter
	Current Fiscal 2016/17	Current Fiscal 2016/17	
Debit Cage	\$21,099,846	\$25,084,180	19%
Convenience Cheques	\$227,881	\$288,737	27%
Total PGF Deposits	\$112,189,904	\$209,455,974	87%
Existing Methods	\$308,657,894	\$322,381,327	4%
Total	\$442,175,525	\$557,210,218	26%

Summary for fiscal year 2016/17

TOTAL CASH "REMOVED" USING NEW INITIATIVES = \$368,346,522

Cashless Methods utilized since April 1, 2016

Debit at Cage = \$46,184,026

Convenience Cheques = \$516,618

PGF Accounts = \$321,645,878

TOTAL CASH "REMOVED" INCLUDING ALL METHODS = \$999,385,743

**MINISTRY OF FINANCE
BC LOTTERY CORPORATION
ESTIMATES NOTE**

ISSUE: Civil forfeiture office statement of claim

ADVICE AND RECOMMENDED RESPONSE:

- I am deeply concerned by the money laundering allegation in the Civil Forfeiture Office (CFO) civil claim.
- As this matter is presently before the courts, it would be inappropriate for me to comment on the specifics of this case.
- BCLC will use any lessons learned from this case to improve its money laundering counter measures.

SECONDARY MESSAGES:

- BCLC is required to report any large cash transaction of \$10,000 and more, casino disbursement (payouts including jackpots and other winnings) of \$10,000 or more, and suspicious transactions in any amount to FINTRAC.
- FINTRAC uses reports filed by BCLC to conduct analysis to detect patterns indicative of money laundering as well as individuals potentially involved in money laundering. The analysis is forwarded to the police of jurisdiction for action as deemed necessary.

CURRENT STATUS:

- s.14

The

Notice of Civil Claim potential outcomes include a negotiated settlement, default judgement or a trial.

- The defendants in the lawsuit have filed a response denying any involvement in money laundering and asserting that all gambling was done legally with legally obtained funds.

KEY FACTS REGARDING THE ISSUE:

- On January 15, 2016, the BC Civil Forfeiture Office (Ministry of Justice) filed a Notice of Civil Claim regarding a B.C. resident whose vehicle was searched by RCMP on two separate occasions, once in early October and again in mid-December, 2015.
- During these searches, police seized illegal drugs and concealed currency. The Civil Forfeiture Office is seeking the forfeiture of the vehicle involved as well as \$70,800 in cash and cheques which it alleges are the proceeds of illegal activity or have been laundered through B.C. casinos.

Contact: Jim Lightbody, CEO
Division: BC Lottery Corporation

Phone: s.17
Page: 1 of 2

- The RCMP contacted BCLC on October 6, 2015, to verify the legitimacy of gaming facility cheques found in the individual's possession. On October 14, 2015, the RCMP asked BCLC to provide full gaming facility financial records on this individual as part of an ongoing investigation. BCLC then provided those records indicating that, since November, 2014, the individual had attended 10 different gaming facilities in B.C. and had registered 92 Casino Disbursement reports of \$10,000 or more consisting of \$374,614 in cheques and \$1,815,266 in cash as a result of verified slot jackpot wins.
- The statement of claim alleges that the individual in question was frequenting gaming facilities in an effort to launder money obtained through drug trafficking transactions and that the car is an instrument of money laundering because it was used to transport proceeds to various locations in B.C.
- The BC Civil Forfeiture Office is pursuing the following seized items as proceeds of crime.
 - A 2014 Chevrolet Camaro;
 - \$29,085 (Canadian) consisting of three cheques issued by BC gaming facilities;
 - \$16,310 in Canadian Currency (seized during the initial search);
 - \$25,405 in Canadian Currency (found concealed in vehicle during follow-up search).

**MINISTRY OF FINANCE
BC LOTTERY CORPORATION
ESTIMATES NOTE**

ISSUE: Suspicious transactions/ large cash transactions/ reporting to FINTRAC

ADVICE AND RECOMMENDED RESPONSE:

- The B.C. Lottery Corporation is required to report large cash transactions of \$10,000 or more, and all suspicious transactions.
- The B.C. Lottery Corporation reports these transactions to the Financial Transactions and Reporting Analysis Centre of Canada (FINTRAC), which analyzes reports for patterns of, or individuals involved in, money laundering. FINTRAC reports suspected instances of money laundering to police for investigation and enforcement.
- Government launched an Anti-Money Laundering strategy in 2011 to reduce the use of cash in gaming facilities, which has resulted in an increase in the use of traceable cash alternatives at B.C. gaming facilities.

KEY FACTS:

- During regular monitoring and review of transactions requiring reporting to FINTRAC, BC Lottery Corporation (BCLC) and the Gaming Policy and Enforcement Branch (GPEB) became aware that s.15,s.21 staff were not reporting potential suspicious transactions under \$50,000.
- BCLC is deeply concerned with this issue and took immediate action to address it. B.C. Lottery Corporation has voluntarily reported this issue to FINTRAC, has reviewed 14 months of large cash transactions s.15,s.21 and will report any suspicious transaction findings to FINTRAC.
- BCLC has also conducted remedial anti-money laundering training for s.15,s.21 staff to ensure all policies and procedures are understood and followed going forward. All other casino and community gaming centres are reporting suspicious transactions as per policy.
- Under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, gaming facilities are required to report to Financial Transactions and Reporting Analysis Centre of Canada (FINTRAC), the federal anti-money laundering regulator, all Large Cash Transactions (LCTs) of \$10,000 or more. In addition, LCTs and all other transactions in any amount must be assessed to determine if there are reasonable grounds to suspect the transaction is related to the commission of a money laundering or terrorist financing offence. Where reasonable grounds exist, a Suspicious Transaction Report (STR) must be submitted to FINTRAC by BCLC.

Contact: Jim Lightbody, CEO
Division: BC Lottery Corporation

Phone: s.17
Page: 1 of 2

- BCLC conducts random monthly reviews of LCTs at all B.C. gaming facilities. A secondary review is also conducted on a quarterly basis on a maximum of 50 LCTs at each site. BCLC's anti-money laundering program is subject to independent audits annually, with FINTRAC and nationally recognized auditing firms each auditing every two years. As well, periodic audits and reviews are conducted by GPEB and other auditors. BCLC also reports all suspicious transactions to GPEB and the RCMP.
- In 2015/16, BCLC filed 1,977 suspicious transaction reports to FINTRAC, compared to 1,737 in 2014/15. This number has increased due to increased play among players and enhanced due diligence exercised on reporting, as well as continued training within gaming facilities.

5- YEAR TREND SUSPICIOUS FINANCIAL TRANSACTIONS PER FISCAL YEAR	
2011/12	824
2012/13	939
2013/14	1,254
2014/15	1,737
2015/16	1,977

- FINTRAC is responsible for analyzing, assessing and disclosing financial intelligence regarding the reports it receives. This enables FINTRAC to track individuals, establish patterns, and make referrals to the police for possible further action.

Underreporting of STRs at s.15,s.21

- BCLC has met with FINTRAC to report on and brief them on the underreporting of STRs at s.15,s.21 did not review LCTs of \$50,000 or less for indicators of being suspicious transactions contrary to federal regulations and BCLC policy. BCLC first identified the issue on November 2, 2015, while conducting a review of a specific customer's transactions that had come to the attention of BCLC's Anti-Money Laundering unit.
- BCLC immediately took action to address the issue by:
 - Providing in-person remedial AML training to s.15,s.21 employees in December 2015.
 - Conducting investigations at its other lower mainland casinos. As of March 8, 2016, no evidence was found of a threshold-based approach to unusual transaction reporting at any other casino property.
 - Reviewing internal audit processes and implementing changes to help prevent and detect any future reoccurrences. Both FINTRAC and GPEB will be consulted on these changes.
- FINTRAC has requested that BCLC complete a Voluntary Self-Declaration of Non-Compliance and appears to be taking the approach of working with BCLC towards compliance. FINTRAC does, however, have the authority to issue an administrative monetary penalty should it conclude that such a penalty is warranted in these circumstances.

Information Note

British Columbia Lottery Corporation

Date: February 3, 2017

Anti-Money Laundering

KEY FACTS:

BCLC, which is the Crown corporation that conducts and manages gambling on behalf of the Province, is regulated by the Financial Transactions and Reporting Analysis Centre of Canada (FINTRAC). Under federal anti-money laundering laws, BCLC is responsible for managing the anti-money laundering program in BC for both traditional casinos and on-line gambling.

Casinos are one of a number of sectors, including banks and real estate, which must report cash transactions of \$10,000 or more and transactions and attempted transactions of any amount that are suspicious to FINTRAC. FINTRAC analyzes reports provided to it to identify potential instances of money laundering. FinTRAC is authorized to share the results of its analysis with some law enforcement agencies.

Casinos across Canada account for a very small percentage of large cash transactions in comparison to other sectors. Data obtained from FINTRAC indicates between 2010 and 2013 in B.C., 97 percent of large cash transaction reports were submitted by financial entities; 1.96 percent were submitted by casinos.

BACKGROUND:

Roles and Responsibilities

BCLC is just one part of the anti-money laundering regime. BCLC's role and authority is to identify and report specified transactions and circumstances to FINTRAC. While BCLC has a role in the prevention of money laundering, it has no authority to investigate or prosecute money laundering offences.

FINTRAC receives and analyzes transaction reports from BCLC as well as all other reporting entities across Canada (casinos, banks, credit unions, realtors and so on). Where FINTRAC sees indicators of money laundering it will make a disclosure to law enforcement. Due to legislated restrictions that only allow FINTRAC to share information with prescribed enforcement agencies, FINTRAC does not share disclosures made to law enforcement or otherwise notify BCLC of the results of its analysis. Law enforcement have the ultimate authority to investigate and determine whether charges should be considered.

Provincial AML Strategy

The Province's Gaming Policy and Enforcement Branch (GPEB) has the regulatory mandate and authority to ensure the overall integrity of gaming in British Columbia.

In 2011, the B.C. Government and BCLC launched a multi-phased [Anti-Money Laundering Strategy](#) focused on reducing the use of cash in gaming facilities. Since the introduction of the strategy there has been significant progress in the use of traceable cash alternatives at gaming facilities in B.C.

Over the past two fiscal years (2014/15, 2015/16), traceable cash alternatives such as the Patron Gaming Fund account, debit transactions, and other non-cash instruments made up one quarter of play in B.C. gaming facilities. BCLC is committed to preventing money laundering and has a program in place that meets or exceeds gaming industry standards.

BCLC's AML Program

BCLC has made substantial investments in technology, training, and resourcing in its anti-money laundering program, which is subject to extensive independent reviews and audits to confirm its effectiveness and ability to meet its FINTRAC obligations. BCLC has also made enhancements to the technology that assists in anti-money laundering efforts, including transaction analytical software.

In addition to AML trained casino operator staff, BCLC employs Investigators, and Intelligence Analysts to enforce standards, policies and procedures to prevent casinos from being targeted for money-laundering activities, including:

s.15,s.17

BCLC has a dedicated Anti-Money Laundering department that regularly works with law enforcement agencies, and provides copies of suspicious transaction reports and intelligence regarding individuals it suspects may be engaged in criminal activity at a casino.

Since 2014, BCLC has had an Information Sharing Agreement with RCMP that provides BCLC the ability to identify and proactively ban suspected members of organized crime or individuals believed to be a public safety risk from gaming facilities in B.C. To date, over 240 people have been banned.

FINTRAC Compliance Regime

BCLC is diligent in meeting federal requirements for the reporting of large cash and suspicious transactions at B.C. casinos. BCLC is required to report to FinTRAC large-cash transactions and casino disbursements of \$10,000 or more, foreign exchanges over \$3,000, and any transaction or attempted transaction that is suspicious.

When a player makes a transaction of \$10,000 or more (or multiple transactions that reach \$10,000) within a 24-hour period, they must provide current government photo identification.

Casinos withhold payouts over \$10,000 until government identification is produced.

In 2015/16, BCLC filed more than 110,000 large cash transaction reports, and more than 100,000 in 2014/15.

In 2015/16, BCLC filed 1,977 suspicious transaction reports to FINTRAC, compared to 1,737 in 2014/15. This has occurred due to enhanced due diligence around high value players but primarily, continued AML training amongst gaming staff.

BCLC RESPONSE POINTS:

- **BCLC maintains a rigorous anti-money laundering program in all provincial casinos, and is committed to fulfilling its role in Canada's anti-**

money laundering regime, which is to monitor, record and report specific transactions to FINTRAC.

- **BCLC's AML and Investigations units work with police and regulatory agencies. BCLC provides copies of suspicious transaction reports and information regarding individuals it believes may be engaged in criminal activity at or targeting a casino to police.**

- **BCLC also has standards, policies and procedures to prevent B.C. casinos from being targeted for money-laundering activities, including:**
 - **Monitoring and reporting large cash transactions, casino disbursement reports and suspicious transactions;**
 - **Clearly marking all cheques as a return of gaming funds or as a payout of a verified win;**
 - **Preventing the exchange of small denomination bills for large denomination bills;**
 - **Monitoring and reporting suspicious instances of players passing chips to each other on the gambling floor;**
 - **Honouring casino chips only at the property they were bought;**
 - **Promoting the use of cash alternatives such as debit cards, convenience cheques and patron gaming fund accounts which utilize bank drafts and electronic funds transfers;**
 - **Processes for identifying a player's source of wealth and funds to measure risk;**
 - **Specific conditions on higher risk patrons, including not allowing unsourced cash and/or chips and;**
 - **Mandatory AML training for BCLC and casino staff.**

Program Area Contact:	Name Laura Piva-Babcock	Number T: 250-828-5576
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INFORMATION NOTE

British Columbia Lottery Corporation

Date: February 14, 2017

BCLC AML Software

KEY FACTS:

BCLC has licensed new business intelligence software from SAS (Statistical Analysis Software), a leading provider to financial institutions, including three of Canada's five big banks.

The software, currently being customized, will allow for a scalable and auditable case management system that automates most aspects of customer and transaction monitoring for money laundering risks. It will allow BCLC to better risk assess money laundering threats and allow more sophisticated and timely responses.

The system will monitor player transactions and trends against a series of risk scenarios, developed specifically for the gaming industry by the solution provider in concert with BCLC, in order to identify circumstances which need the direct attention of BCLC investigators for further follow-up.

Currently, most of BCLC's customer and transaction monitoring is done manually by BCLC investigators and analysts who conduct enhanced due diligence using a variety of global databases to confirm the details provided by patrons. The SAS software will eliminate many of these manual processes.

The software will support a detailed view of a customer's risk profile, which is required under federal anti-money laundering legislation, and will give BCLC the ability and capacity to more effectively meet federal requirements around customer and transaction monitoring.

Since BCLC is the first gambling jurisdiction to adopt this software solution, there has been extensive work required in customizing the software for the unique needs of BCLC's gaming environment. While BCLC had expected to launch this system at the end of 2016, BCLC anticipates the new software solution will launch in Spring 2017.

The original capital budget was estimated at \$7,264,450, and is currently forecast at \$7,123,731.

BCLC RESPONSE POINTS:

- **BCLC has purchased business intelligence software from a leading provider to financial institutions, including three of Canada's five big banks.**
- **BCLC is the first gambling jurisdiction in North America to adopt this technology and, as such, extensive work has been required to customize this software for the unique needs of BCLC's gaming environment.**

- **Work is progressing and the software is expected to launch in the spring of this year.**
- **Currently, the risk assessment and monitoring of customers and transactions required under federal legislation is managed through manual processes.**
- **Once implemented, the software solution will allow for the automatic monitoring of many transactions currently being monitored manually, and will support BCLC in continuing to comply with anti-money laundering requirements into the future.**

	Name	Number
Program Area Contact:	Laura Piva-Babcock	T: 250-828-5576 C: 250-371-7274

October 18, 2016

Gaming Policy & Enforcement Branch
Ministry of Finance
3rd Floor - 910 Government Street
Victoria, BC V8W1X3

Attention: John Mazure
Assistant Deputy Minister

Dear John:

Re: Roles and Responsibilities

I am writing to follow up on our work around roles and responsibilities and specifically to provide comment on the presentation and update you delivered in regard to the legal boundaries of GPEB's regulatory role as it relates to BCLC at our last Joint Executive Meeting. I would first like to take this opportunity to thank you for what I and my team found to be a very informative and productive meeting. I hope the GPEB executive found the session equally beneficial.

s.14



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Vancouver, BC V5M 0A6

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F 604.225.6424
bclc.com

s.14

s.14 This information is very helpful to the work you and I have undertaken over the last year and half to better refine the roles and responsibilities of our respective organizations and helps to remove areas of

confusion. This additional clarity will allow each of us to better focus on core mandates and to better coordinate our efforts.

While this enhanced insight into our respective roles is very beneficial and will help guide our work, the success of GPEB and BCLC does not rest on interpreting the nuances of the GCA. The effective and efficient management of gaming in the province, and delivering on government's policy agenda, is best served through a strong, collaborative and professional working relationship between GPEB and BCLC where each respects the role and mandate of the other and each works to support the other in fulfilling our obligations to government. BCLC remains committed to building and maintaining this type of working relationship with GPEB.

I trust you will find the foregoing helpful. If you would like to discuss, I suggest we can table this at our upcoming Joint Executive meeting this week or at your earliest convenience.

Yours truly,

A handwritten signature in black ink, appearing to read "Jim Lightbody". The signature is stylized and cursive.

Jim Lightbody
President & CEO

cc: File

INFORMATION NOTE

British Columbia Lottery Corporation

Date: June 16, 2016

**BCLC's Facility
CIVIL FORFEITURE CASE
Relocation Policies
SETTLEMENT****KEY FACTS:**

On June 14, 2016, the B.C. Civil Forfeiture Office vs Michael Mancini matter was settled in B.C. Supreme Court. A negotiated settlement saw the forfeiture of \$41,715 in cash and drugs seized from Mancini during traffic stops in October and December 2015. Mancini's \$29,085 in verified casino cheques and his 2014 Chevrolet Camaro were not forfeited.

BACKGROUND:

On January 15, 2016, the BC Civil Forfeiture Office (Ministry of Justice) filed a notice of civil claim regarding a Chilliwack resident whose vehicle was searched by RCMP on two separate occasions, once in early October and again in mid-December, 2015. During these searches, police seized significant amounts of drugs and concealed currency. RCMP investigators also determined the individual frequented various gaming facilities and had won approximately \$2.2 million in slot machine winnings in the previous 12 months (Nov 2014 - Oct 2015) at gaming facilities in the Lower Mainland and Fraser Valley.

RCMP contacted BCLC on October 6, 2015, to verify the legitimacy of gaming facility cheques found in the individual's possession ^{s.15}

s.15

The BC Civil Forfeiture Office pursued the following seized items as proceeds of crime.

- A 2014 Chevrolet Camaro;
- \$29,085 (Canadian) consisting of three cheques issued by BC gaming facilities.
- \$16,310 in Canadian Currency (seized during the initial search)
- \$25,405 in Canadian Currency (found concealed in vehicle during follow-up search)

All of the transactions exceeding \$10,000 to this individual were from verified slot machine jackpot winnings. All jackpot winnings of \$10,000 or more are verified by gaming facility staff and this documentation is retained for audit purposes. Slot machine players in B.C. are able to put cash directly into the machines, therefore there is no transaction report documenting cash that slot players bring into gaming facilities. Only \$2500 can be inserted into a slot machine at any one time.

Under the *Gaming Control Act*, BCLC is required to notify GPEB immediately of any conduct, activity or incident occurring in connection with a lottery scheme if it involves the commission of an offence under a provision of the *Criminal Code* or the *Gaming Control Act*.^{s.15,s.22}

s.15,s.22

BCLC RESPONSE POINTS:

- **We understand a settlement has been reached in the Civil Forfeiture Office civil claim and the casino cheques were not forfeited.**
- **As originally stated, it is completely unacceptable to BCLC that our facilities be used in any way to launder money.**

FINTRAC COMPLIANCE:

- **BCLC is required to report any large cash transaction of \$10,000 and more, casino disbursement (payouts including jackpots and other winnings) of \$10,000 or more, or suspicious transactions in any amount to FINTRAC.**
- **Casinos are one of many sectors, including banks and real estate companies that must report large cash and suspicious transactions to FINTRAC.**
- **FINTRAC uses reports filed by BCLC to conduct analysis to detect patterns indicative of money laundering as well as individuals potentially involved in money laundering.**
- **BCLC's anti-money laundering program is regularly audited by FINTRAC, independent accounting firms and our provincial regulator, the Gaming Policy and Enforcement Branch.**

GENERAL:

- **BCLC and our service providers take all matters related to suspicious and/or suspected illegal gambling very seriously.**
- **If we have reason to suspect any criminal behaviour is occurring in or around our facilities, we report it to local police and the Province's Gaming Policy and Enforcement Branch.**
- **Safety and security are our number one priority. Through an information-sharing agreement with police, BCLC proactively bars suspected members of organized crime from gaming facilities in B.C. To date, over 160 people have been banned.**
- **We seek continuous improvement in our AML operations, including reviewing our processes and procedures, implementing new review criteria designed to detect non-compliance, and introducing a new software system.**

Program Area Contact:	Name Laura Piva-Babcock	Number 250-828-5576
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ROLLING THE DICE



Compliance in the BC Gambling Space

ACFE Nov 23, 2016

Ross Alderson
Director, AML & Investigations

Today's Topics

- The Canadian and BC Gambling demographic
- Misnomers in Gambling
- BCLC's AML Program
- Challenges we face(d)
- Revenue v Reputation – The BCLC example





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Ministry of Finance

Gaming Policy and Enforcement Branch

Know your limit, play within it.

Gaming Activities in B.C.

British Columbians may choose to participate in a broad range of gaming activities, such as major lotteries, horse racing, slot machines and table games in casinos, and local licensed gaming events such as 50/50 draws.

The ministry's Gaming Policy and Enforcement Branch regulates all gaming in British Columbia, including the operations of the [British Columbia Lottery Corporation](#), which conducts and manages commercial gaming in the province.

Grants and Licences

Gaming revenues benefit people and communities province-wide through [gaming grants](#) and other disbursements by government. Your community organization may also apply to the Branch for a [gaming licence](#) to earn revenue for eligible purposes.

Legislation and Policies

All gaming in B.C. is subject to federal and provincial [legislation and policies](#), which provide penalties for non-compliance. The Province also seeks out and prosecutes operators of illegal gambling events.

Responsible Gambling

Current News

» Nov 19, 2015 - [Temporary Processing Delays for Gaming Event Licence Applications](#)

» Nov 3, 2015 - B.C. [Reviewing New Lottery Scheme "Chase the Ace"](#)

» Oct 26, 2015 - [Multiculturalism Grant Funding Announced for 2015/16](#)

» Jul 29, 2015 - [Four Directions - Problem Gambling and Health Awareness Conference](#)

» Jun 25, 2015 - [Computerized Ticket Raffles - Federal Criminal Code Amendment Consultation for Class A & B Licensees](#)

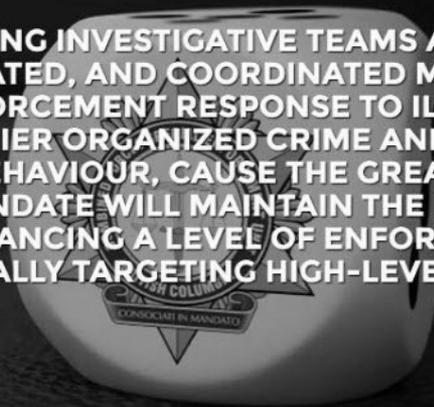
[More News...](#)

[Community Gaming Grant Review Report Completed](#)



JOINT ILLEGAL GAMING INVESTIGATION TEAM

THE MANDATE OF THE JOINT ILLEGAL GAMING INVESTIGATIVE TEAMS ARE TO PROVIDE A QUALITY, DEDICATED, INTEGRATED, AND COORDINATED MULTI-JURISDICTIONAL INVESTIGATIVE AND ENFORCEMENT RESPONSE TO ILLEGAL GAMING IN B.C. WITH AN EMPHASIS ON TOP-TIER ORGANIZED CRIME AND GANGS, SPECIFICALLY THOSE WHO, THROUGH THEIR BEHAVIOUR, CAUSE THE GREATEST RISK TO PUBLIC SAFETY IN THE PROVINCE. THIS MANDATE WILL MAINTAIN THE INTEGRITY OF PUBLIC GAMING IN THE PROVINCE BY ENHANCING A LEVEL OF ENFORCEMENT, DISRUPTION, AND PREVENTION BY SPECIFICALLY TARGETING HIGH-LEVEL CRIME GROUPS.



JOINT ILLEGAL GAMING INVESTIGATION TEAM (JIGIT)

MAINTAINING THE INTEGRITY OF PUBLIC GAMING IN THE PROVINCE

Illegal gaming provides an attractive and lucrative source of income for organized groups to advance their criminal exploits, including violent offences. By targeting this criminal element and not allowing it to flourish via illegal gaming activities.

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FRIDAY'S JACKPOT
\$55 MILLION EST.
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Current Jackpot
\$5 Million EST.
PLUS 1 GUARANTEED \$1 Million Prize

Buy Ticket **PLAY NOW.COM**

Winning Numbers
See all games »
LOTTO MAX & Extra
FRIDAY, SEPTEMBER 2, 2016

POOLS
NHL - PICK 9 GAMES PRIZE POOL \$18,282
NFL - PICK 14 GAMES PRIZE POOL \$36,828

Pick the Pool. Pick the winners. Bet \$5. Win or share the jackpot.

All Winning Numbers » **LOTTO MAX** **LOTTO 649** **Keno**

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BC Casinos Home »
Find a Location »
Entertainment »
Encore Rewards »
Play Online Now »

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Sports Action Home »
Sports Action Daily Menu »
Sports Action Results »
Bet Online Now »

About BCLC Recent News

bclc
playing it right

play
it
forward

Thanks to our players, billions of dollars have supported communities and help B. C. grow.

[Learn more](#)

Social Responsibility

BCLC wants to encourage conversation with our stakeholders so that we can learn what's important to British Columbians, and respond to their needs.

[Learn more](#)

bclc

Gaming Service Providers



Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)



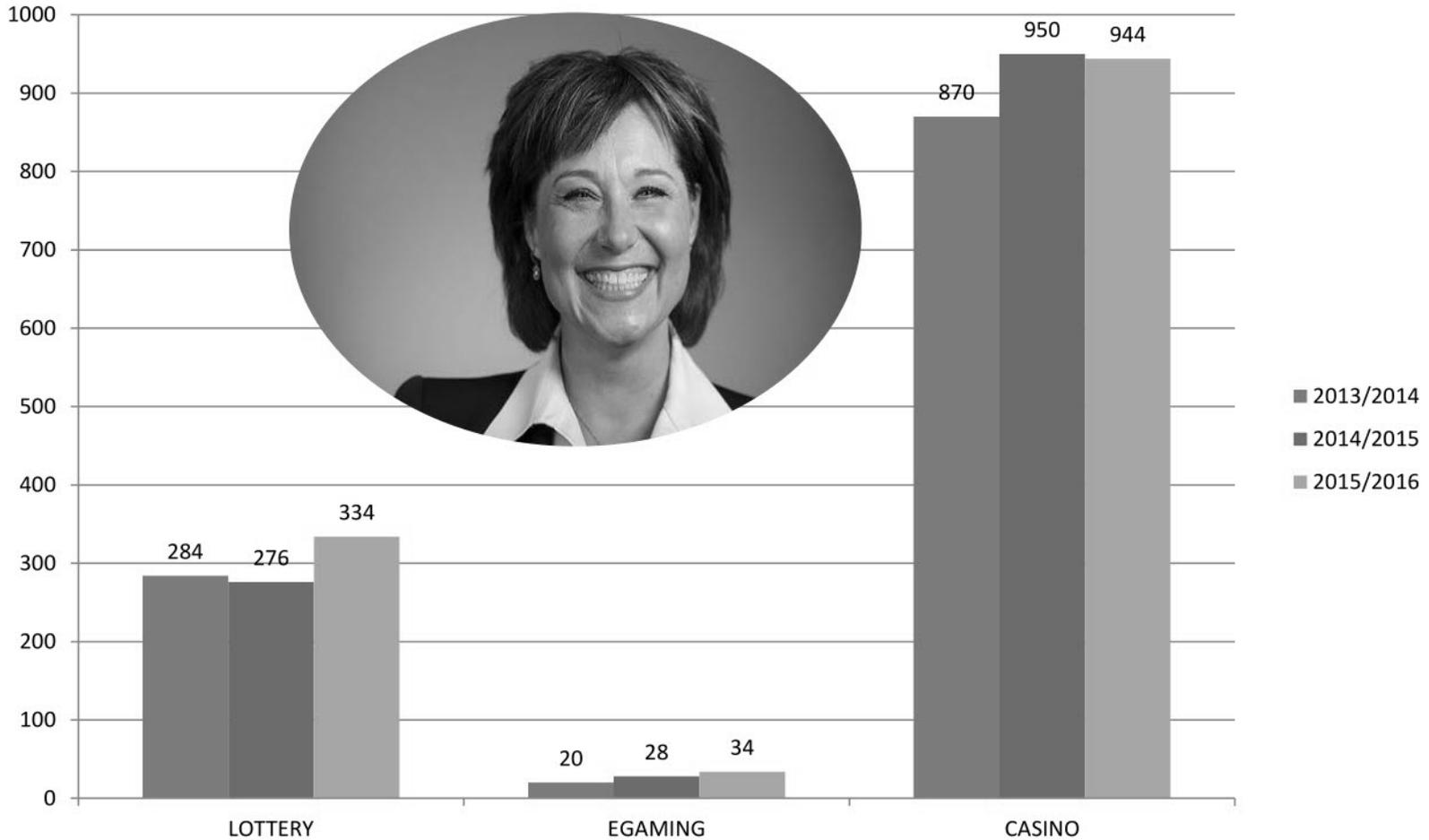
Financial Transactions and
Reports Analysis Centre
of Canada

- ⦿ Canada's financial intelligence unit, created in 2000.
- ⦿ An independent agency, reporting to the Minister of Finance, who is accountable to Parliament for the activities of the Centre.
- ⦿ Established and operates within the ambit of the *Proceeds of Crime Money Laundering and Terrorist Financing Act (PCMLTFA)* and its Regulations.
- ⦿ Is not a policing agency – is a regulatory agency that collects, collates, analyzes and disseminates to Law Enforcement.
- ⦿ Advised by FATF and a member of Egmont Group

Roles and Responsibilities

	Gaming Control Act	Criminal Code of Canada	Proceeds of Crime (Money Laundering) Terrorist Financing Act
GPEB	GPEB investigators have authority to investigate and to issue violation tickets in relation to offenses under GCA	Authority to investigate and enforce provisions of the CC but these would be restricted to gaming matter or matters which impact the integrity of gaming; GPEB must notify local police when doing so	No authority or responsibilities
BCLC	BCLC has the authority to investigate matters related to corporate operations; Monitor compliance of gaming services providers; Monitor operation of provincial gaming or horse racing and the associated premises and facilities; Right to refuse entry. Conduct due diligence investigations in relations to assisting report requirement of PCMLFTA	Authority to investigate matters related to corporate operations; General all non -peace officer powers of arrest and protect of property	Designated reporting entity responsible for anti-money laundering regime at casinos in the province
Police	Can investigate and issue violation tickets in relation to the GCA	Full jurisdictional enforcement authority; Can make arrests, issue appearance notices, recommend charges, etc.	Jurisdictions to investigate and enforce laws related to money laundering and proceeds of crime
FinTRAC	N/A	N/A	Responsible for receiving and analyzing information for reporting entities, making disclosure to police on money laundering offences, and regulating and auditing reporting entities

BCLC - Net Income (in \$ millions per fiscal year)



FEATURED VIDEO
THE ARBUTUS DRILL COVER



THE VANCOUVER SUN

NEWS OPINION BUSINESS SPORTS ENTERTAINMENT LIFE HEALTH TECHNOLOGY TRAVEL

Despite tougher rules, reports of possible money-laundering up at B.C. casinos

The number of cases reported to police by provincial regulators doubled between 2011 and 2013



CBCnews | British Columbia



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Former B.C. casino investigator calls suspicious transactions 'shocking'

laundering 'eye-opening'



A large number of the suspicious transactions detailed in B.C. government reports took place at the River Rock Casino in Richmond. April 9, 2014. (CTV)

NEWS

Stopping money laundering as simple as placing cop in casino



EXCLUSIVE | River Rock, Starlight casinos saw \$27M in suspicious transactions this spring

Promise to clean up 'dirty money' at B.C. casinos results in little change, says NDP critic

CTV NEWS VANCOUVER



NEWS VIDEO WEATHER MORNING LIVE MORE CONTESTS ABC

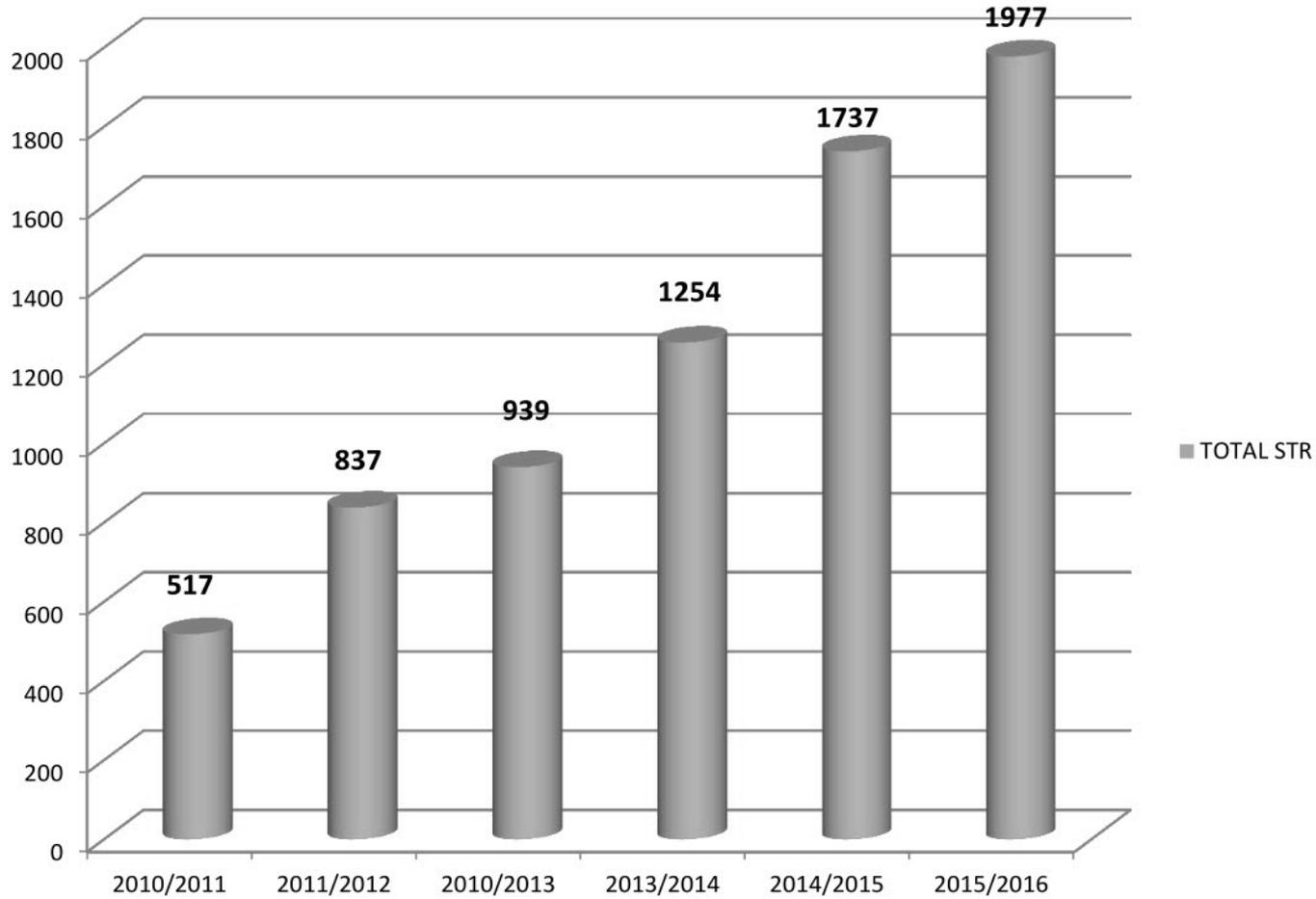
Suspected money laundering rampant at B.C. casinos: report

All BC Reporting Sectors

Large Cash Transaction Reports									
	2010-2011		2011-2012		2012-2013		2010-2013		
	LCTs	Contribution	LCTs	Contribution	LCTs	Contribution	Total LCTs	Contribution	Trend
Casino	19,933	1.961%	21,846	1.926%	24,141	2.007%	65,920	1.966%	
BC notaries	-	-	-	-	1	0.0001%	1	0.00003%	
Dealers in precious metals and stones	32	0.003%	88	0.008%	71	0.006%	191	0.006%	
Financial entities	989,618	97.368%	1,103,876	97.344%	1,170,710	97.319%	3,264,204	97.343%	
Life insurance	-	-	1	0.0001%	2	0.0002%	3	0.0001%	
Money service business	6,783	0.667%	8,175	0.721%	8,031	0.668%	22,989	0.686%	
Real estate	-	-	4	0.0004%	3	0.0002%	7	0.0002%	
Securities dealers	-	-	1	0.0001%	-	-	1	0.00003%	

Suspicious Transaction Reports									
	2010-2011		2011-2012		2012-2013		2010-2013		
	STRs	Contribution	STRs	Contribution	STRs	Contribution	Total STRs	Contribution	Trend
Casino	508	6.21%	720	5.85%	817	5.83%	2,045	5.9%	
BC notaries	3	0.04%	1	0.01%	-	-	4	0.0%	
Dealers in precious metals and stones	-	-	-	-	15	0.11%	15	0.0%	
Financial entities	4,770	58.36%	7,035	57.13%	6,641	47.42%	18,446	53.5%	
Life insurance	1	0.01%	1	0.01%	9	0.06%	11	0.0%	
Money service business	2,856	34.94%	4,511	36.64%	6,476	46.24%	13,843	40.1%	
Real estate	3	0.04%	1	0.01%	9	0.06%	13	0.0%	
Securities dealers	33	0.40%	44	0.36%	37	0.26%	114	0.3%	

STR reports from BC Gaming

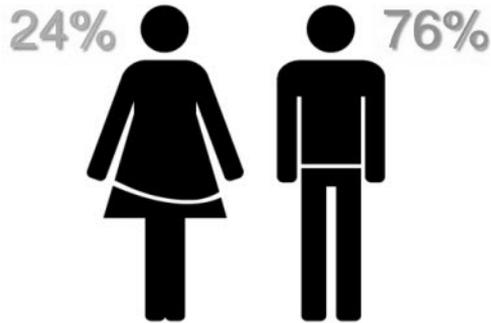


Top 100 Players

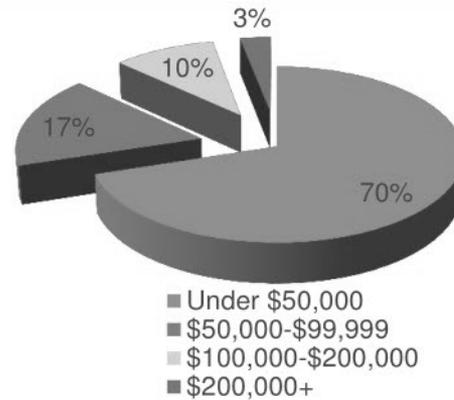
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Jan-Sep 2016

based on cumulative total of buy-ins >\$10,000



Average of Individual Buy-Ins



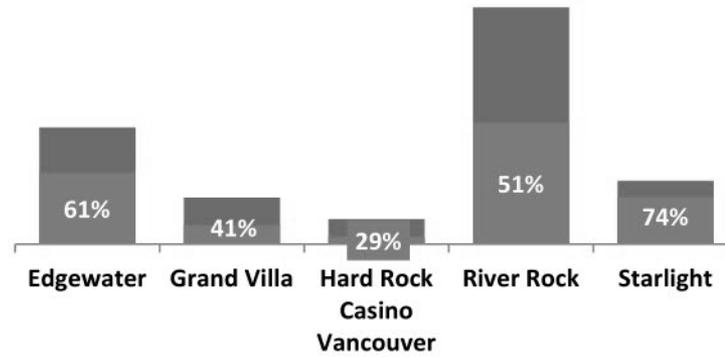
Occupation by Industry

Real Estate	s.15
Service	
Other	
Import/Export	
Housewife	
Student	
Financial	
Construction	
Petroleum/Mining	
Manufacturing	
Technology	
Trades	
Medical	
Film/Entertainment	
Textile	
Energy and Resources	
Banking/Investment	
Telecommunications	
Grand Total	100

Age Bracket

19 - 34	16%
35 - 44	8%
45 - 64	74%
65 +	2%

Top 100 % of facility LCTs



Ethnicity

Asian	97%
Middle-Eastern	2%
East Indian	1%

Top 100 account for 54% of LCTs



How to Launder money in Gaming.



CASINO: Individual(s) brings cash, buys gaming chips, plays very little: cashes out and requests a cheque



CASINO: Individual(s) brings cash, feeds the money into a slot machine: collects the payout tickets and requests a cheque



CASINO: Individual(s) change small bills into large ones by buying gaming chips or feeding into slot machine and cashing out. Otherwise known as “refining”

s.15



How does BCLC prevent Money laundering continued

- ⦿ Mandatory AML Training^{s.15}
s.15
- ⦿ BCLC Investigators on-site
- ⦿ s.15
- ⦿
- ⦿
- ⦿ Mature and Advanced Compliance Regime including around
Customer Due Diligence and^{s.15}
- ⦿ Promote Cash alternatives: Account based gaming, Debit, Global
Cash, bank drafts, Cheques, domestic and international
EFT/Wires

How does BCLC prevent Money laundering?

- ⦿ Regulation makes it difficult to remain anonymous for amounts over \$10K
- ⦿ CAMERAS, CAMERAS, CAMERAS!!!!!!
- ⦿ Chips are unique to each Site
- ⦿ ^{s.15}
- ⦿
- ⦿
- ⦿
- ⦿ Established relationships with Law Enforcement and an Information Sharing Agreement

Ongoing AML Training: Risk Indicators Chart

s.15

Culture of Compliance AML Unit Mission Statement



To create an efficient best in class AML program that will meet federal compliance regulations pertaining to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* of Canada in order to solidify the integrity of the gaming industry in BC.

BCLC Corporate Security & Compliance, February 2014

Due Diligence: OSINT Screening

Click to Return to Home Screen



s.15



s.15



- ⦿ RCMP Information Sharing Agreement (est.Feb-2014)

- CFSEU Provincial Tactical Enforcement Program
- RTIC sharing protocol



- ⦿ s.15

- ⦿

Issuing cheques.

There are two types of cheques which can be issued by a Gaming Service Provider – Convenience Cheques and Verified Win Cheques.

There are specific policies surrounding cheque issuance which must be followed by all Gaming Service Providers.



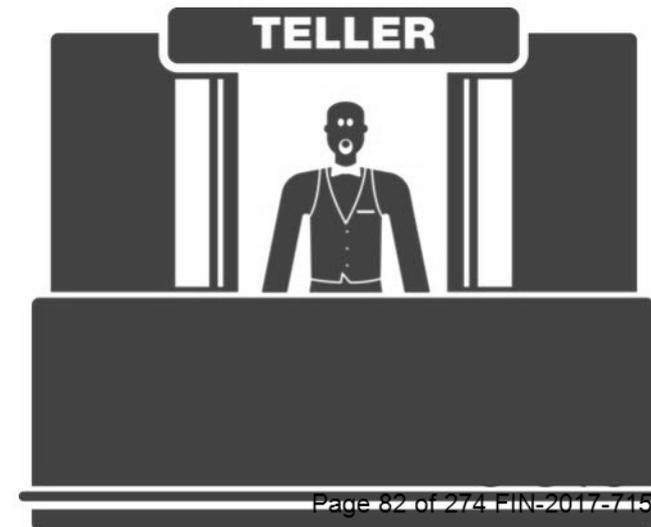
Verified win cheque.

Gaming Service Providers can also issue verified win cheques. A verified win is defined as the cash out minus the buy-in amount. Verified wins must be approved by the appropriate staff member.



Convenience (R.O.F) cheque.

Convenience cheques can be issued to patrons who request them up to a value of \$10,000. These cheques are clearly marked “Return of Funds – Not Gaming Winnings”.



Verified win cheque for slots.

To verify a win on a slot machine, the gaming service provider needs to verify the jackpot slip that prints at the cage when a jackpot has triggered.

Jackpots will lock up the slot machine.

Numerous small wins over time on a machine are not eligible for a **verified win** cheque but many be paid out with a **convenience** cheque as long as the total amount is \$10,000 or less.



Verified win cheque for tables.

Verified wins on tables are calculated differently than at slot machines.

A table tracking card is used to keep track of all buy ins at the gaming table.

Upon cash out the tracking card will be used to calculate the 'Cash Out Minus Buy in' for verified win cheques.



Challenges

1. Who are our players?
2. Source of Wealth v Source of Funds
3. Changing a culture in Casino Industry that cash is normal
4. Reliance on “whales”
5. Lack of cash alternative options
6. Politics
7. Illegal gaming competition in BC
8. Information Sharing

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Recent Impacts to Asian “whales”

- ⦿ Stock Market Losses in China
- ⦿ Proposed Canada/China repatriation treaty/seizing of assets
- ⦿ Alleged Chinese Police operations in BC
- ⦿ Operation Fox Hunt (Top 100 Chinese fugitives)
- ⦿ Decrease in gambling revenue in Macau in part due to increased Chinese pressure on flight of capital.
- ⦿ Increase in Interpol warrants for Chinese Nationals for alleged Bribery & Corruption
- ⦿ Focus on BC Real Estate transactions and alleged corruption – media focus
- ⦿ Arrests in Macau for UnionPay Fraud (Oct 2015)
- ⦿ BCLC’s enhanced AML program since 2014

Revenue

V

Reputation



Questions???



Reducing Reliance on Cash New Payment Initiatives

Fiscal Year 2016/17

Q4

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Summary for fiscal year 2016/17	10

Fiscal Year 2016/17

Executive Summary

The reducing reliance on cash initiatives continue to offer patrons alternate methods to access funds at gaming facilities. This quarter the overall dollar amount has increased 3% from the previous quarter. The total dollar amounts of convenience cheques issued has shown the largest increase – 39% over last quarter and 300% over the same quarter last fiscal year (2015/16). This is attributed to the fact that convenience cheques have been delimited for PGF account holders.

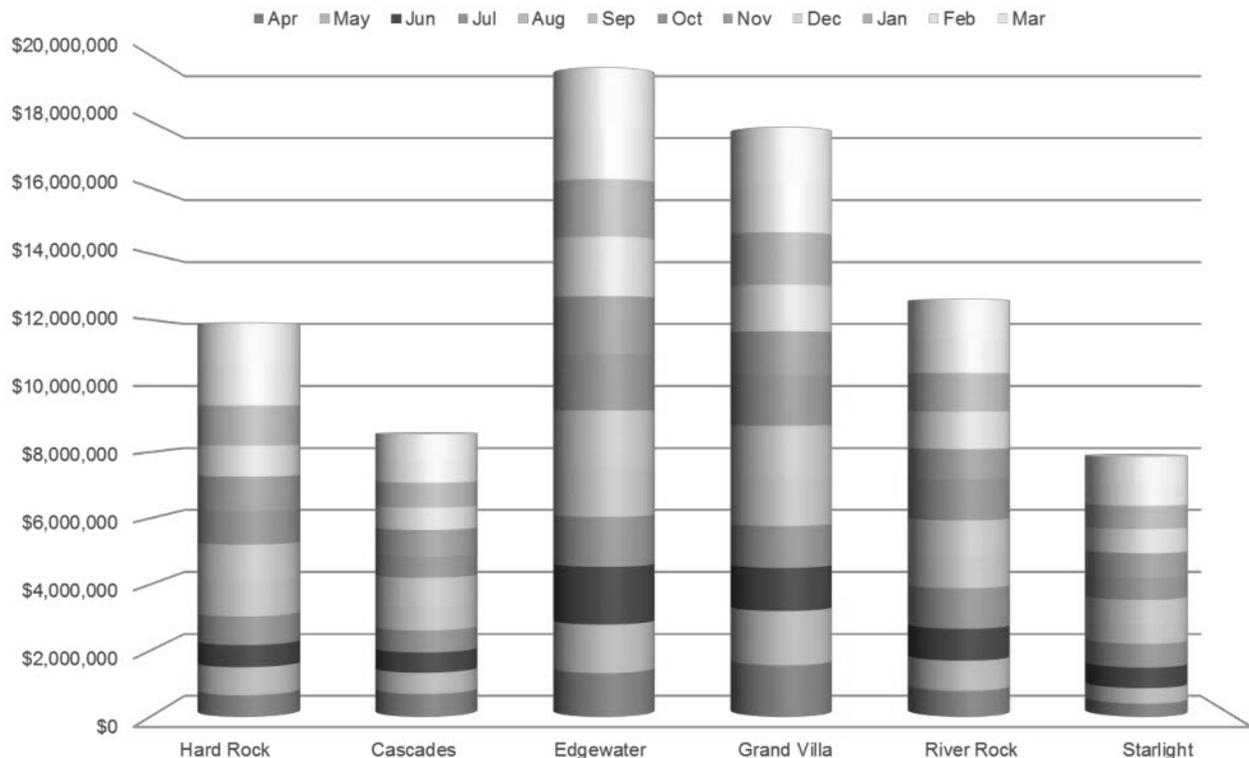
Debit at the cash cage continues to be a viable option for players and its usage shows a steady increase each quarter with an 8% increase this quarter and a 41% increase over the same quarter last fiscal year (2015/16)

Use of Debit at Cash Cage

Debit card use at the cash cage is intended for transactions in amounts above ATM limits. Some of the gaming facilities provide this debit option to patrons for any amount while some sites have established minimum monetary limits for withdraw.

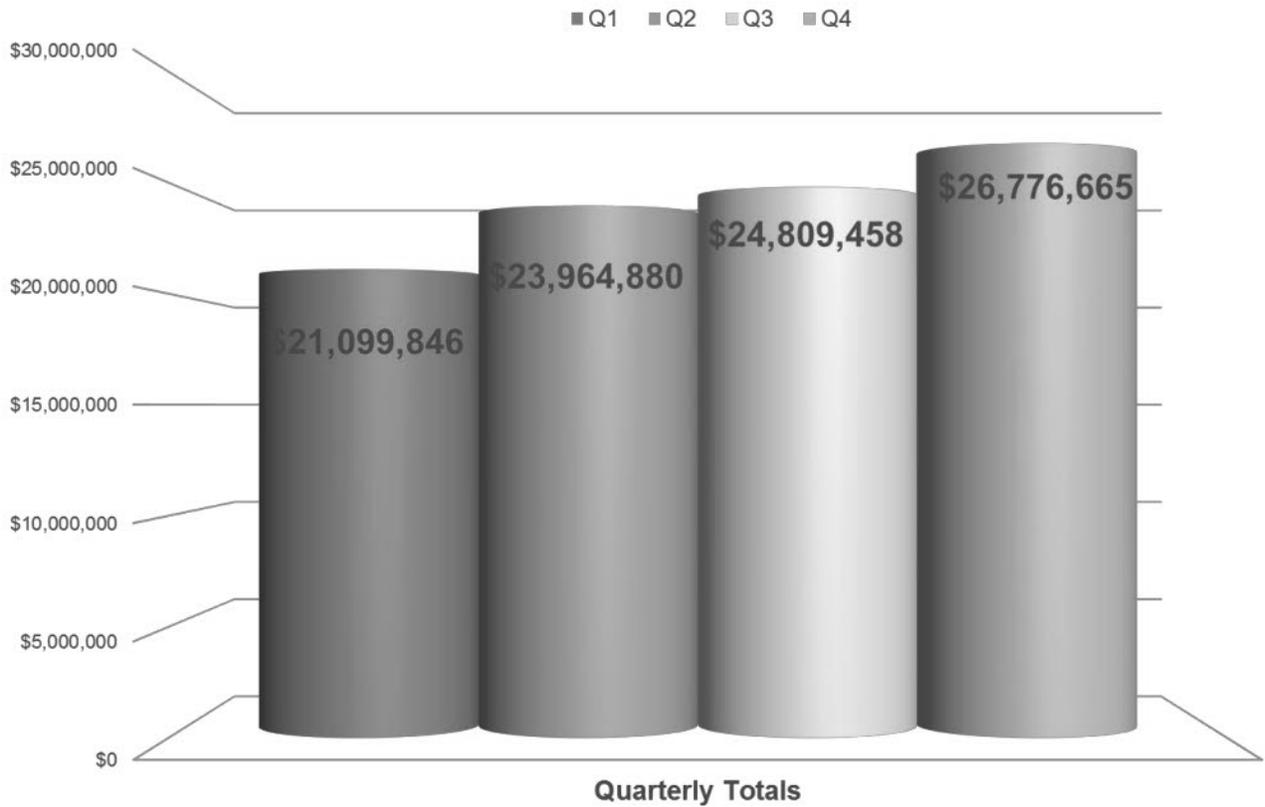
Debit Card use at Cash Cage Monthly Totals by Property Fiscal Year 2016/17

Note: also in use at CGCs Abbotsford, Campell River, Chilliwack, Courtenay, Cowichan, Dawson Creek, Fort St. John, Kelowna, Maple Ridge and casinos Elements, Hastings, Kamloops, Kelowna, Penticton, Treasure Cove, Vernon, View Royal with lower totals



- Edgewater is the property where this option is utilized the most, followed closely by the Grand Villa Casino.
- The latest property to offer this option includes the new Cascades Casino located in Kamloops. In total 24 Casino and CGC properties utilize this option. These include CGC's Abbotsford, Campbell River, Chilliwack, Courtenay, Cowichan, Dawson Creek, Kelowna, Maple Ridge, Langley, and casinos Elements, Hastings, Kamloops, Kelowna, Penticton, Treasure Cove, Vernon and View Royal.
- In order to make this option even more successful, it would be suggested that:
 - it is offered at more gaming facilities
 - advertise the service to patrons

Debit Use at Cash Cage Fiscal Year 2016/17



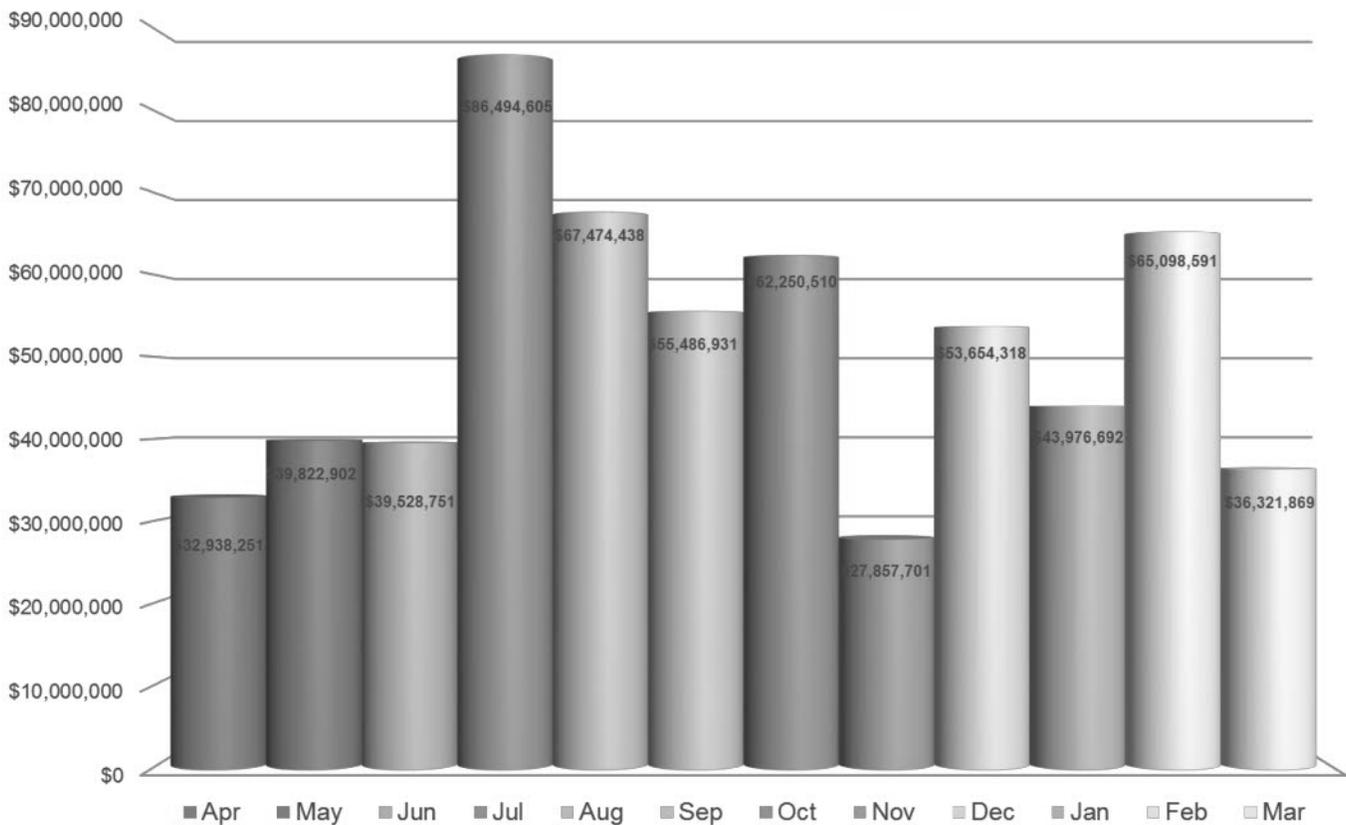
- An 8% increase from the previous quarterly total.
- Q4 total for previous fiscal year 2015/16 was \$18,941,896 an increase of 41% over same quarter last fiscal year.

Patron Gaming Fund (PGF) Accounts

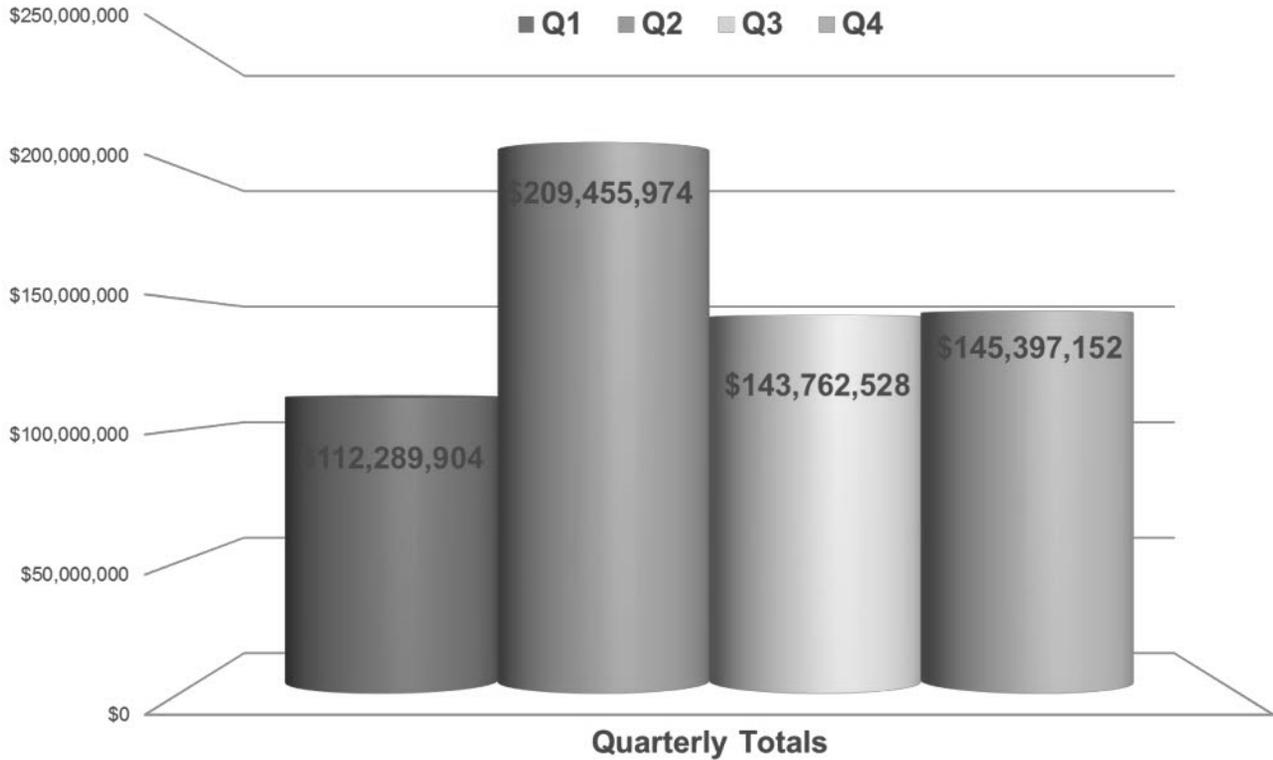
Data on PGF Accounts from April 1, 2016 to March 31, 2017

- \$23,551,837 used as initial deposits to open accounts.
- In March 2016, PGF accounts were approved for use at Elements Casino. For the past year, there has been little PGF use at this site.

PGF Account Use Deposits = \$610,905,558 Fiscal Year 2016/17

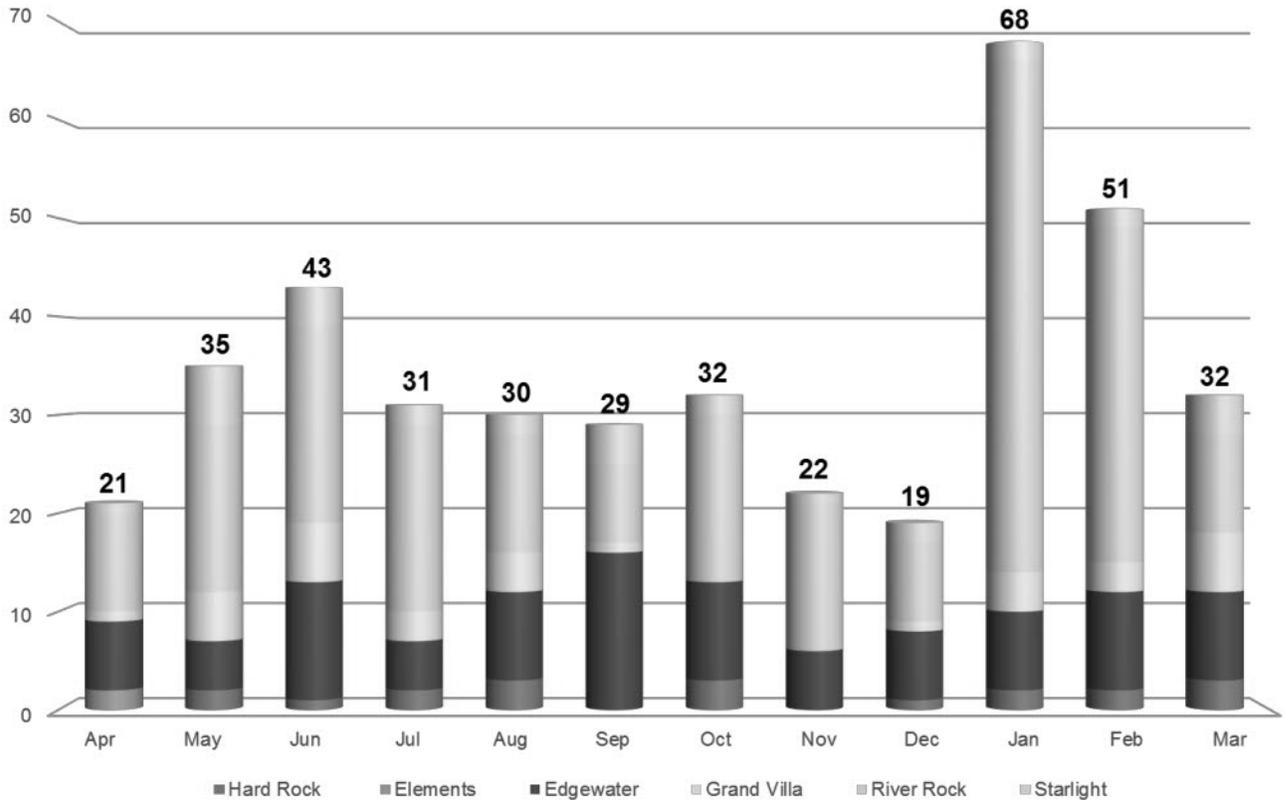


PGF Deposit Totals Fiscal Year 2016/17



- A 1% increase from the previous quarterly total.
- Q4 total for previous fiscal year 2015/16 was \$116,189,152 an increase of 25% over same quarter last fiscal year.

**Monthly PGF Account Openings
Fiscal Year 2016/17
Accounts Opened/Reopened since Apr 1, 2016 = 413**



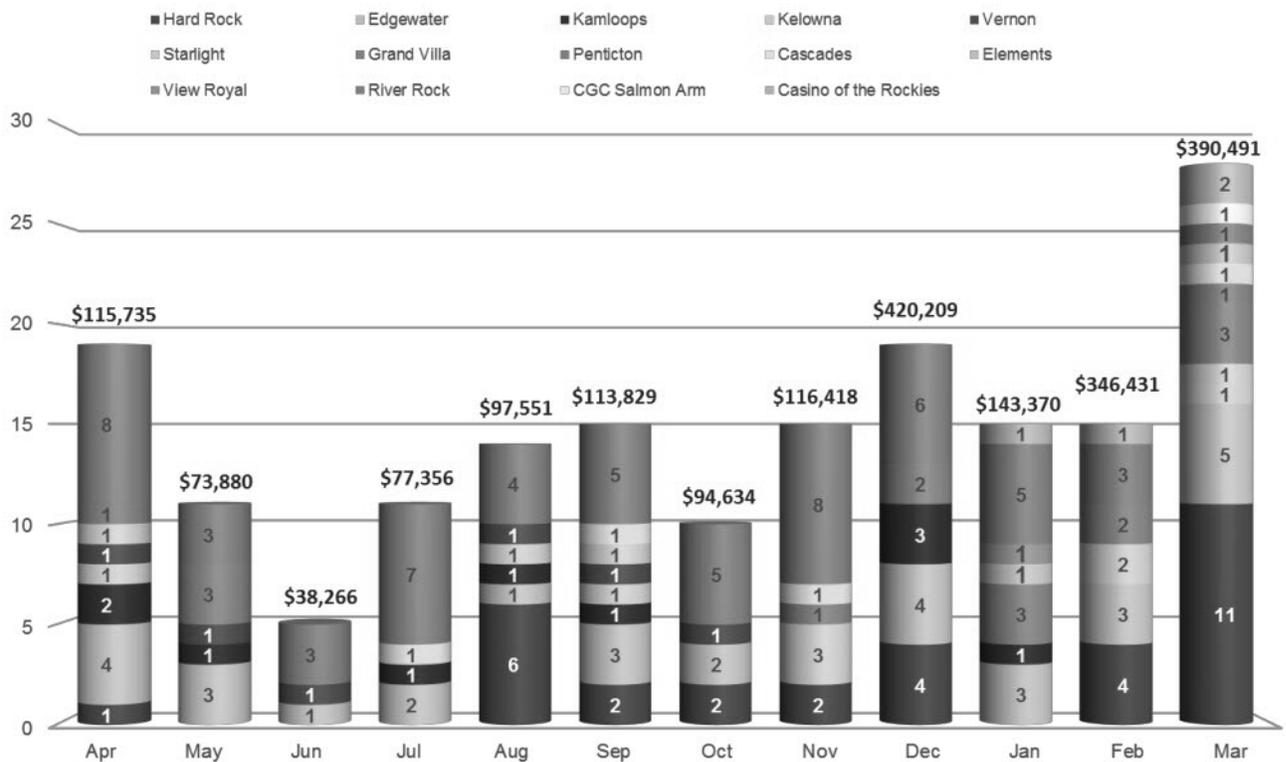
- New PGF accounts increased by 107% this quarter over previous.
- Q1 Total = 99
- Q2 Total = 90
- Q3 Total = 73
- Q4 Total = 151
- The River Rock Casino held a PGF account opening promotion from January 15 to February 8, 2017. This promotion is directly linked to the large spike in account openings.
- Fourth Quarter total previous fiscal year (2015/16) – 130 new accounts, a 16% increase over same quarter last fiscal. In January of 2016, the River Rock casino hosted another PGF promotion, which is attributed to the large spike in the previous fiscal year.

Convenience Cheques

Service providers are permitted to issue cheques to patrons for the return of buy-in funds. At the launch of this initiative, the initial threshold amount was \$5,000 and increased to \$8,000 in January 2013. As of April 2014, the new threshold amount increased to \$10,000. These cheques are clearly marked "Return of Funds – Not Gaming Winnings". Patrons are permitted to receive one cheque per week. This option also enhances the security for patrons who do not wish to exit the gaming facility with large quantities of cash.

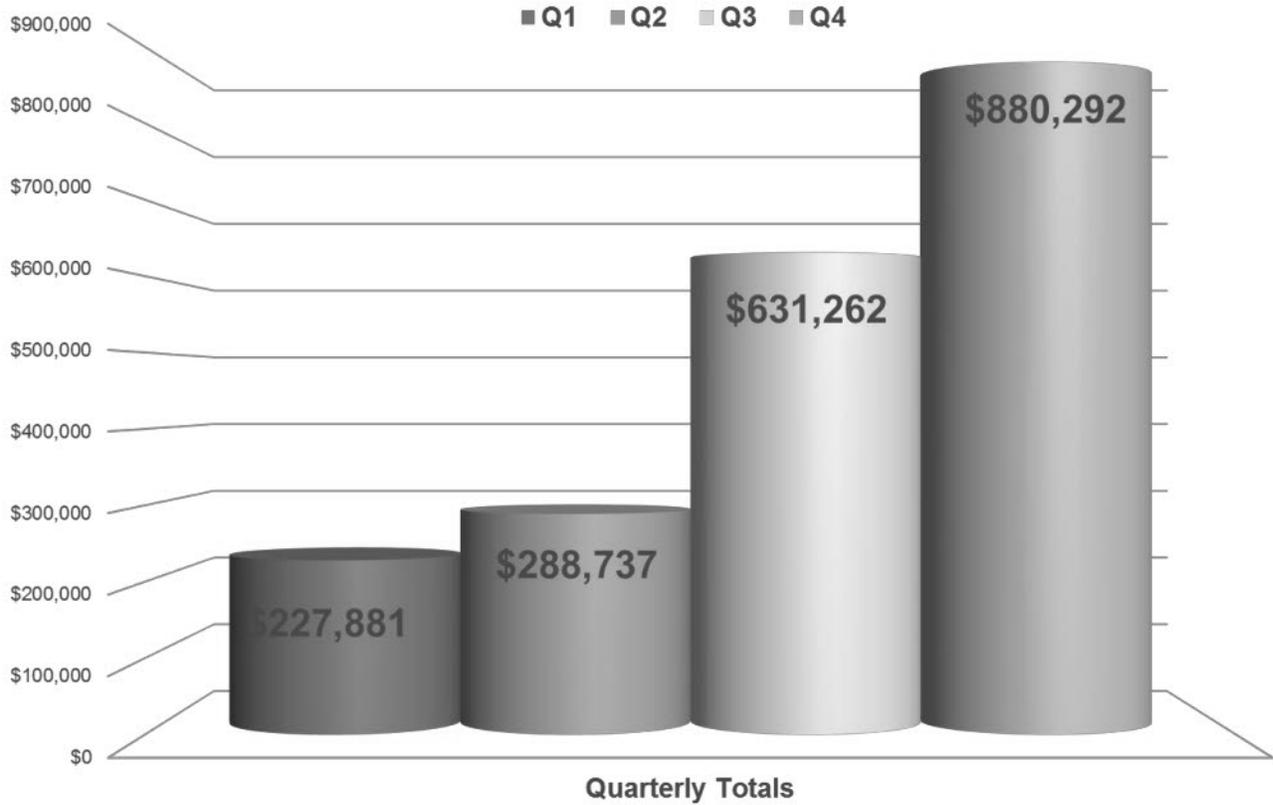
Effective November 2016, delimited convenience cheques have been approved for PGF account holder patrons. This change has been made to further reduce the use of cash in gaming facilities and replace it with a monetary instrument which is traceable.

Convenience Cheques Issued Fiscal Year 2016/17 Total Dollar Value = \$2,028,173 Total Cheques Issued = 179



- Daily reports are generated which list all convenience cheques issued.
- Compliance with cheque issuance policy is monitored. No breaches in cheque issuance policy occurred this quarter.
- The monthly average cheque issuance across all sites has increased from 14 to 17.

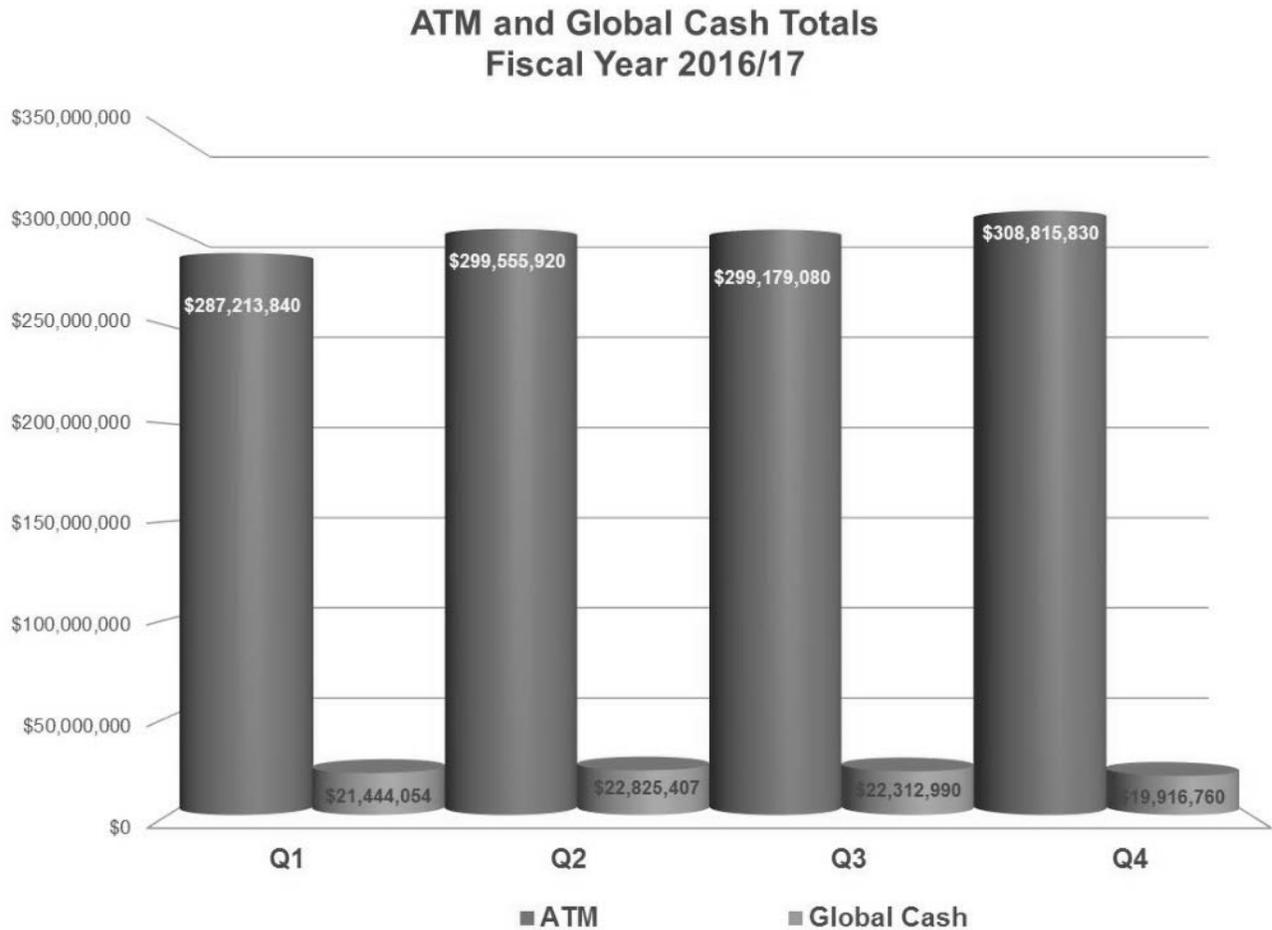
**Convenience Cheques
Fiscal Year 2016/17
Total Cheques Issued = 179**



- A 39% increase has occurred over the previous quarterly total.
- Q4 total for previous fiscal year 2015/16 was \$220,047 an increase of 300% over same quarter last fiscal year
- The large increases in the Q3 & Q4 totals are attributed to the delimiting of the convenience cheques for PGF account holder patrons.

Existing Methods of Reducing Cash in Casinos

The casino service providers currently make use of the following methods to provide access to cash at their gaming facilities for their patrons: ATM machines and Global Cash. Data has been obtained for the current fiscal year and displayed in the chart below. These methods provide other options for patrons who do not wish to carry street cash into gaming facilities.



Total Q1, Q2, Q3 & Q4 Totals

- ATM = \$1,194,764,670
- Global Cash = \$89,028,991
- Total combined = \$1,283,793,661

Quarterly Comparisons

Cashless Methods	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	% Change from previous Quarter
	Current Fiscal	Current Fiscal	Current Fiscal	Current Fiscal	
	2016/17	2016/17	2016/17	2016/17	
Debit Cage	\$21,099,846	\$23,964,880	\$24,809,458	\$26,776,665	8%
Convenience Cheques	\$227,881	\$288,737	\$631,262	\$880,292	39%
Total PGF Deposits	\$112,189,904	\$209,455,974	\$143,762,528	\$145,397,152	1%
Existing Methods	\$308,657,894	\$322,381,327	\$321,492,070	\$331,262,370	3%
Total	\$442,175,525	\$556,090,918	\$490,695,318	\$504,316,479	3%

Summary for fiscal year 2016/17

TOTAL CASH "REMOVED" USING NEW INITIATIVES = \$709,484,579

Cashless Methods utilized since April 1, 2016
 Debit at Cage = \$96,650,849
 Convenience Cheques = \$2,028,172
 PGF Accounts = \$610,805,558

TOTAL CASH "REMOVED" INCLUDING ALL METHODS = \$1,993,278,240

Reducing Reliance on Cash New Payment Initiatives

Fiscal Year 2016/17

Q3

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Fiscal Year 2016/17

Executive Summary

The reducing reliance on cash initiatives continue to offer patrons alternate methods to access funds at gaming facilities, however this quarter the overall dollar amount has decreased 12% from the previous quarter. The deposits into Patron Gaming Fund (PGF) accounts have shown the largest decrease – 31% over last quarter.

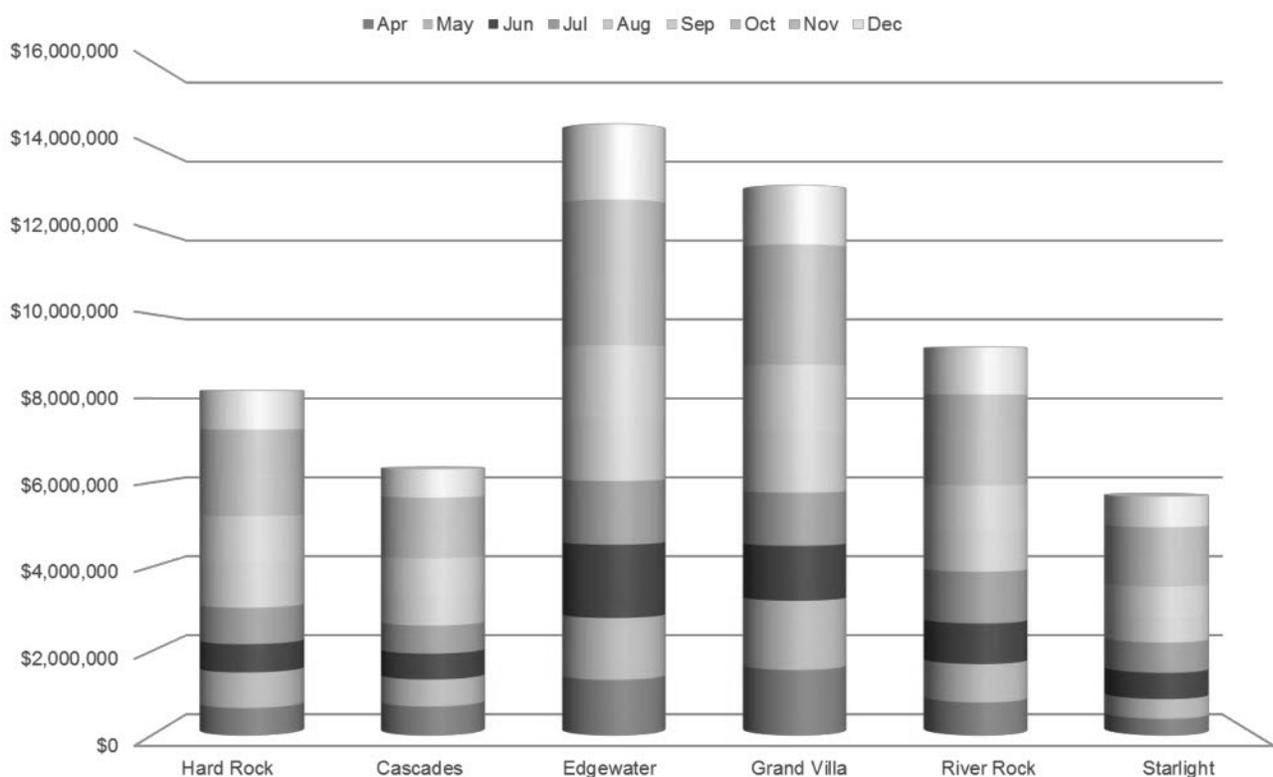
Debit at the cash cage continues to be a viable option for players and its usage shows a steady increase each quarter. The average monthly issuance of convenience cheques has also increased from 10 cheques to 12.5 cheques monthly.

In April 2016, two cash alternatives were presented to the Assistant Deputy Minister, John Mazure, for review; delimiting convenience cheques and international electronic funds transfers. These initiatives were implemented in November 2016. Tracking methods have been implemented to monitor the performance of these initiatives.

Use of Debit at Cash Cage

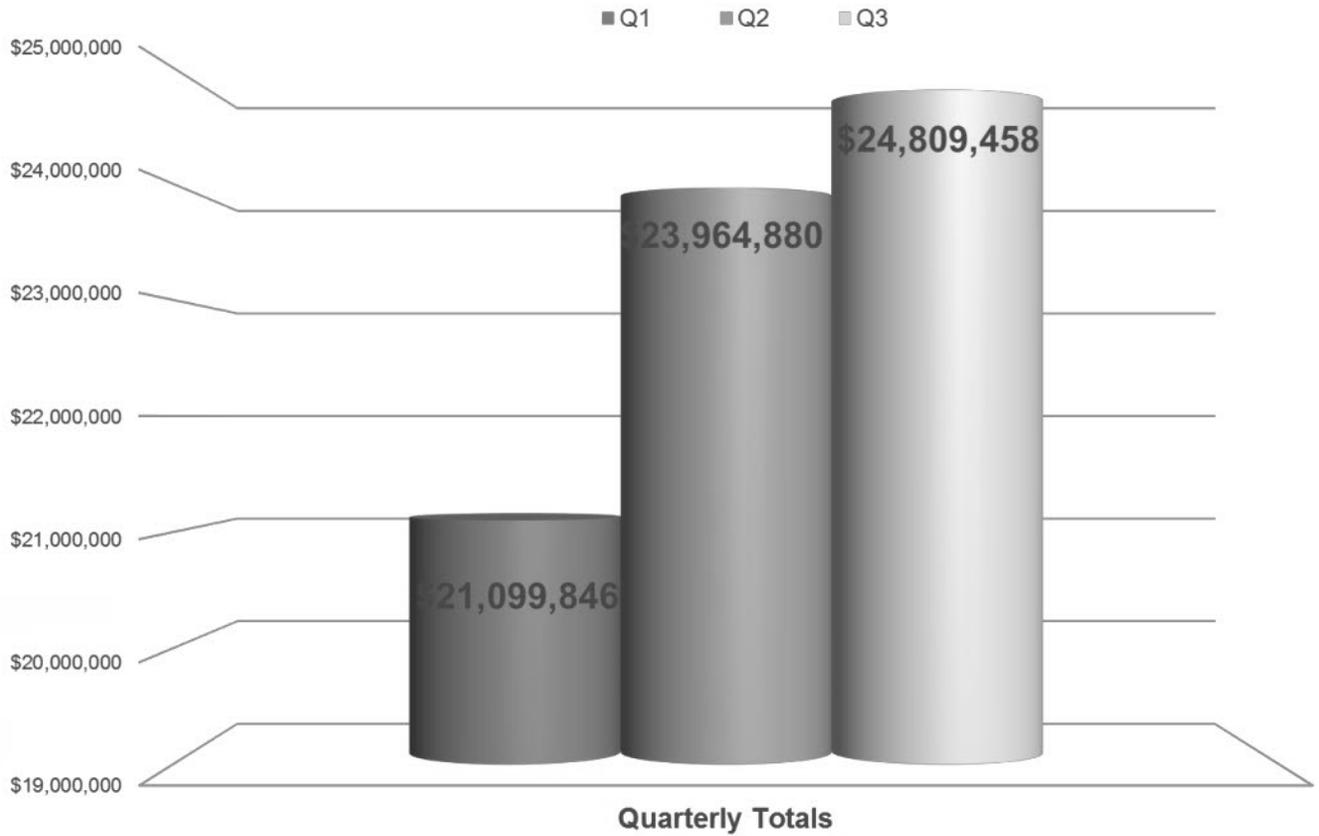
Debit card use at the cash cage is intended for transactions in amounts above ATM limits. Some of the gaming facilities provide this debit option to patrons for any amount while some sites have established minimum monetary limits for withdraw.

**Debit Card use at Cash Cage
Monthly Totals by Property
Fiscal Year 2016/17**



- Edgewater is the property where this option is utilized the most, followed closely by Grand Villa Casino.
- The latest property to offer this option includes the new Cascades Casino located in Kamloops. In total 24 Casino and CGC properties utilize this option. These include CGC's Abbotsford, Campbell River, Chilliwack, Courtenay, Cowichan, Dawson Creek, Kelowna, Maple Ridge, Langley, and casinos Elements, Hastings, Kamloops, Kelowna, Penticton, Treasure Cove, Vernon and View Royal.
- In order to make this option even more successful, it would be suggested that:
 - it is offered at more gaming facilities
 - advertise the service to patrons

Debit Use at Cash Cage Fiscal Year 2016/17



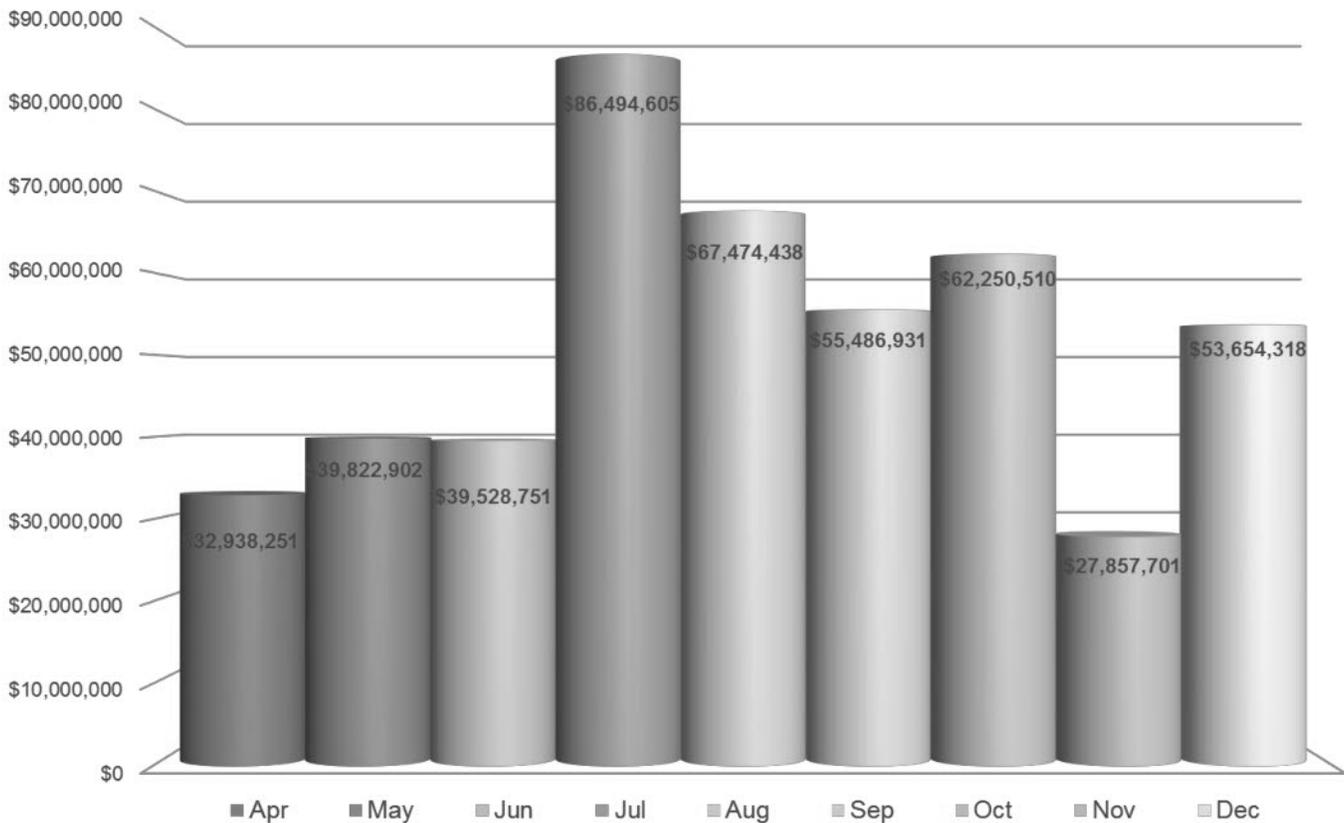
- A 4% increase from the previous quarterly total.
- Q3 total for previous fiscal year 2015/16 was \$18,283,564 an increase of 36% over same quarter last fiscal year.

Patron Gaming Fund (PGF) Accounts

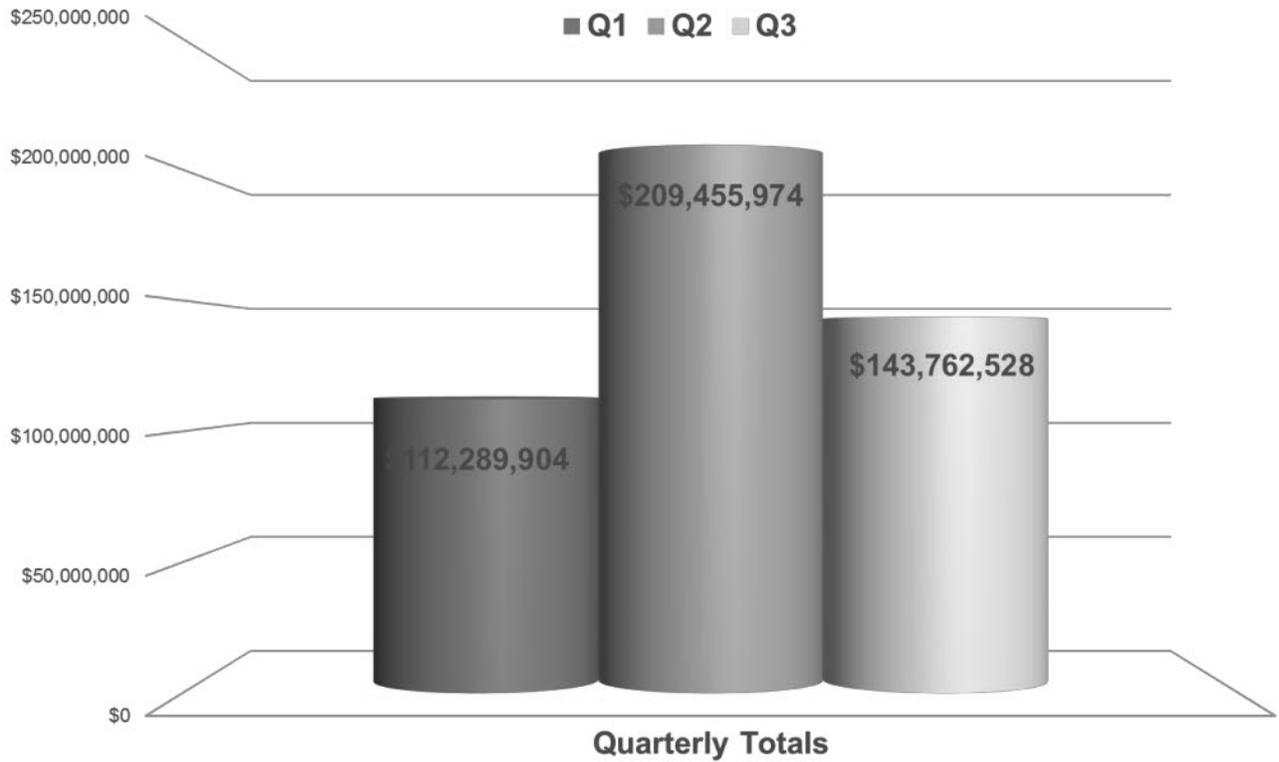
Data on PGF Accounts from April 1, 2016 to December 31, 2016

- \$17,424,909 used as initial deposits to open accounts.
- In March 2016, PGF accounts were approved for use at Elements Casino. For the past nine months, there has been little PGF use at this site.

PGF Account Use Deposits = \$465,408,405 Fiscal Year 2016/17

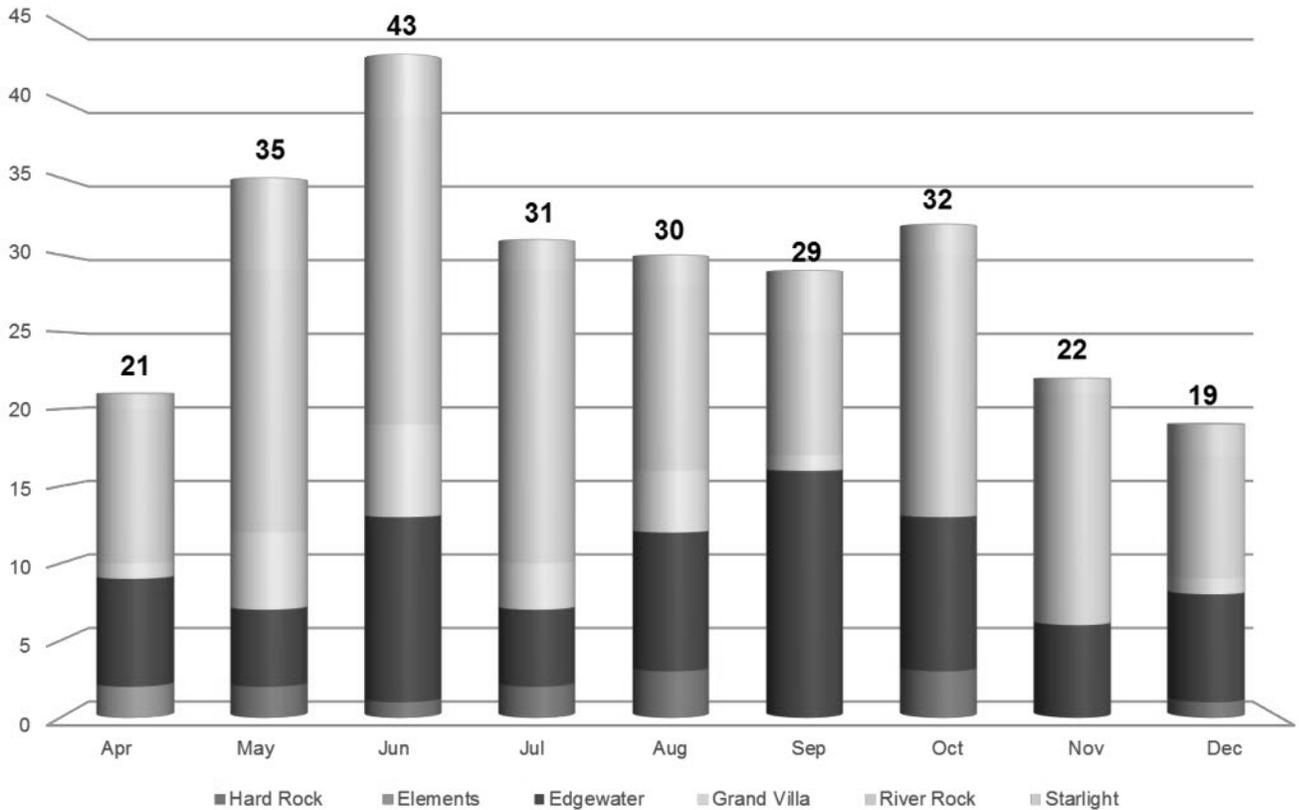


PGF Deposit Totals Fiscal Year 2016/17



- 31% decrease from the previous quarterly total.
- Q3 total for previous fiscal year 2015/16 was \$96,918,256 an increase of 48% over same quarter last fiscal year.

**Monthly PGF Account Openings
Fiscal Year 2016/17
Accounts Opened/Reopened since Apr 1, 2016 = 262**



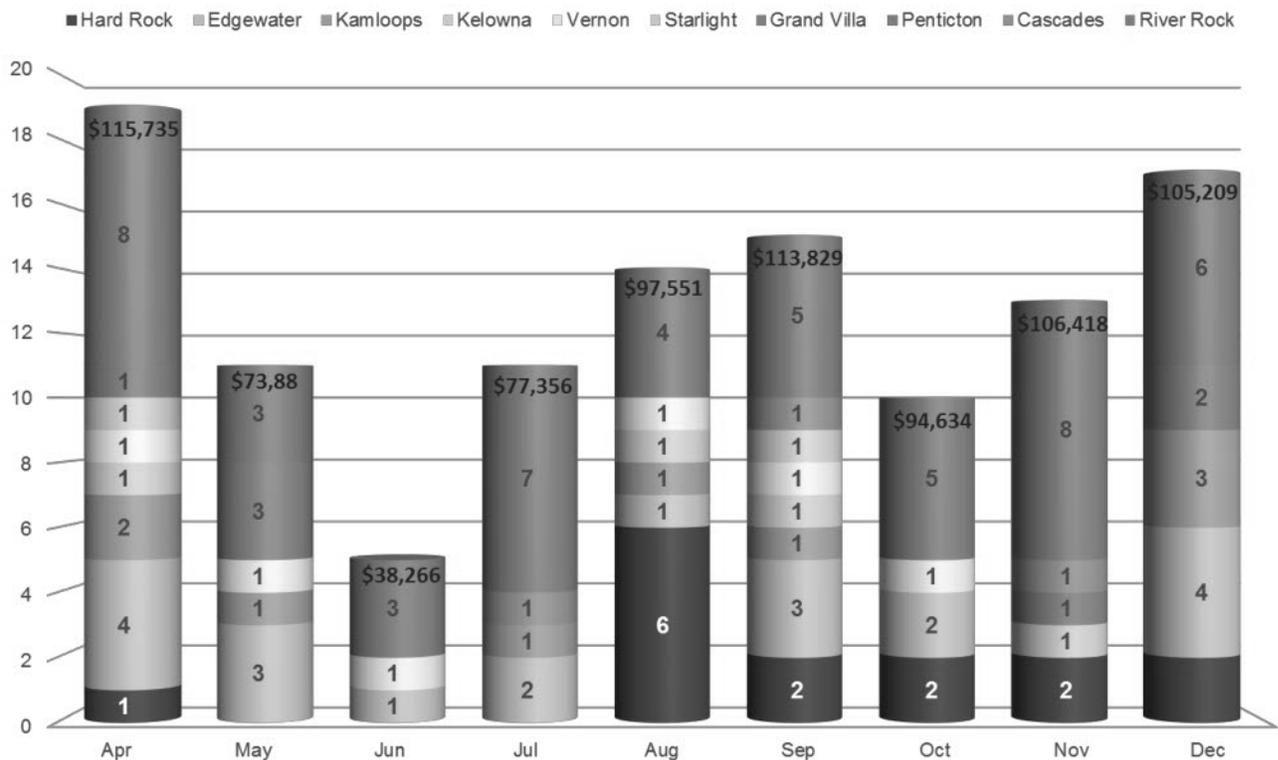
- New PGF accounts decreased by 19% this quarter over previous.
- Q1 Total = 99
- Q2 Total = 90
- Q3 Total = 73
- Third Quarter total previous fiscal year (2015/16) – 66 new accounts, a 10% increase over same quarter last fiscal.
- A possible explanation for the increase in PGF account openings from the Q3 fiscal year 2015/16 total is that some patrons have been placed on sourced cash conditions and are therefore being encouraged to use PGF accounts for their gaming related activities.
- PGF accounts continue to be an excellent option for VIP players at the larger lower mainland casinos.

Convenience Cheques

Service providers are permitted to issue cheques to patrons for the return of buy-in funds. At the launch of this initiative the initial threshold amount was \$5,000 and was later increased to \$8,000 in January 2013. As of April 2014 the new threshold amount increased to \$10,000. These cheques are clearly marked "Return of Funds – Not Gaming Winnings". Patrons are permitted to receive one cheque per week. This option also enhances the security for patrons who do not wish to exit the gaming facility with large quantities of cash.

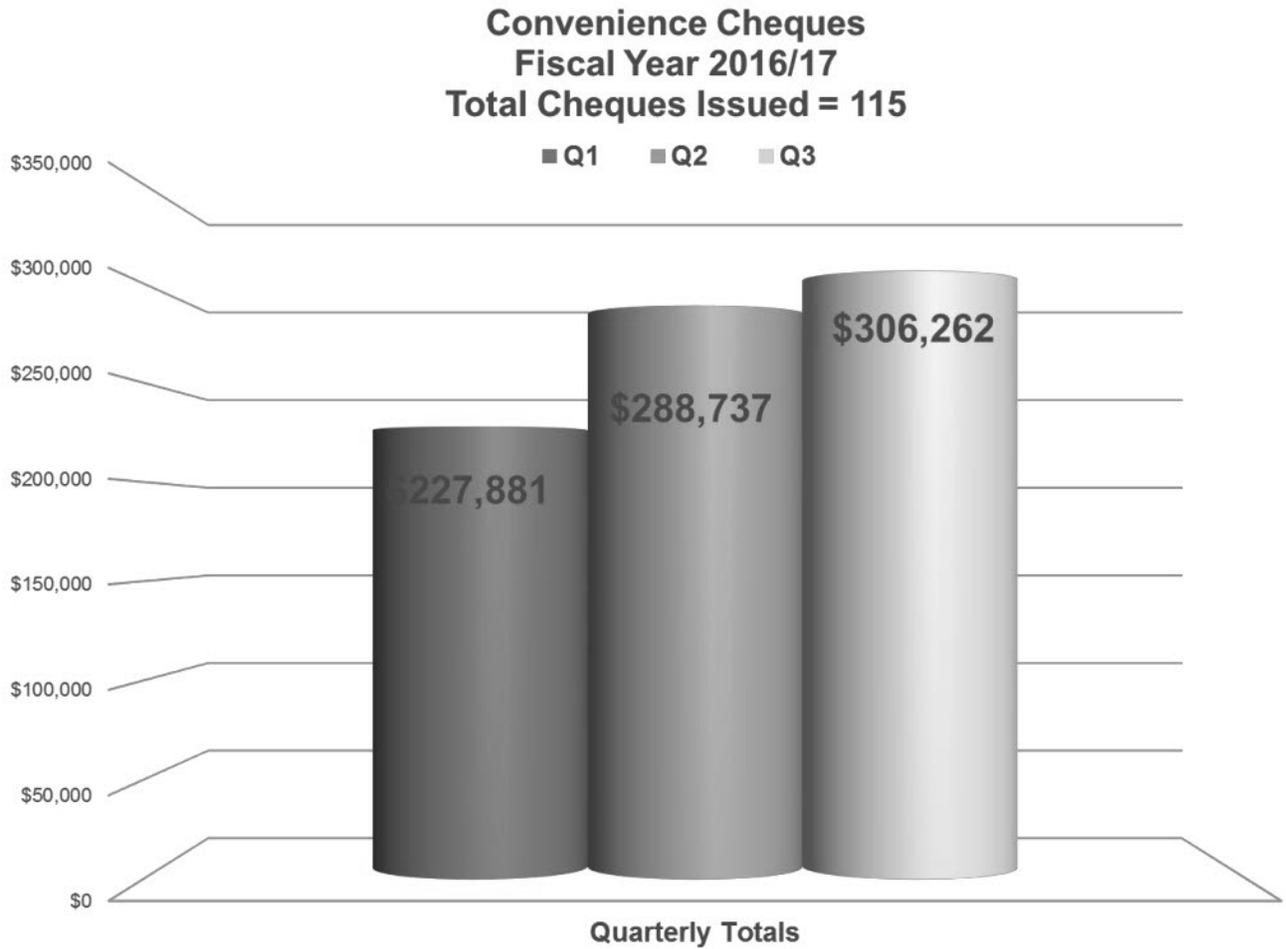
Effective November 2016, delimited convenience cheques have been approved. The policies, procedures and controls for this initiative have been finalized. This change has been made to further reduce the use of cash in gaming facilities and replace it with a monetary instrument which is traceable.

Convenience Cheques Issued Fiscal Year 2016/17 Total Dollar Value = \$822,880 Total Cheques Issued = 115



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- Compliance with cheque issuance policy is monitored. No breaches in cheque issuance policy occurred this quarter.

- The monthly average cheque issuance has increased from 10 to 12.5.

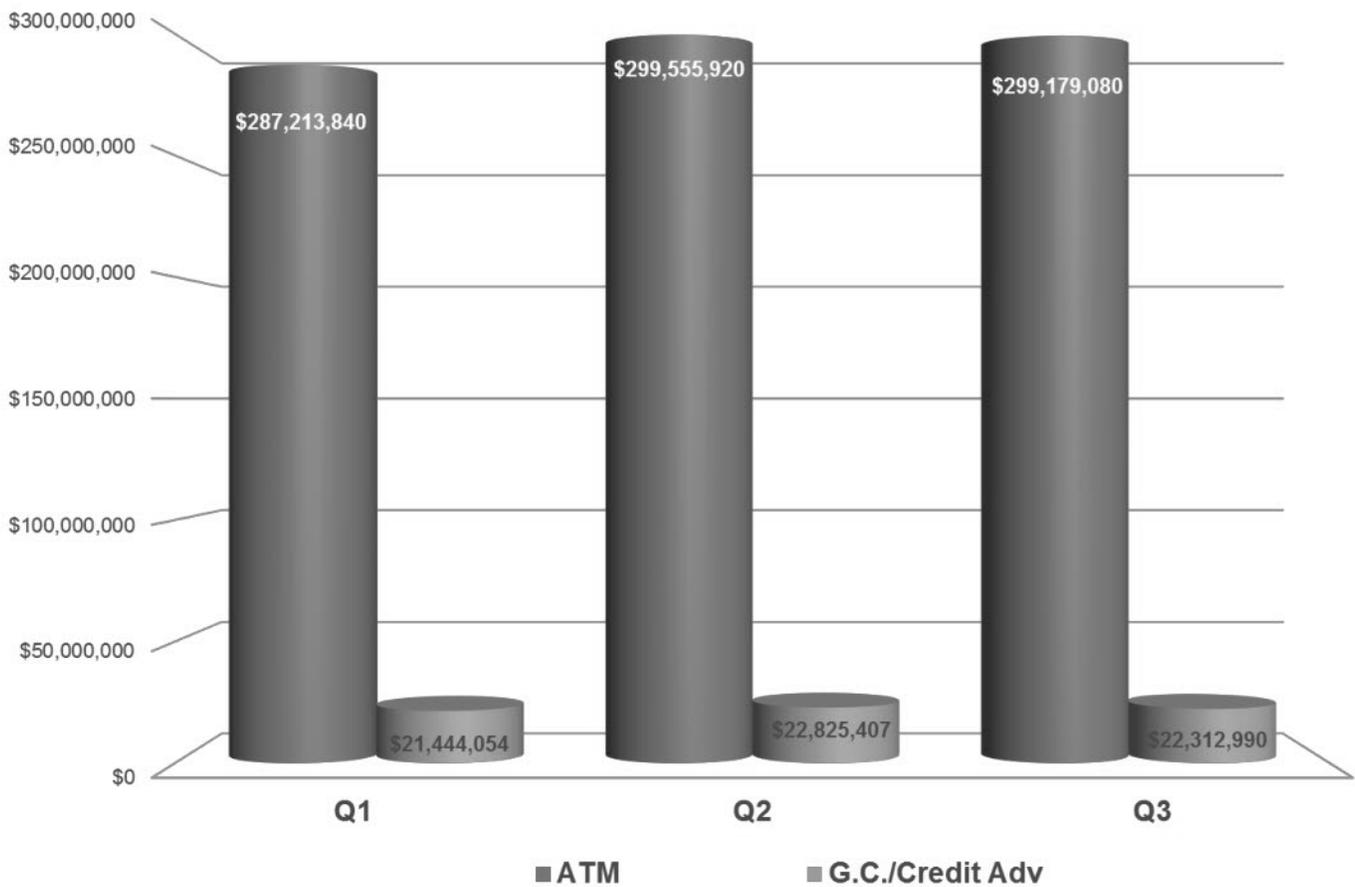


- A 6% increase has occurred over the previous quarterly total.
- Q3 total for previous fiscal year 2015/16 was \$207,084 an increase of 32% over same quarter last fiscal year

Existing Methods of Reducing Cash in Casinos

In addition to tracking the new methods of reducing the reliance on cash in casinos, this report will cover the current methods that are in place to assist with this initiative. The casino service providers currently make use of the following methods to provide access to cash at their gaming facilities for their patrons: ATM machines, Global Cash and Credit Card Advances. Data has been obtained for the current fiscal year and displayed in the chart below. These methods provide other options for patrons who do not wish to carry street cash into gaming facilities.

**ATM, Global Cash, Credit Card Advance Totals
Fiscal Year 2016/17**



Total Q1, Q2 & Q3 Totals

- ATM = \$885,948,840
- Global Cash, Credit Card Advances = \$66,582,451
- Total combined = \$952,531,291

Quarterly Comparisons

Cashless Methods	1 st Quarter	2 nd Quarter	3 rd Quarter	% Change from previous Quarter
	Current Fiscal 2016/17	Current Fiscal 2016/17	Current Fiscal 2016/17	
Debit Cage	\$21,099,846	\$23,964,880	\$24,809,458	4%
Convenience Cheques	\$227,881	\$288,737	\$306,262	6%
Total PGF Deposits	\$112,189,904	\$209,455,974	\$143,762,528	-31%
Existing Methods	\$308,657,894	\$322,381,327	\$321,492,070	-0.2%
Total	\$442,175,525	\$556,090,918	\$490,370,318	-12%

Summary for fiscal year 2016/17

TOTAL CASH "REMOVED" USING NEW INITIATIVES = \$536,105,469

Cashless Methods utilized since April 1, 2016

Debit at Cage = \$69,874,184

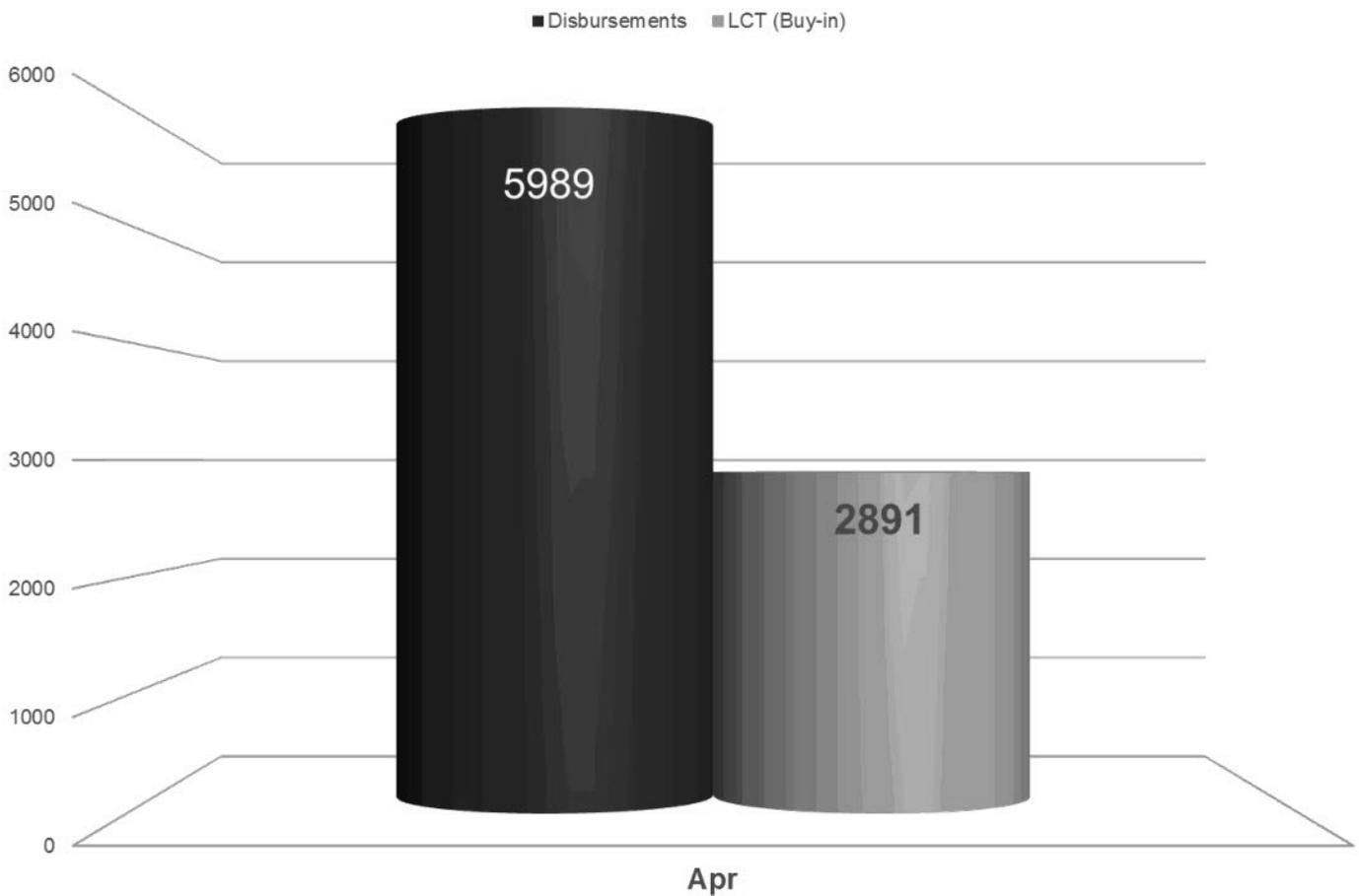
Convenience Cheques = \$822,880

PGF Accounts = \$465,408,405

TOTAL CASH "REMOVED" INCLUDING ALL METHODS = \$1,488,636,760

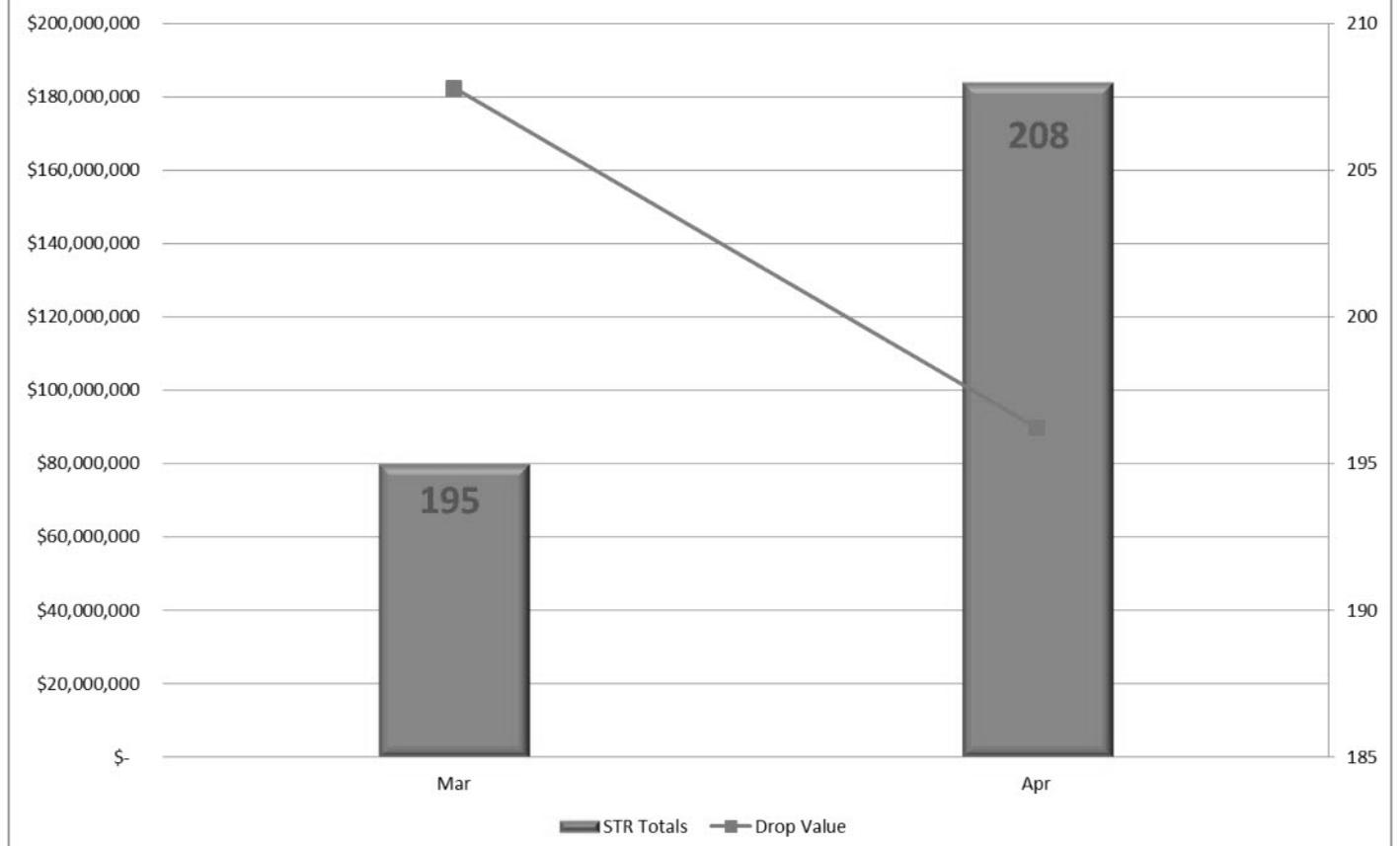
BCLC Corporate Security & Compliance Monthly Dashboard Apr 2016

Monthly Submissions to FINTRAC Fiscal Year 2016/17



Monthly Suspicious Transaction Reports Filed vs Monthly High Limit Table Drop Values Fiscal Year 2016/17

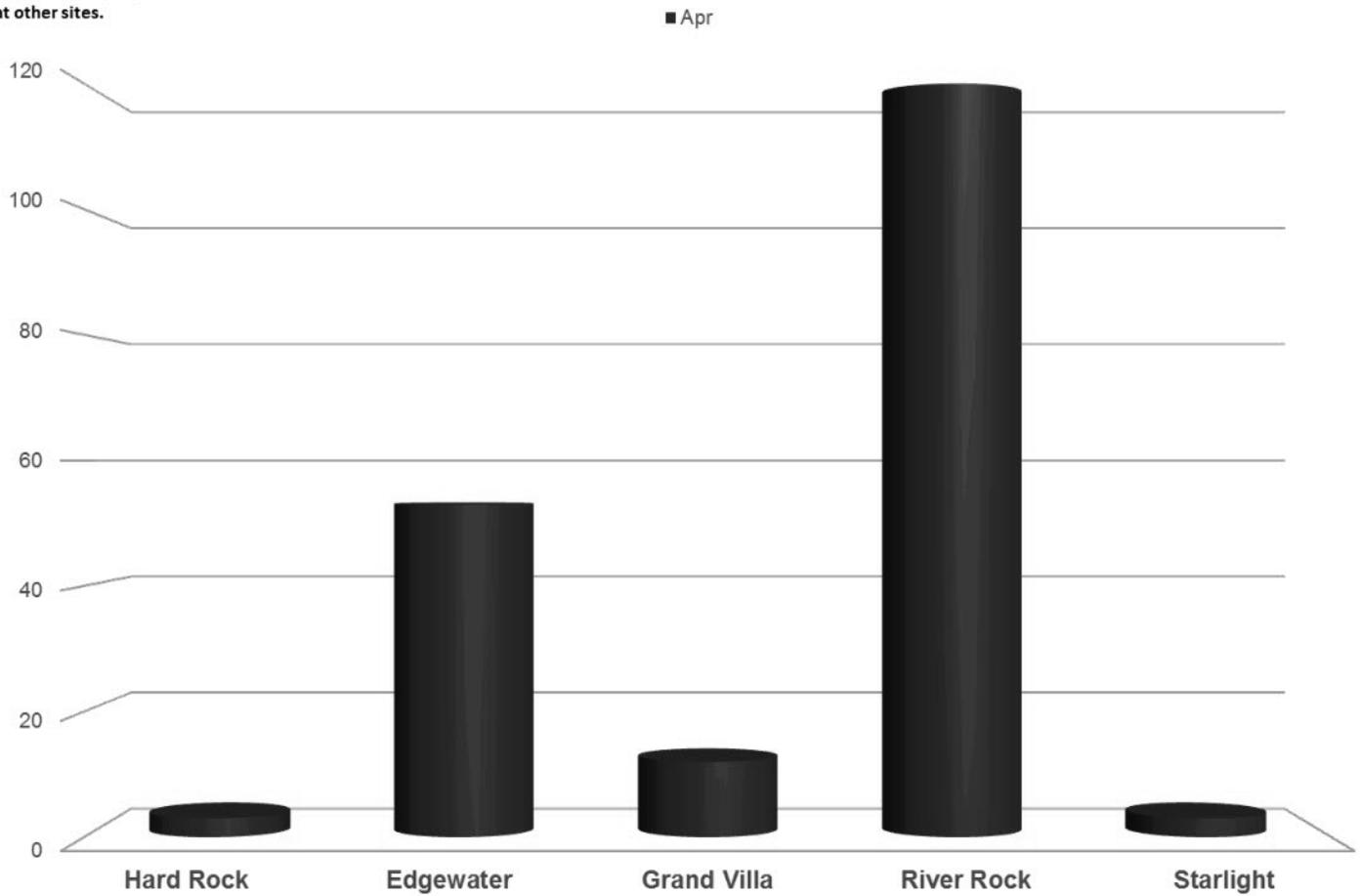
Note: monthly totals may be adjusted as STRs may be filed within 30 days of occurring



Month of March 2016 included in this table to provide context and a comparison value. Next report will display Apr & May 2016 values only.

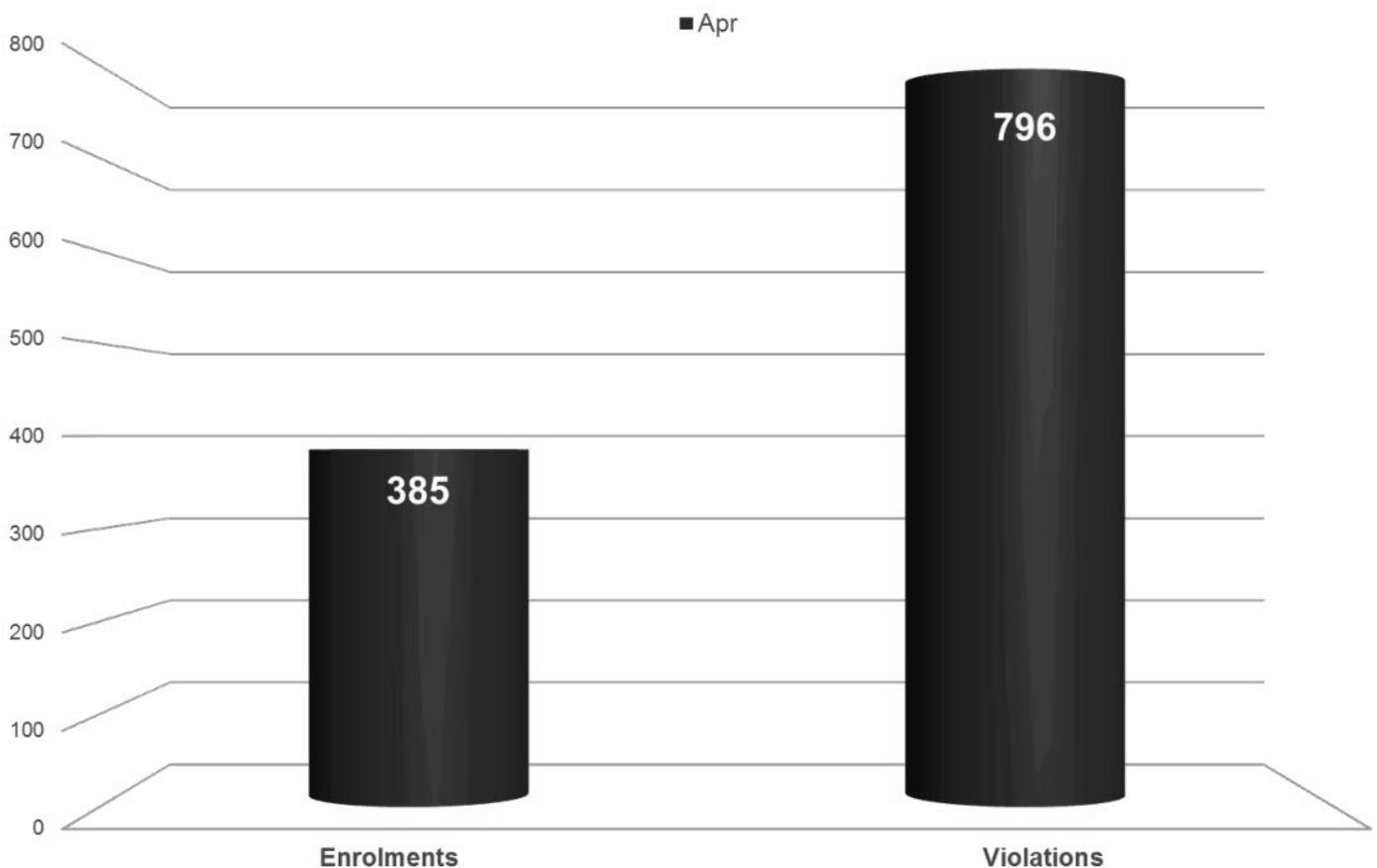
Suspicious Transaction Reports filed by Site Fiscal Year 2016/17

Note: statistics are displayed for 5 largest casino properties. STRs also filed at other sites.

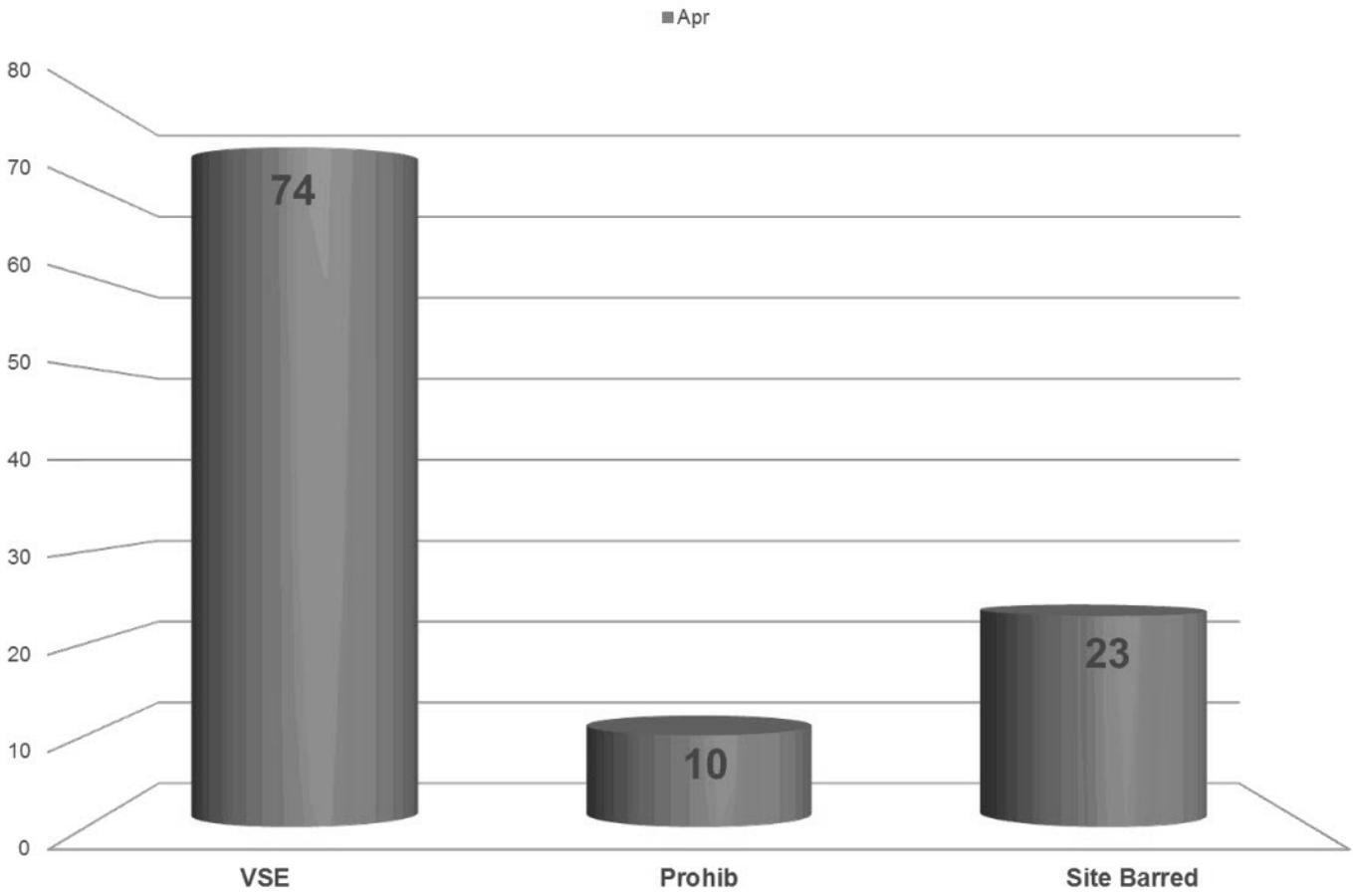


Monthly Report on VSE Enrolments & Violations Fiscal Year 2016/17

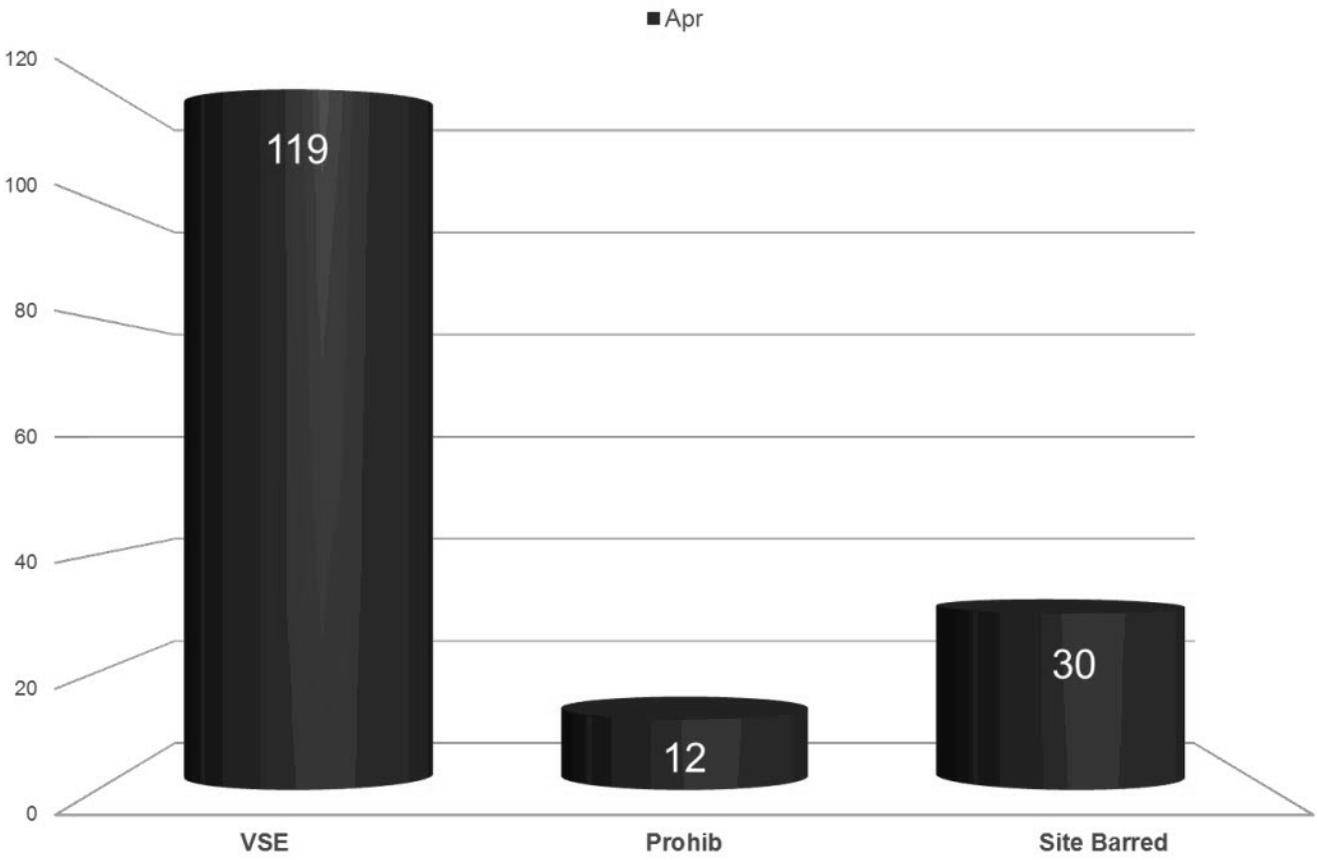
Note: violations include staff, LPR, ID Scanner and Ineligible Win detections



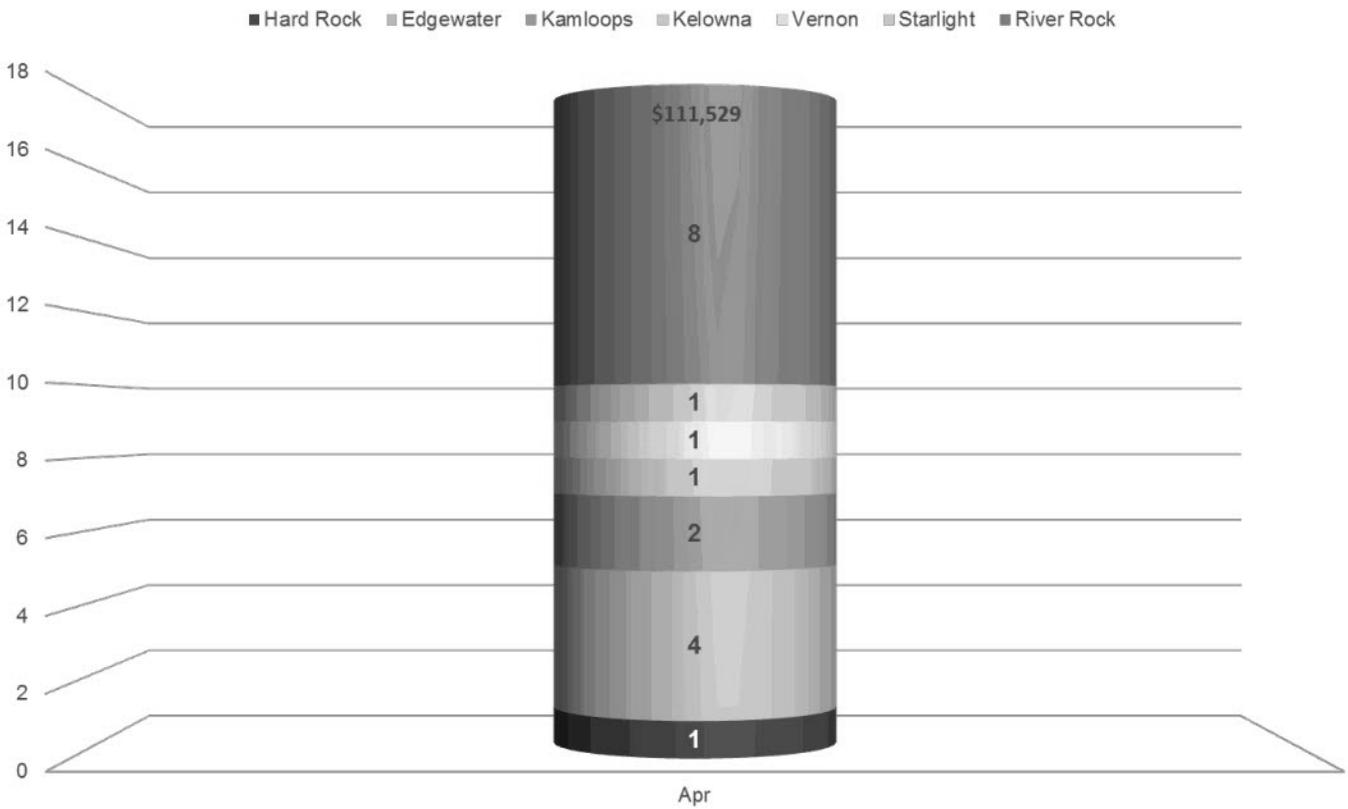
ID Scanner Captures Monthly Report Fiscal Year 2016/17



LPR Captures Monthly Report Fiscal Year 2016/17

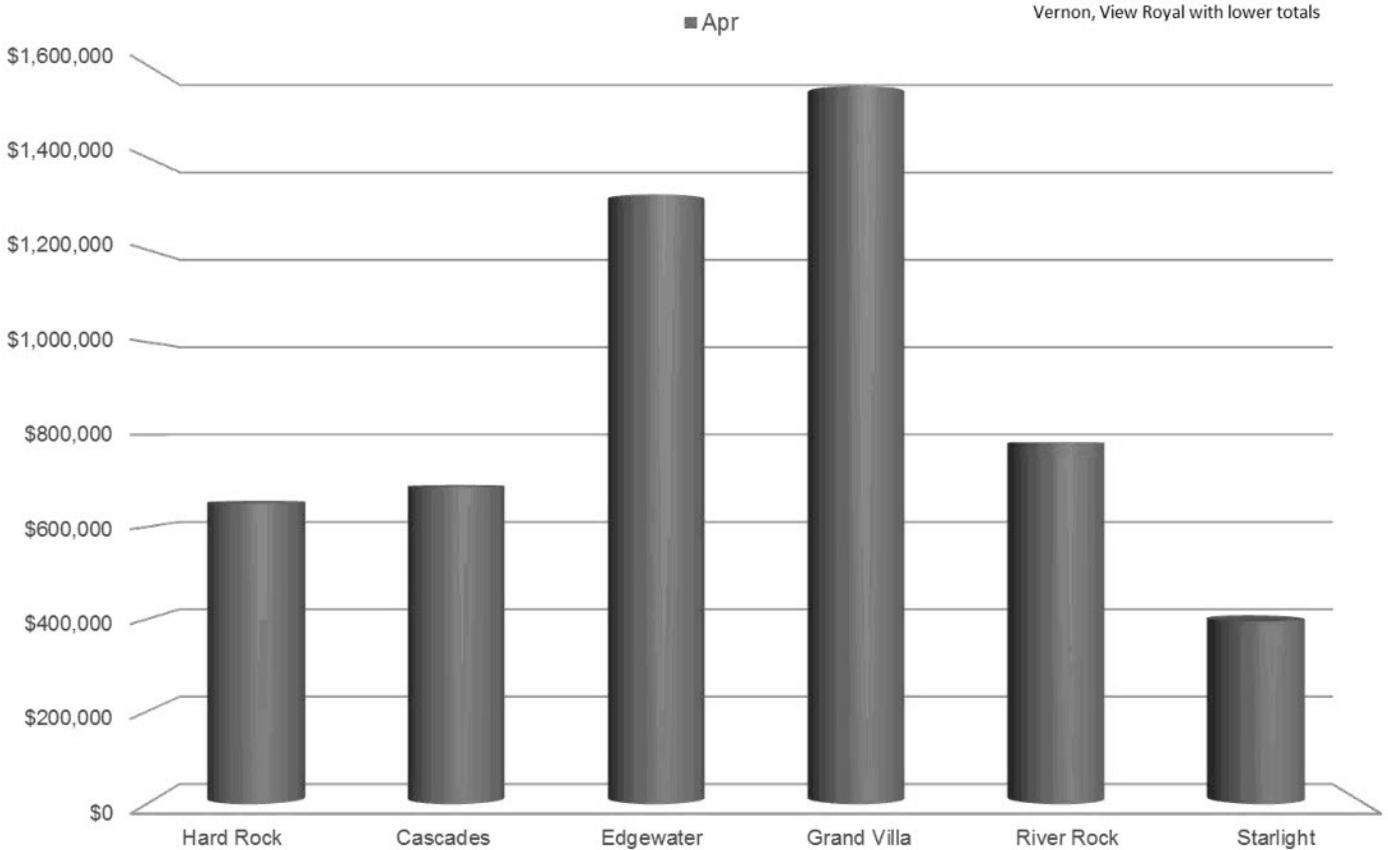


**Convenience Cheques Issued
Fiscal Year 2016/17
Total Dollar Value = \$111,529
Total Cheques Issued = 18**

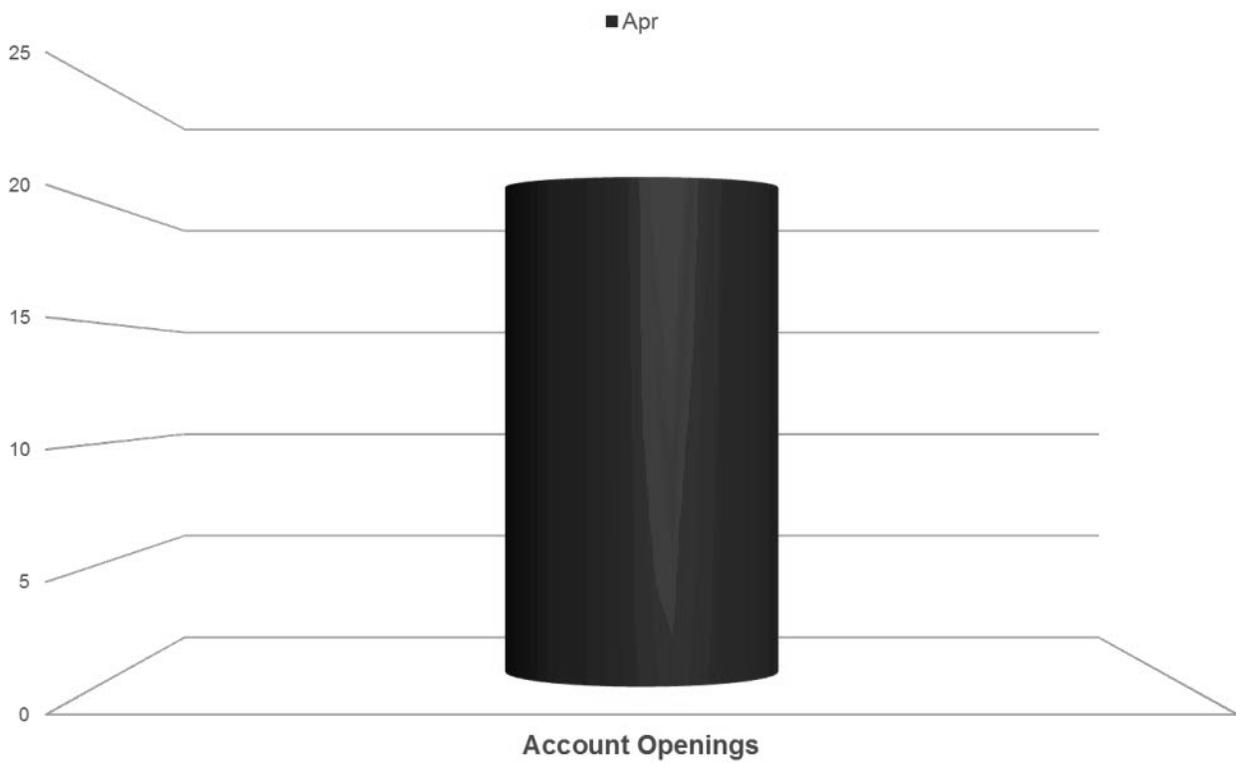


**Debit Card use at Cash Cage
Monthly Totals by Property
Fiscal Year 2016/17**

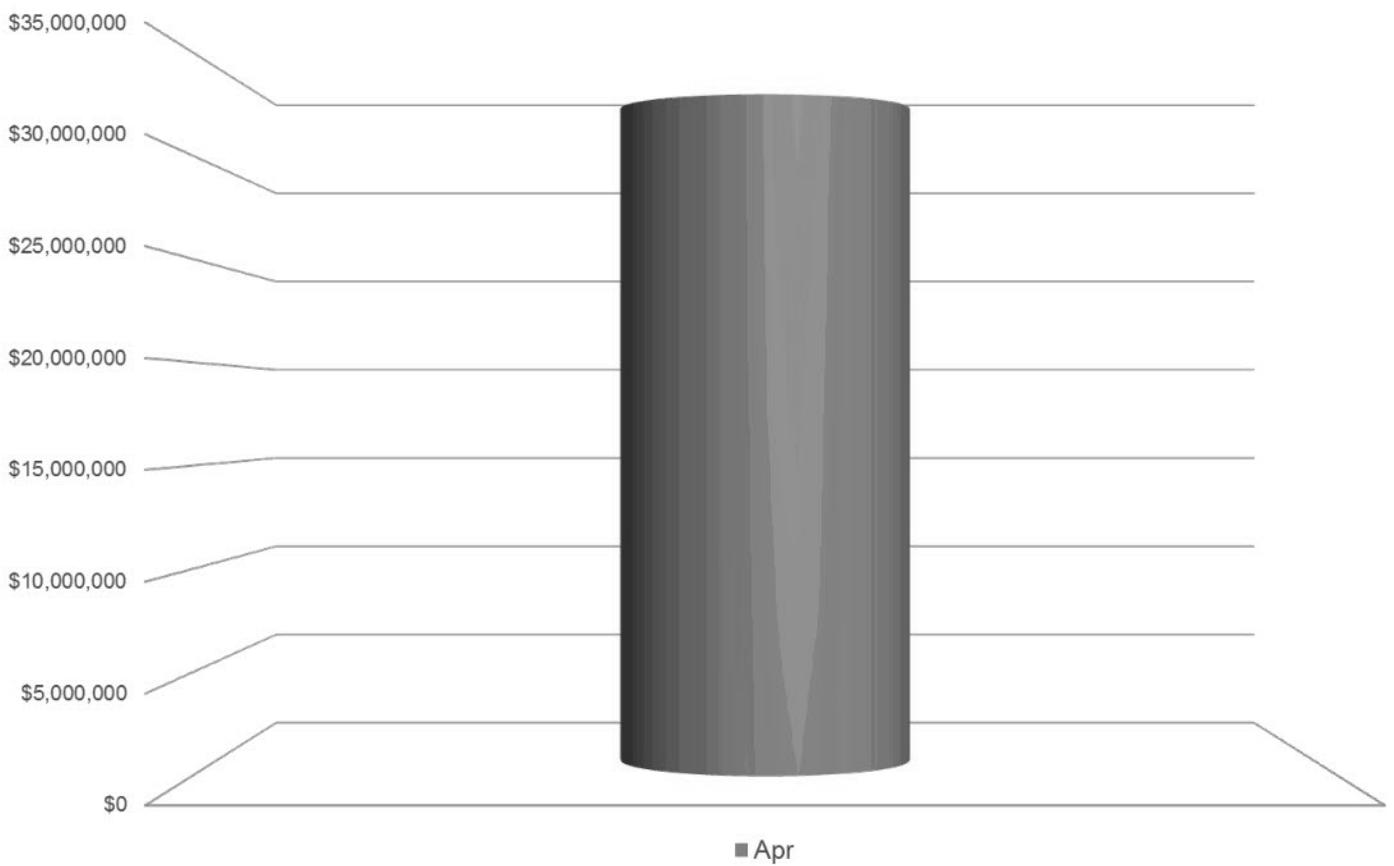
Note: also in use at CGCs Abbotsford, Campell River, Chilliwack, Courtenay, Cowichan, Dawson Creek, Kelowna, Maple Ridge, Playtime Gaming Langley and casinos Elements, Hastings, Kelowna, Hastings, Penticton, Treasure Cove, Vernon, View Royal with lower totals



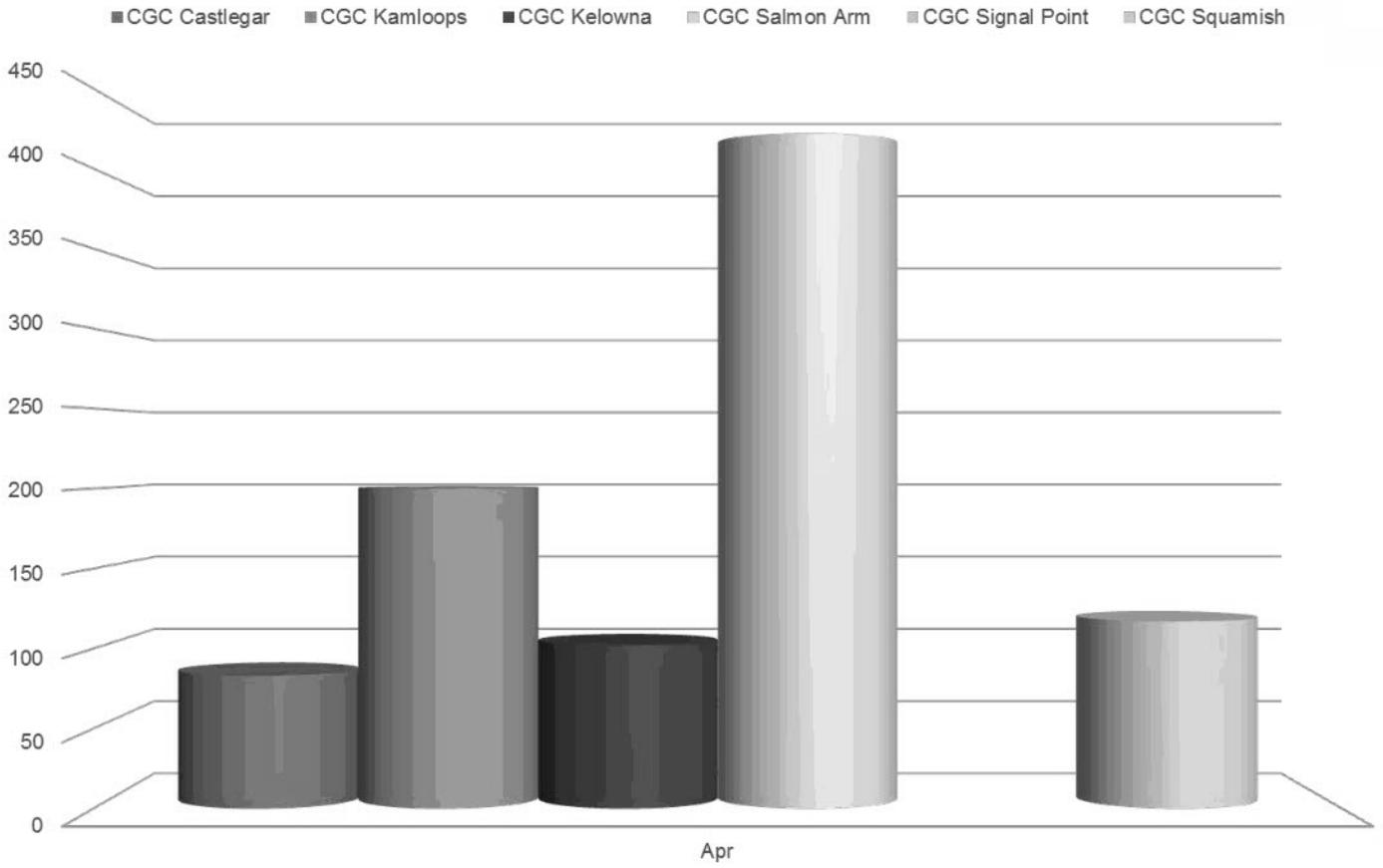
**Monthly PGF Account Openings
Fiscal Year 2016/17
Accounts Opened/Reopened since April 1, 2016 = 21**



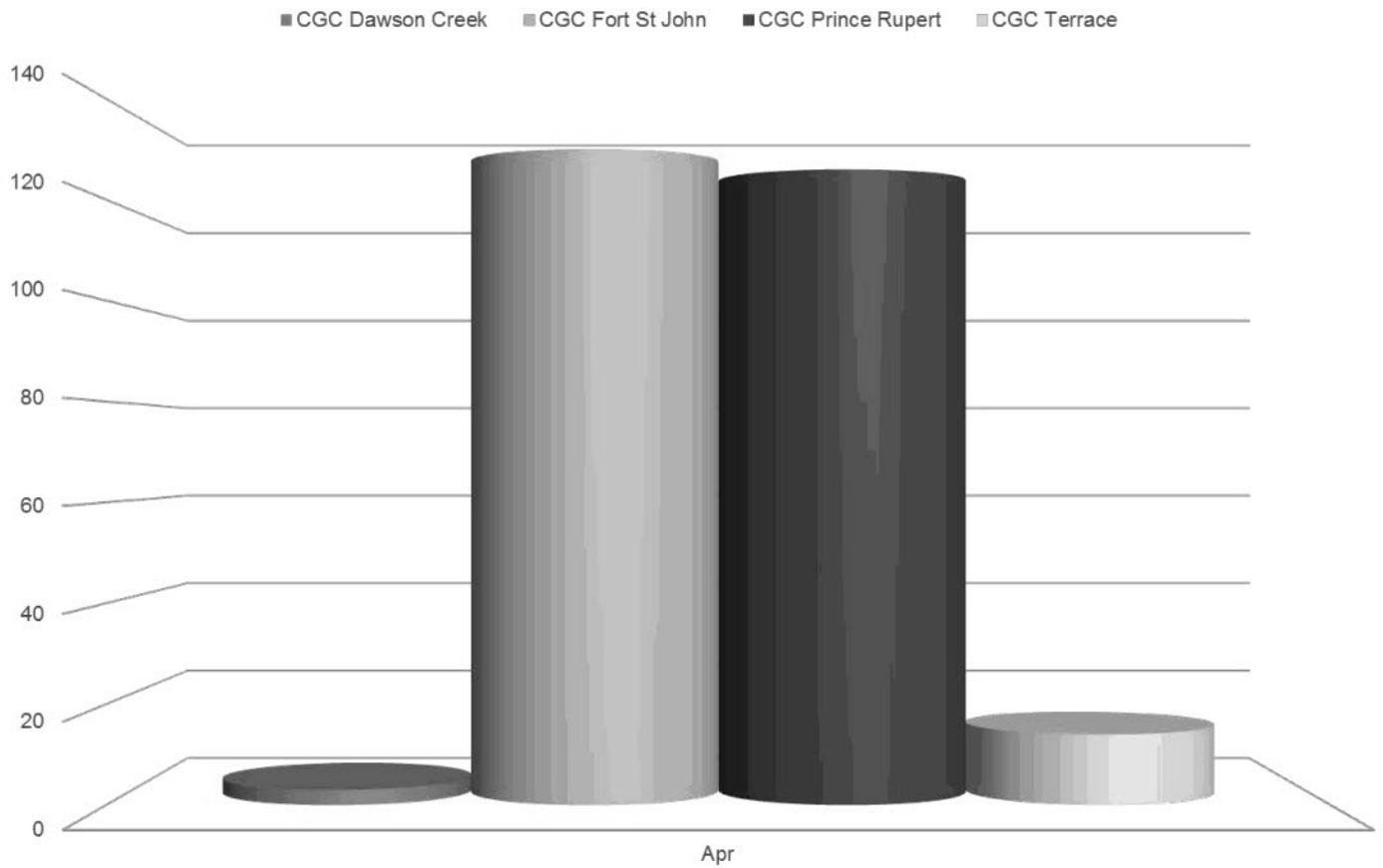
**PGF Account Use
Fiscal Year 2016/17
Deposits = \$32,938,251**



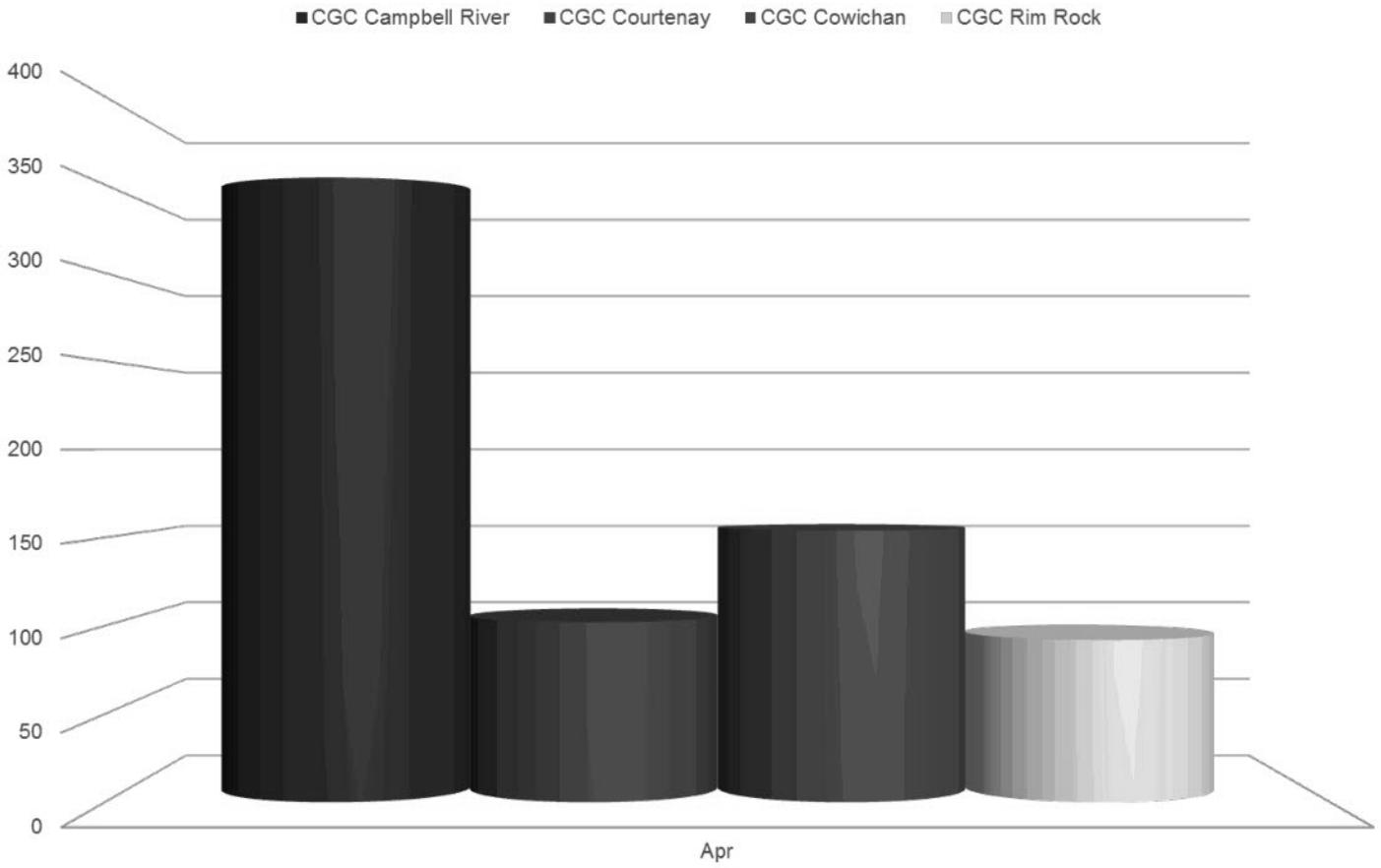
iKiosk Scans per Site Interior CGCs Fiscal Year 2016/17



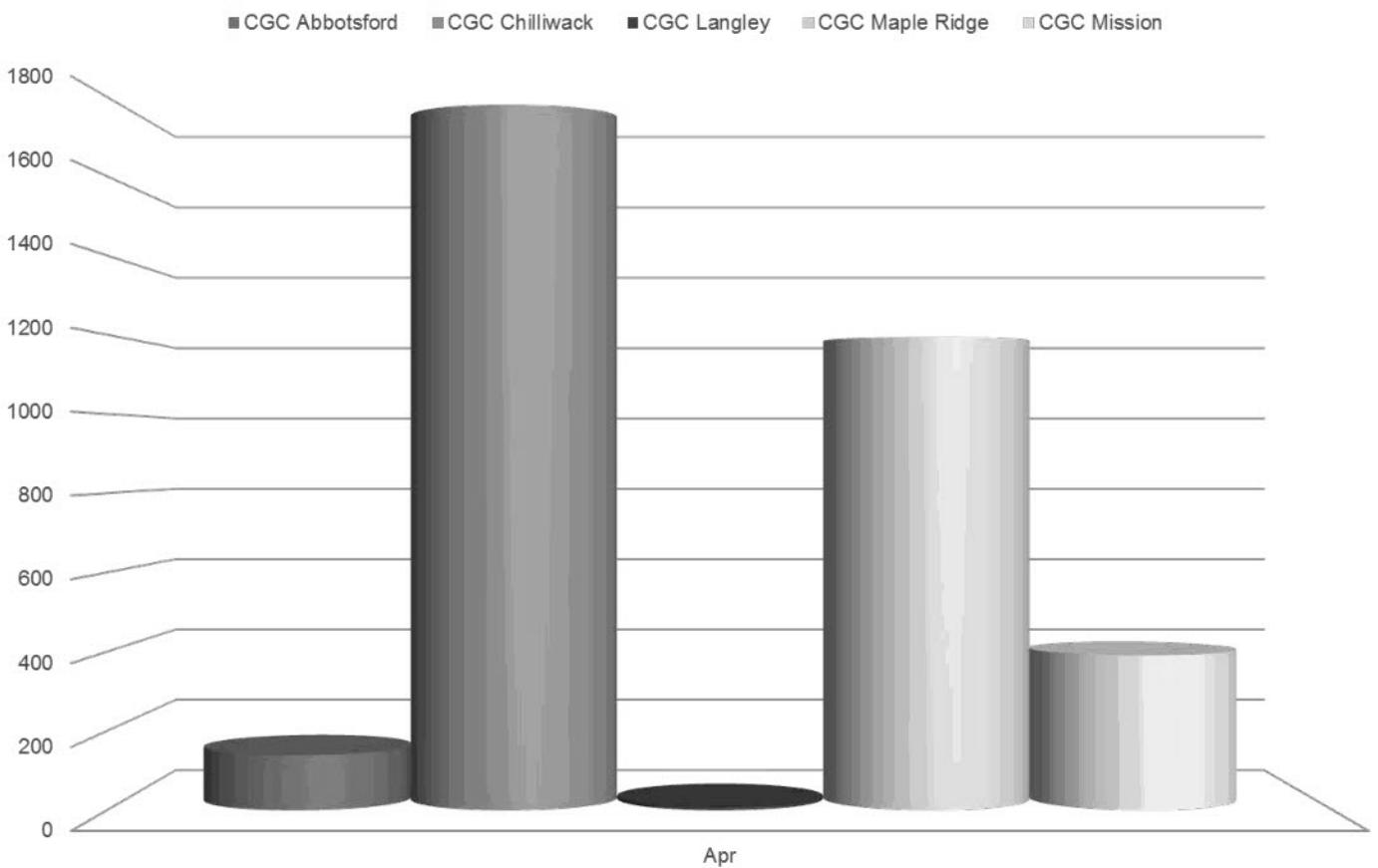
iKiosk Scans per Site Northern CGCs Fiscal Year 2016/17



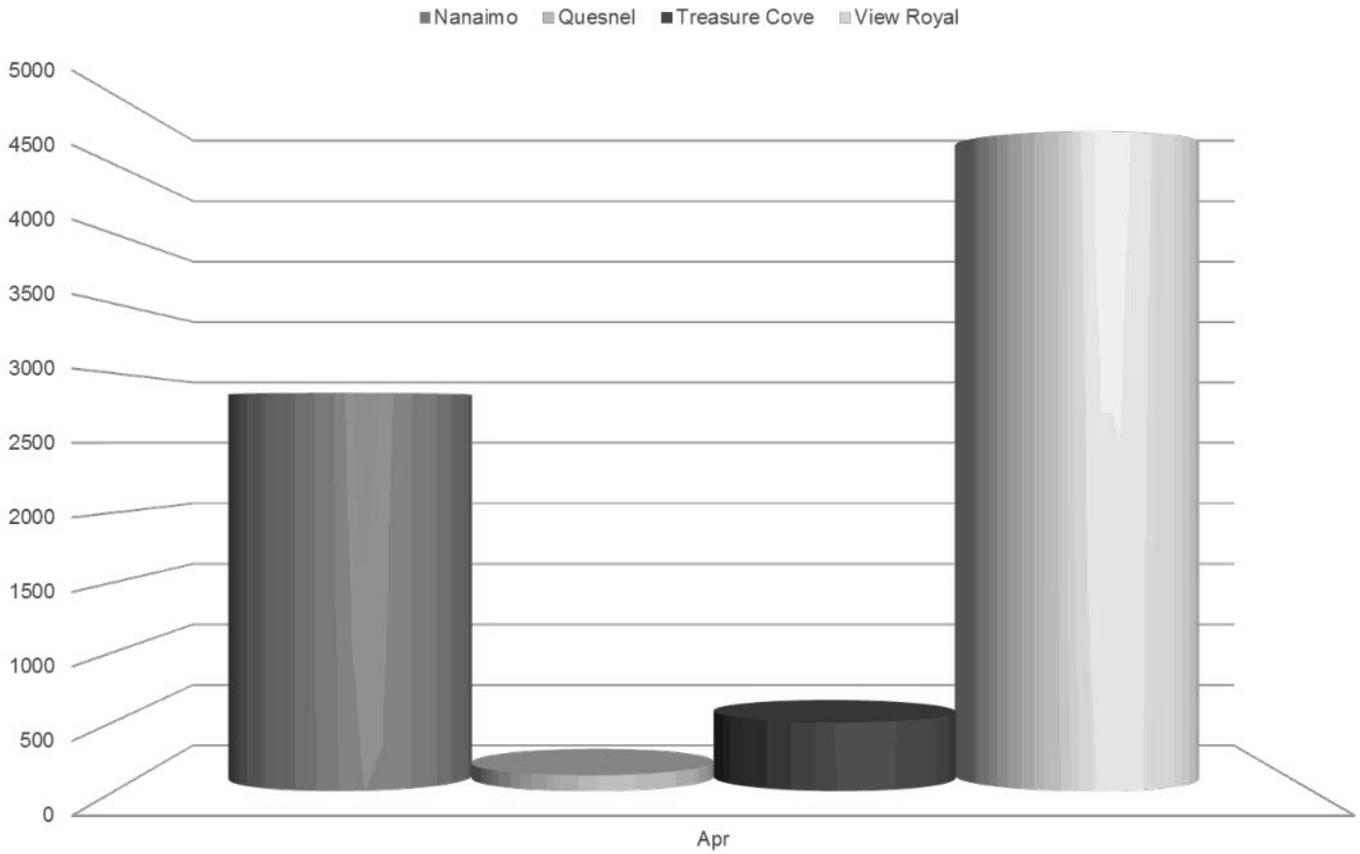
iKiosk Scans per Site Island CGCs Fiscal Year 2016/17



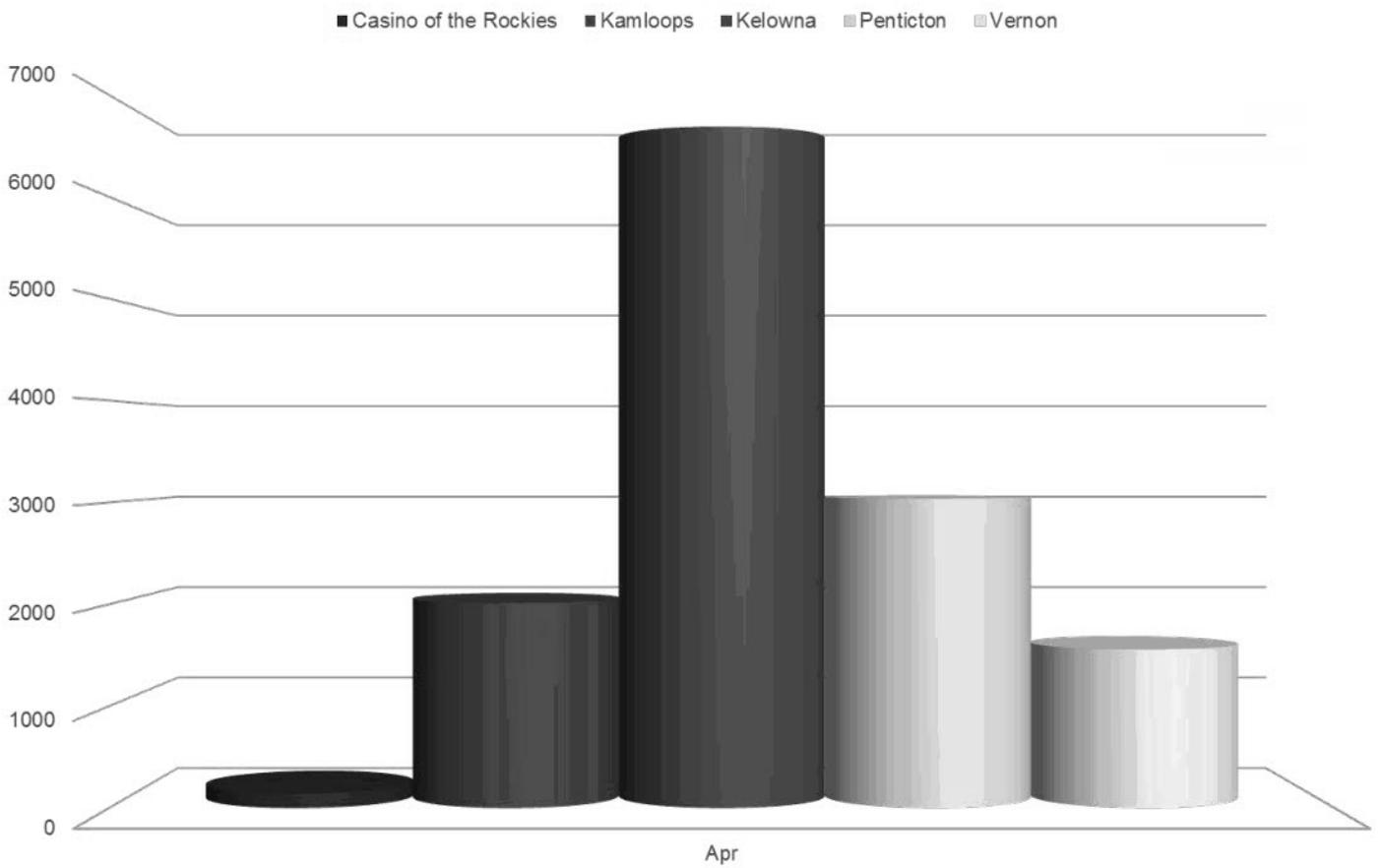
iKiosk Scans per Site Lower Mainland CGCs Fiscal Year 2016/17



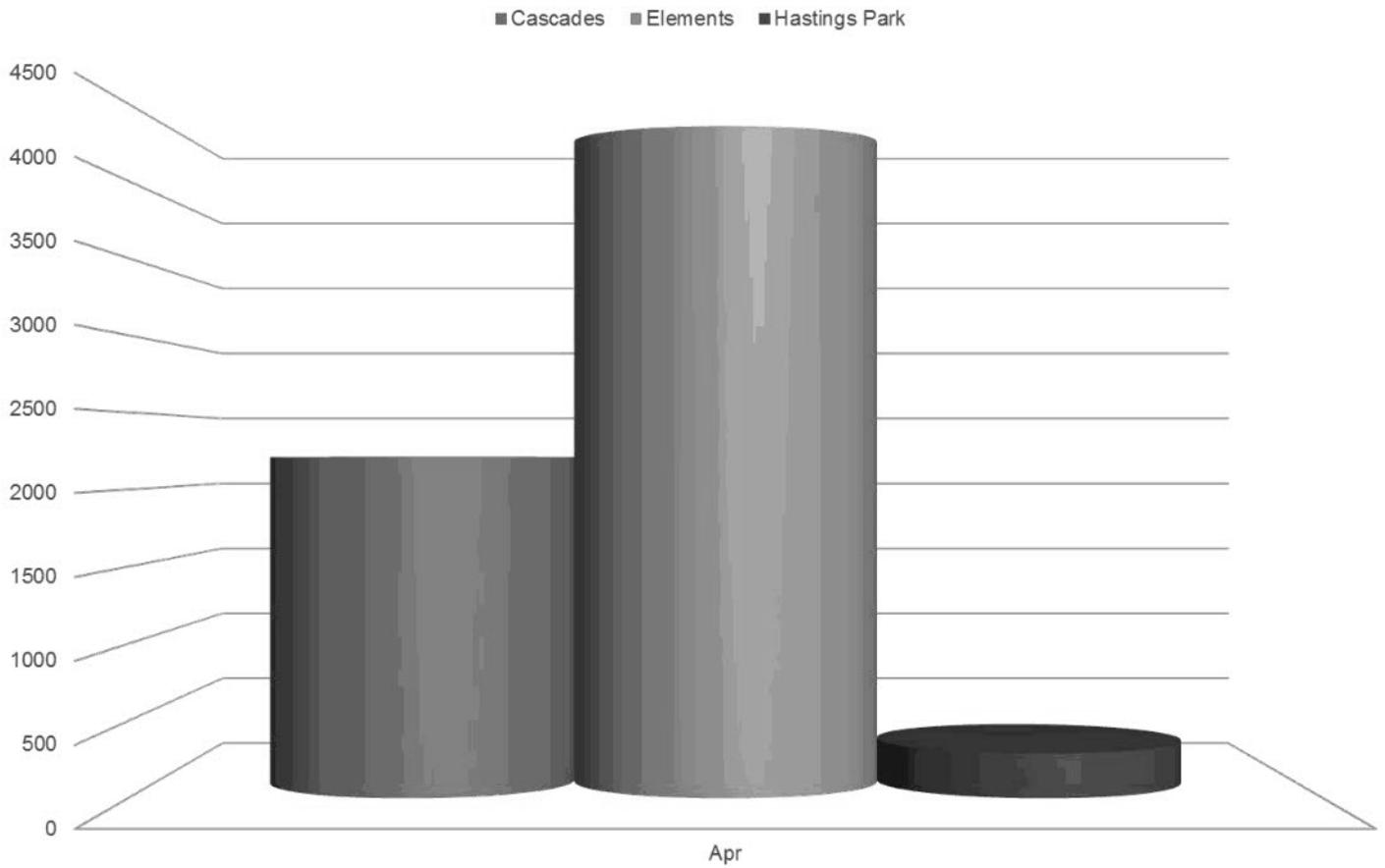
iKiosk Scans per Site Island and Northern Casinos Fiscal Year 2016/17



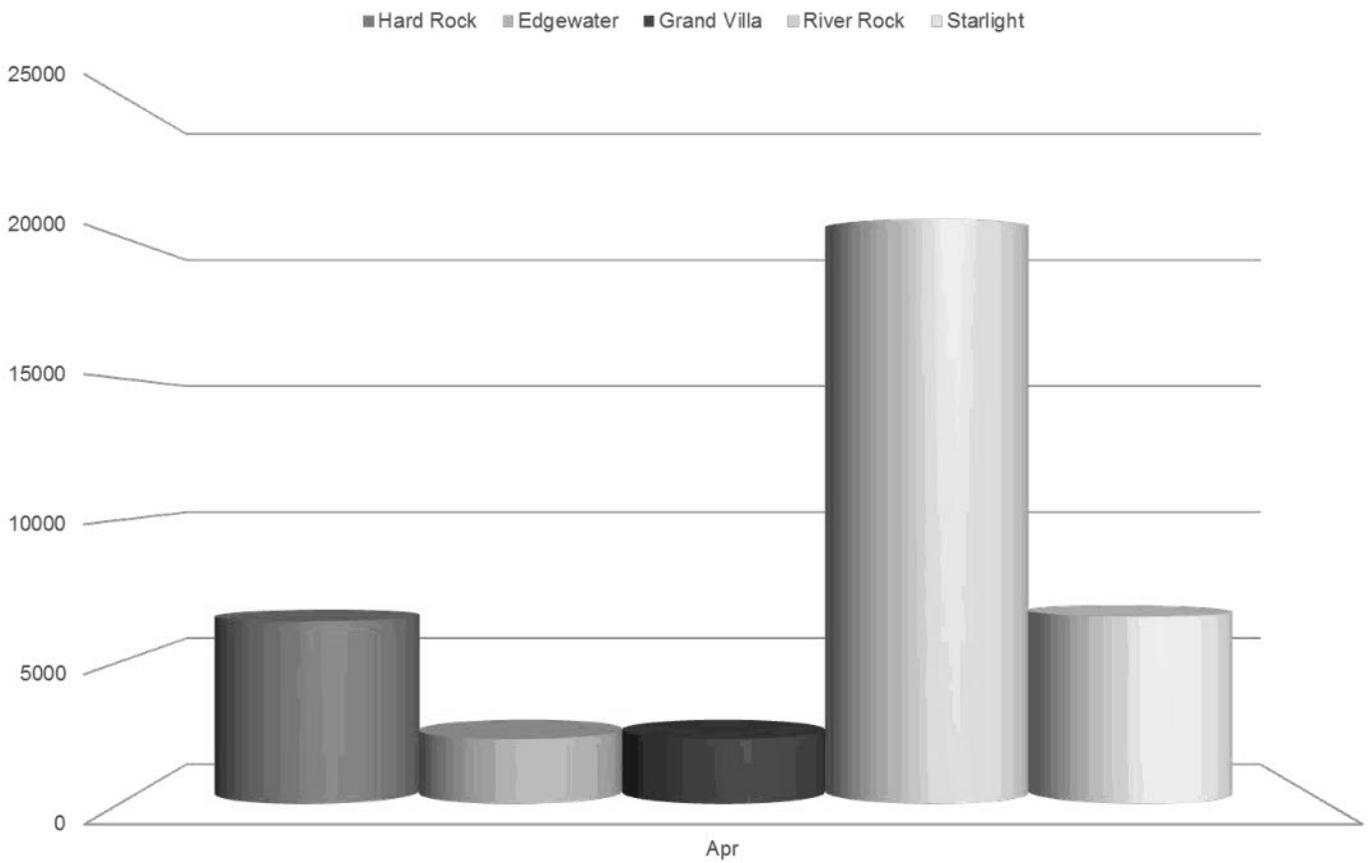
iKiosk Scans per Site Interior Casinos Fiscal Year 2016/17



iKiosk Scans per Site Small Lower Mainland Casinos Fiscal Year 2016/17

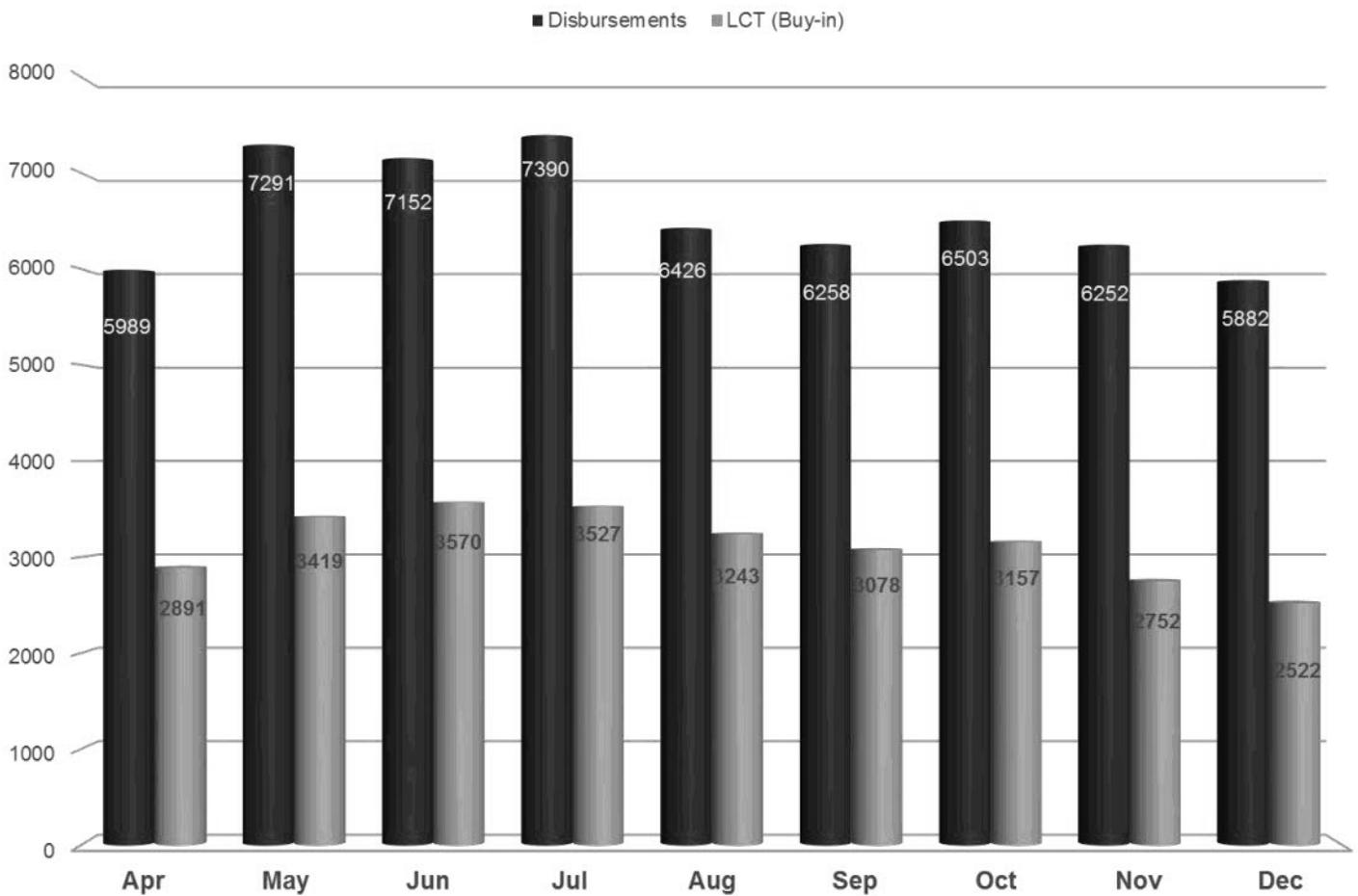


iKiosk Scans per Site Large Lower Mainland Casinos Fiscal Year 2016/17



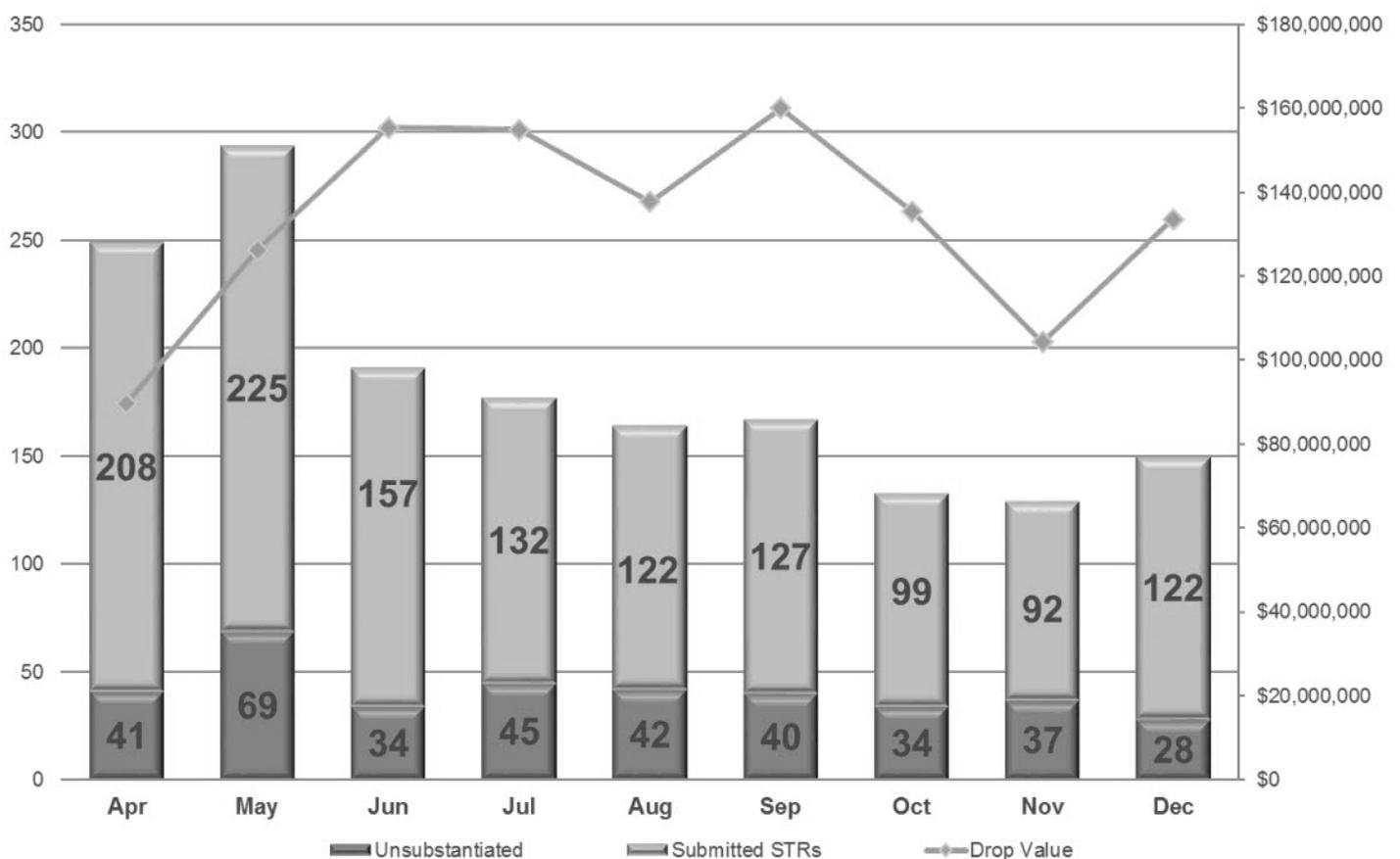
BCLC Corporate Security & Compliance Monthly Dashboard December 2016

Monthly Submissions to FINTRAC Fiscal Year 2016/17



Monthly Suspicious Transaction Reports vs Monthly High Limit Table Drop Values Fiscal Year 2016/17

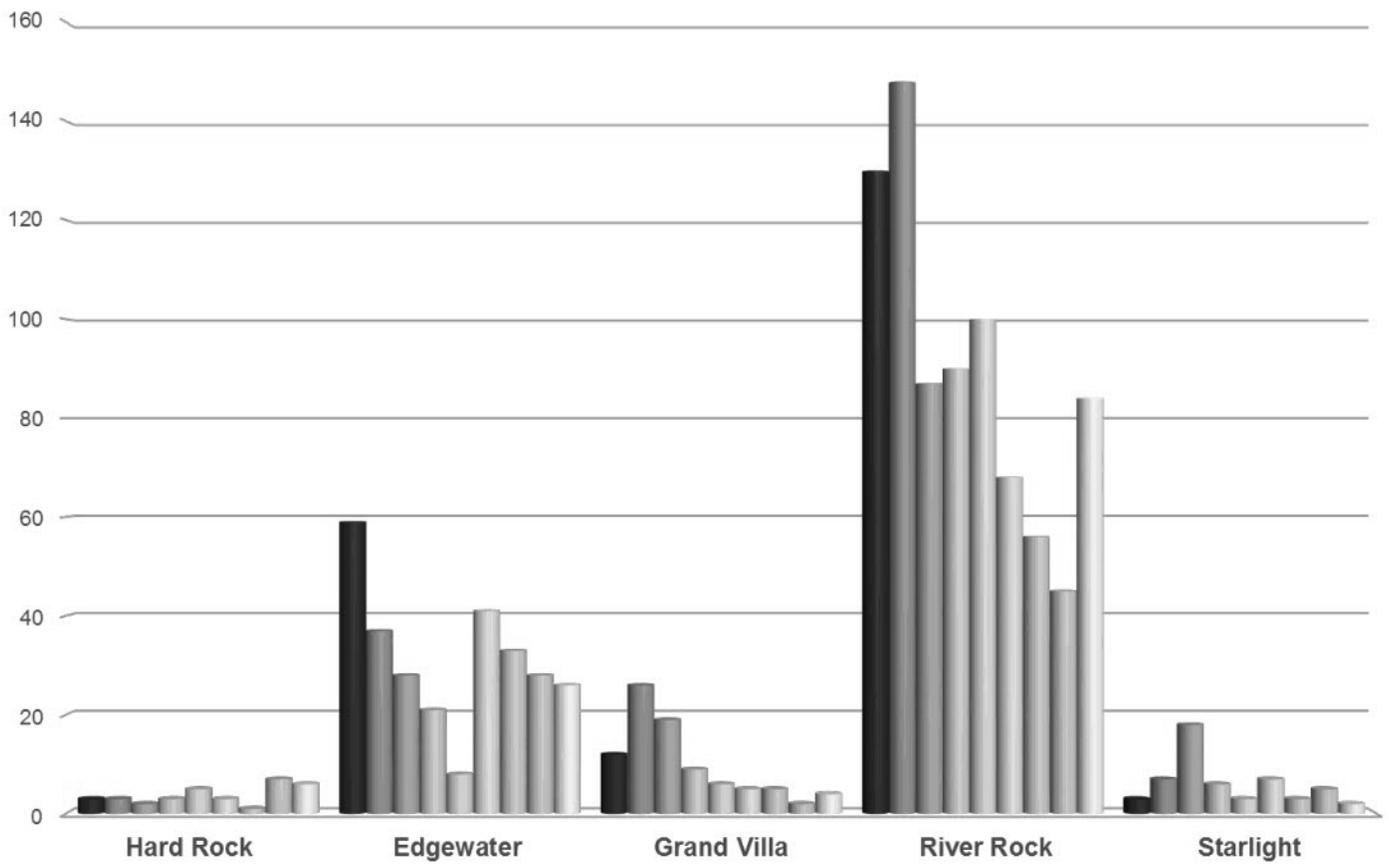
Note: monthly totals may be adjusted as STRs may be filed within 30 days of occurring



Suspicious Transaction Reports filed by Site Fiscal Year 2016/17

Note: statistics are displayed for 5 largest casino properties. STRs also filed at other sites.

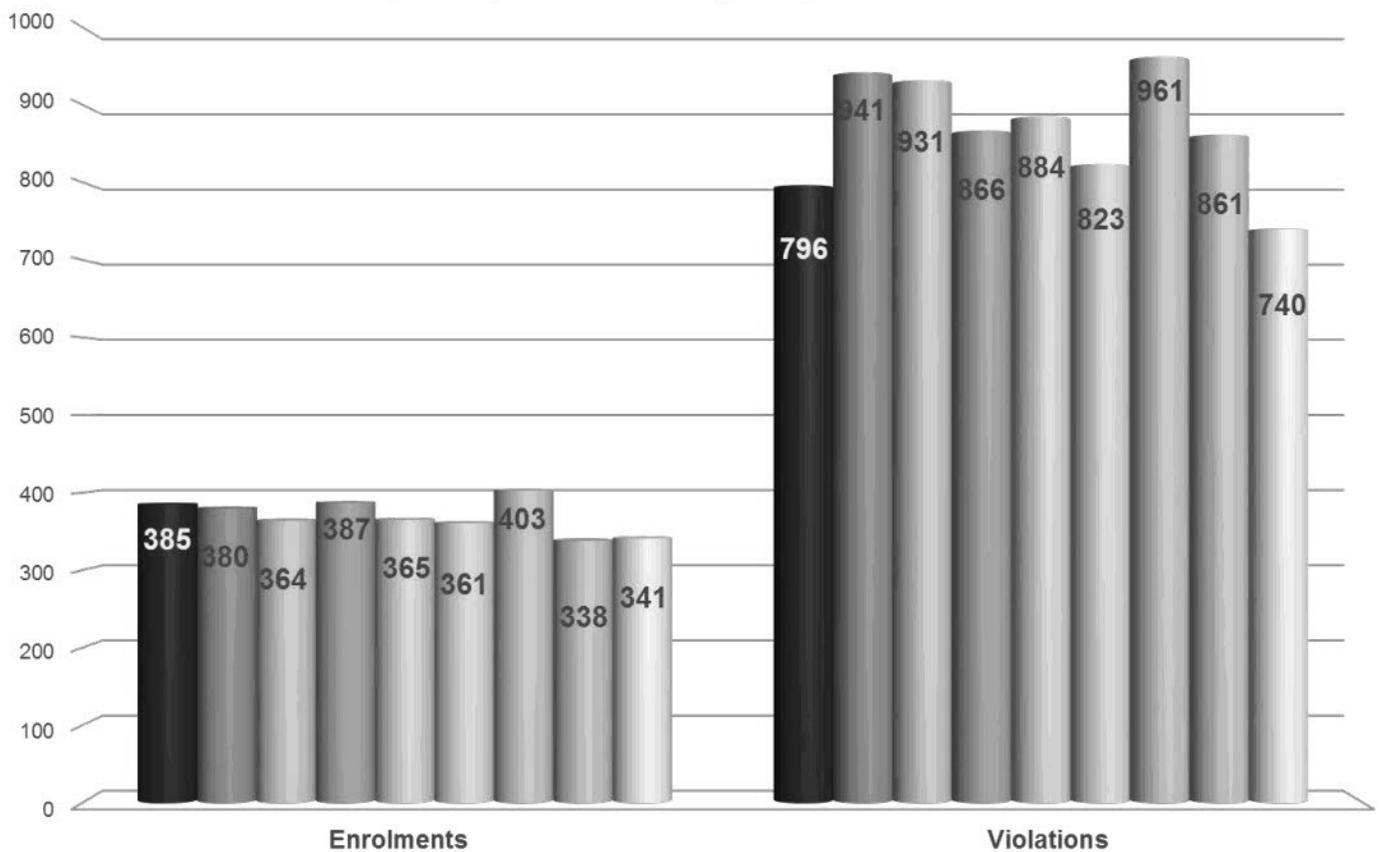
■ Apr ■ May ■ Jun ■ Jul ■ Aug ■ Sep ■ Oct ■ Nov ■ Dec



Monthly Report on VSE Enrolments & Violations Fiscal Year 2016/17

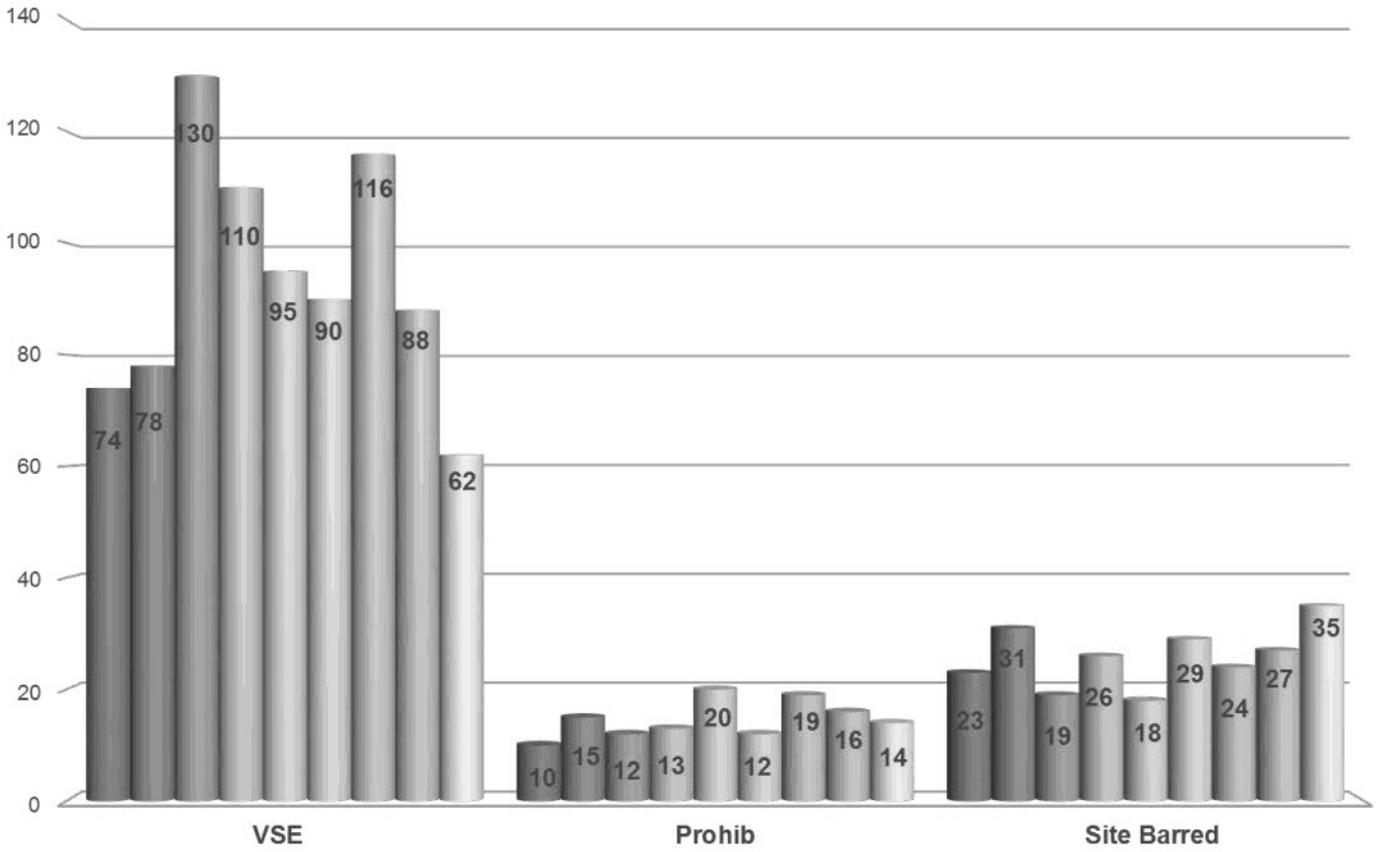
Note: violations include staff, LPR, ID Scanner and Ineligible Win detections

■ Apr ■ May ■ Jun ■ Jul ■ Aug ■ Sep ■ Oct ■ Nov ■ Dec



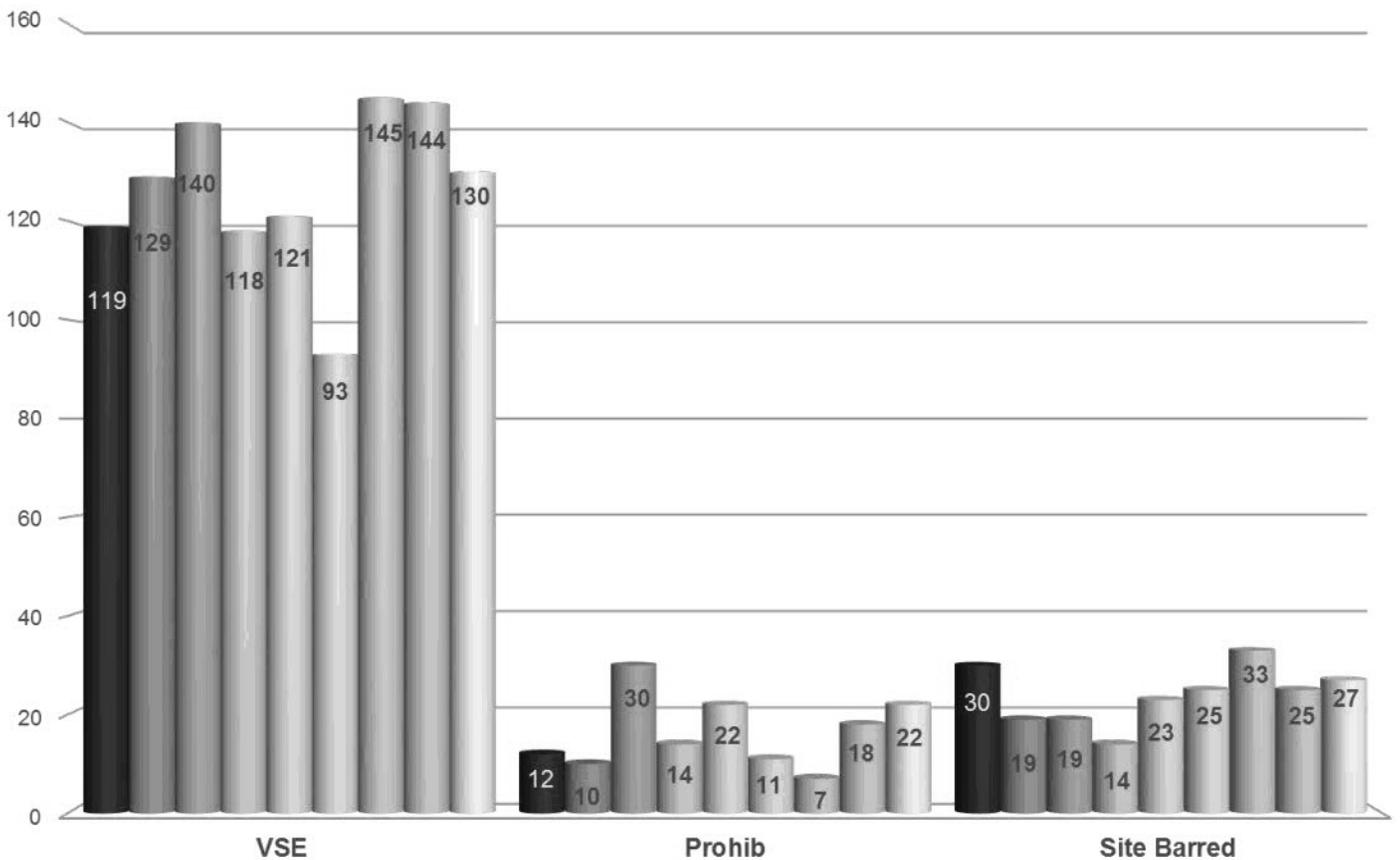
ID Scanner Captures Monthly Report Fiscal Year 2016/17

■ Apr ■ May ■ Jun ■ Jul ■ Aug ■ Sep ■ Oct ■ Nov ■ Dec

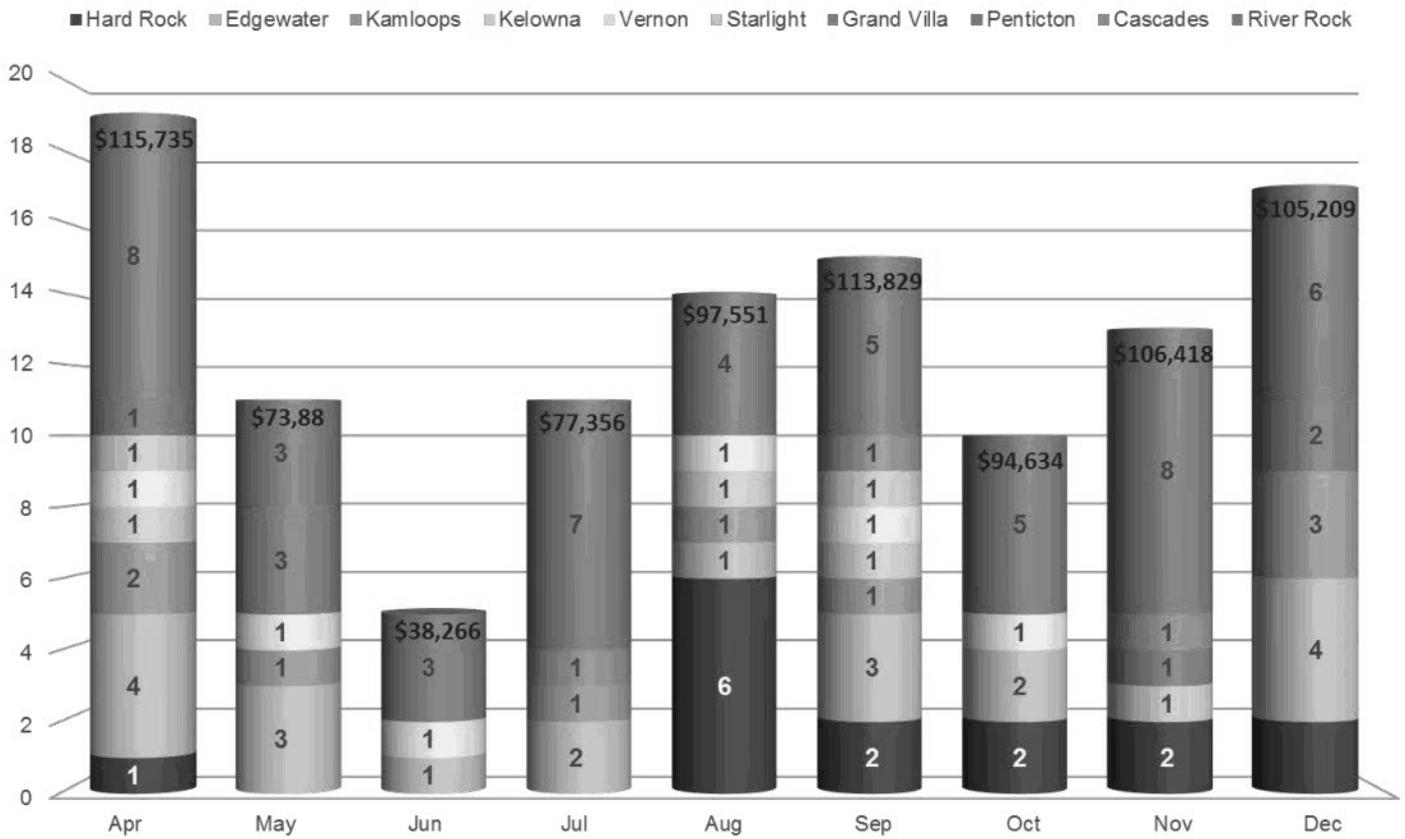


LPR Captures Monthly Report Fiscal Year 2016/17

■ Apr ■ May ■ Jun ■ Jul ■ Aug ■ Sep ■ Oct ■ Nov ■ Dec

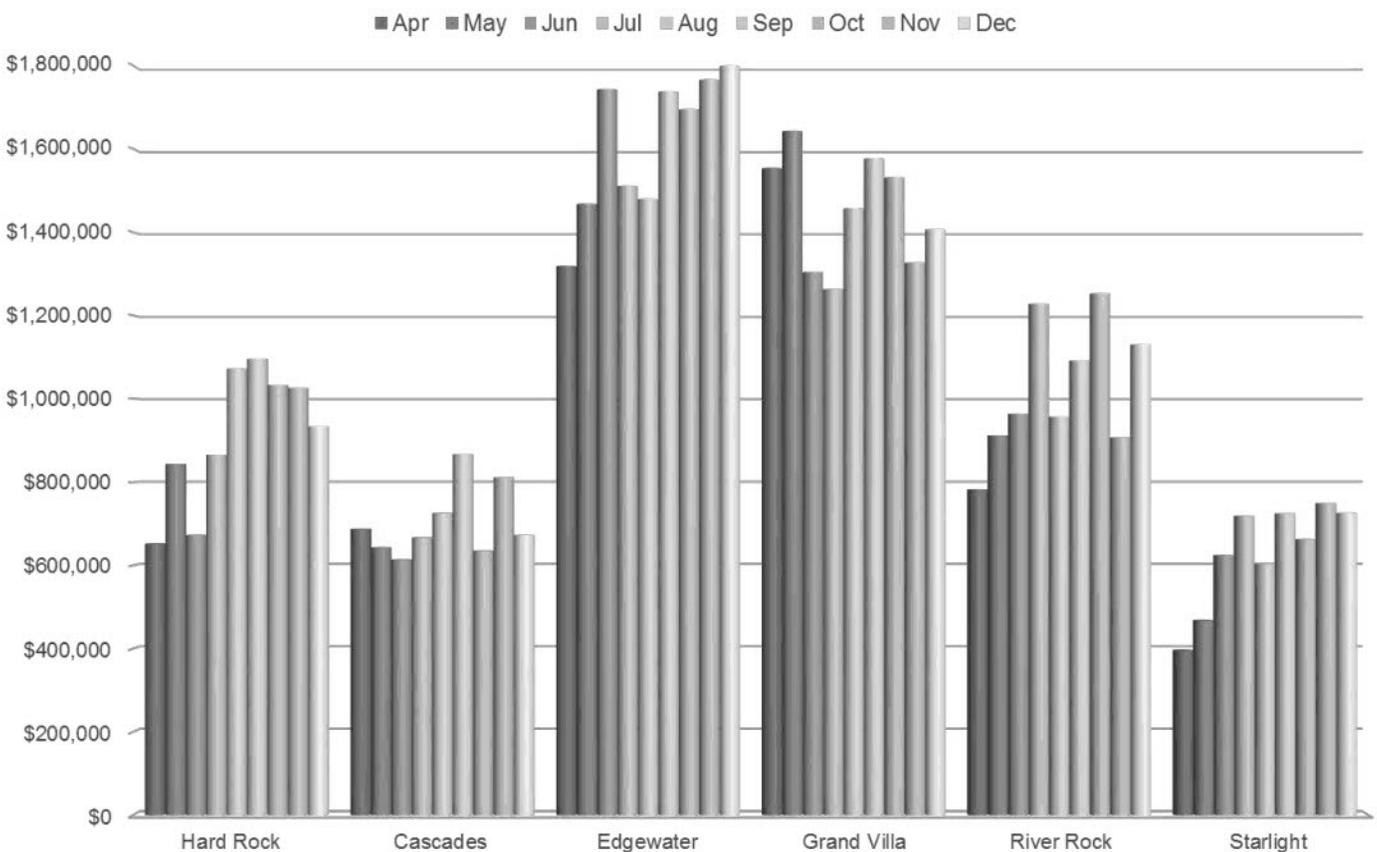


Convenience Cheques Issued Fiscal Year 2016/17 Total Dollar Value = \$822,880 Total Cheques Issued = 115

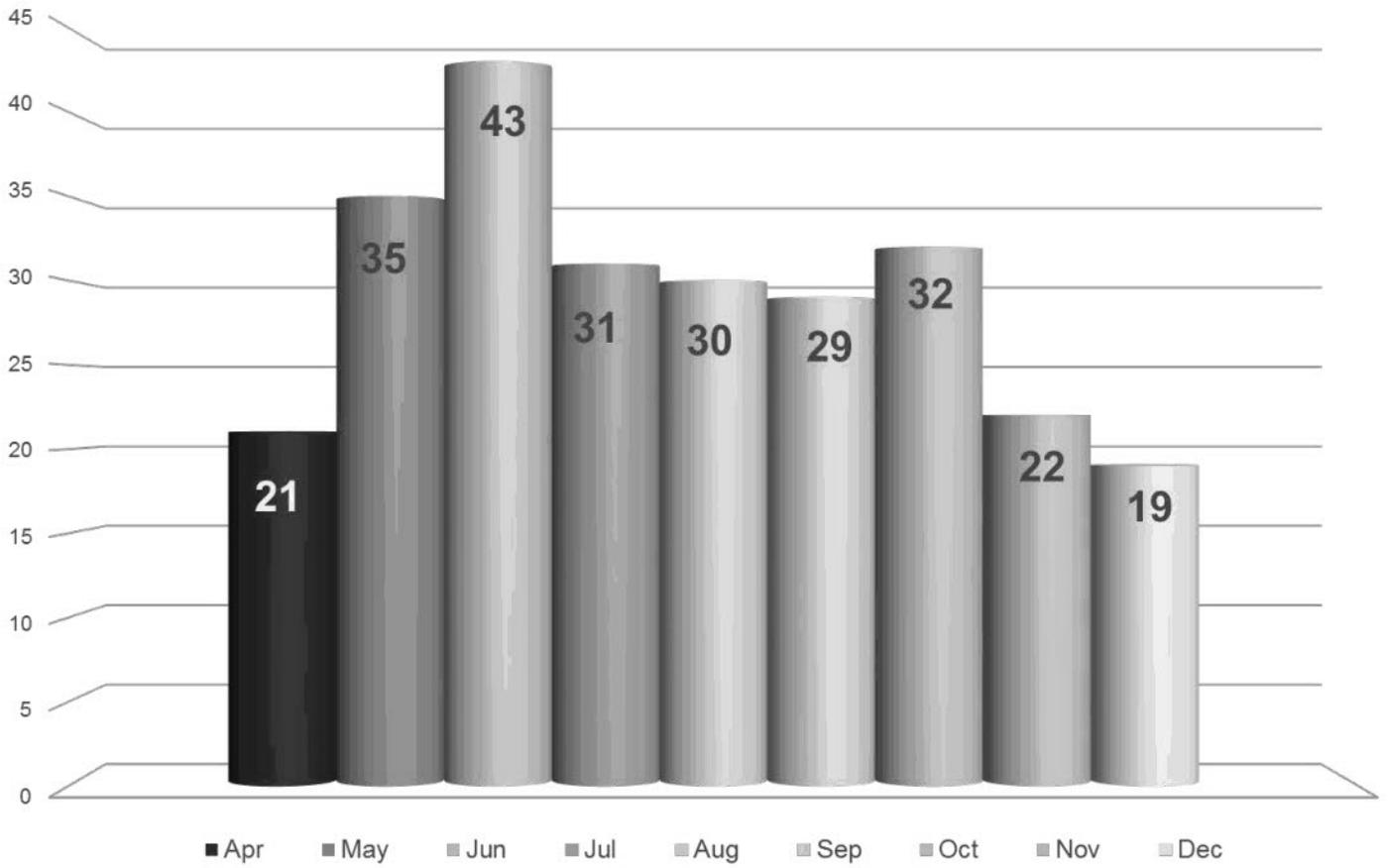


Debit Card use at Cash Cage Monthly Totals by Property Fiscal Year 2016/17

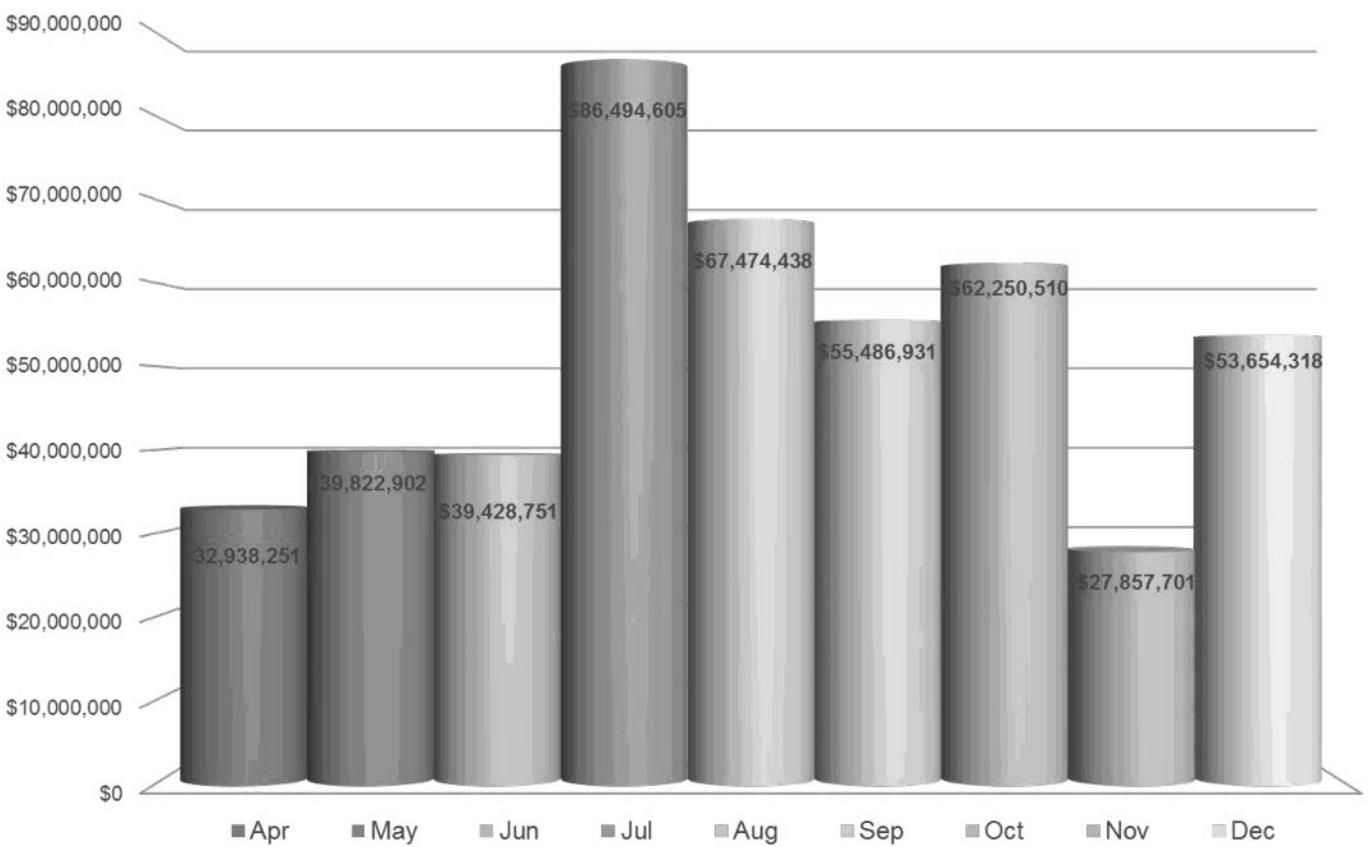
Note: also in use at CGCs Abbotsford, Campell River, Chilliwack, Courtenay, Cowichan, Dawson Creek, Kelowna, Maple Ridge and casinos Elements, Hastings, Kamloops, Kelowna, Hastings, Pentiction, Treasure Cove, Vernon, View Royal with lower totals



Monthly PGF Account Openings
Fiscal Year 2016/17
Accounts Opened/Reopened since Apr 1, 2016 = 262

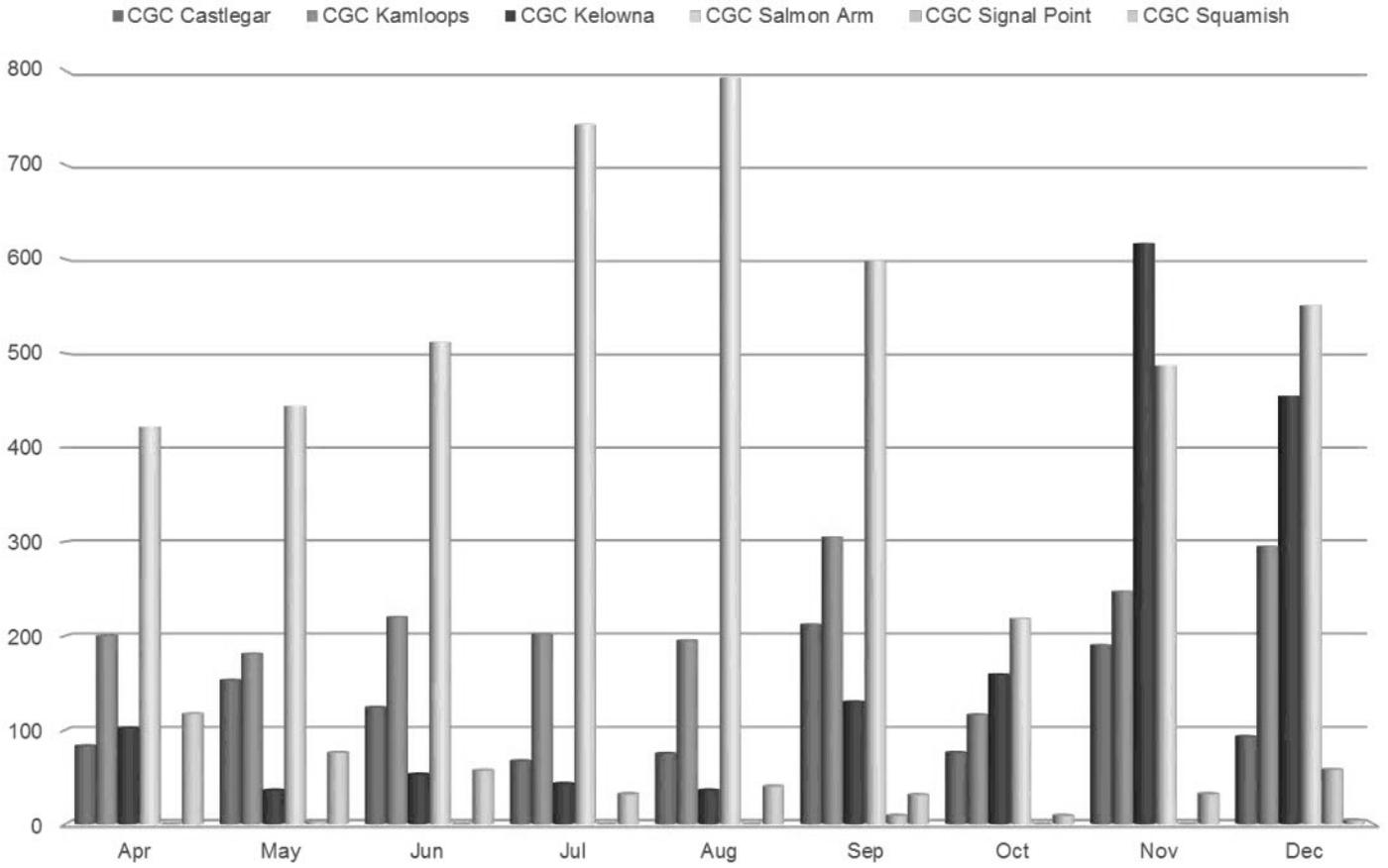


PGF Account Use
Deposits = \$465,408,405
Fiscal Year 2016/17

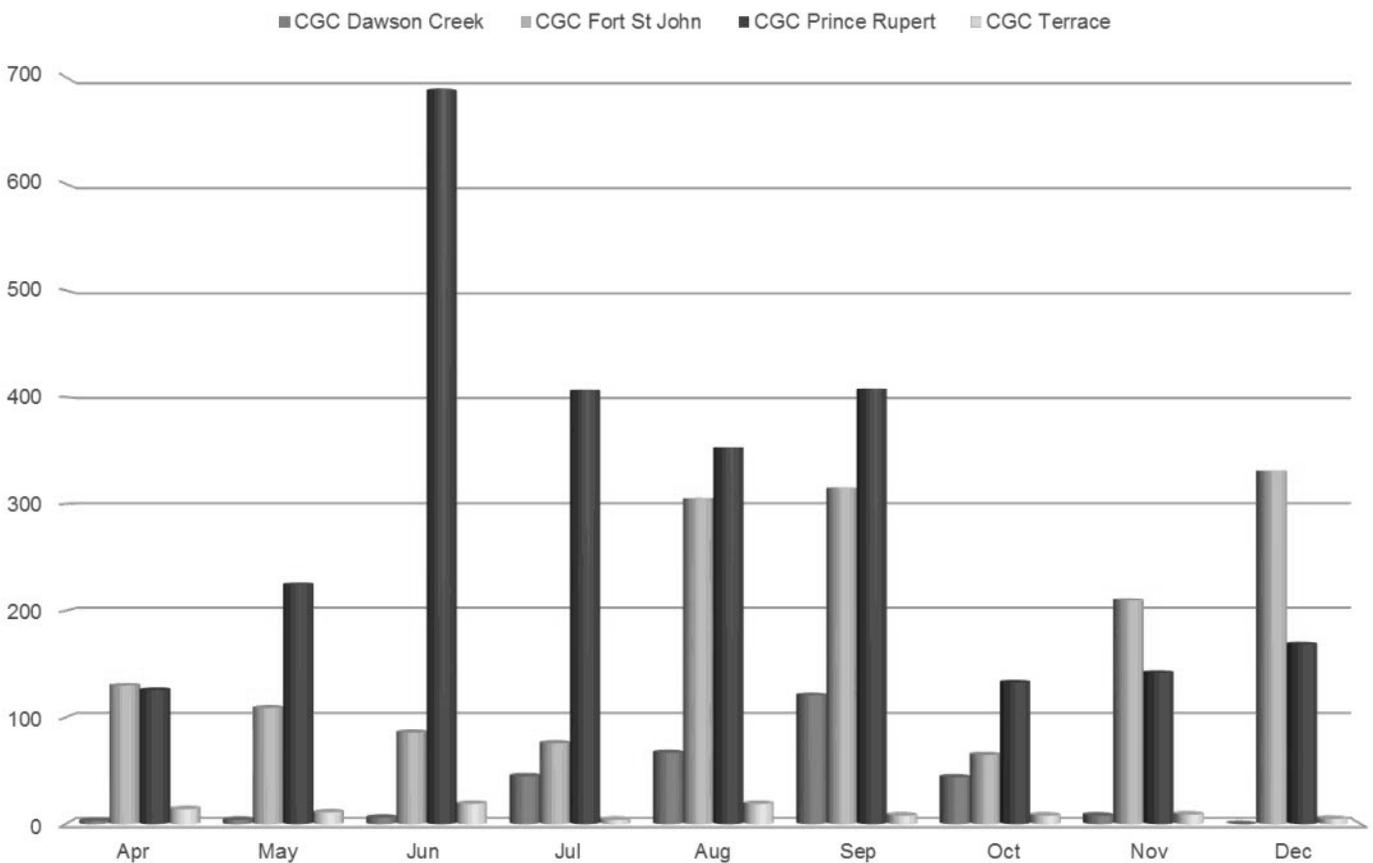


Note: iKiosk stats for month of October for all sites displays only half a month of data due to technical issue.

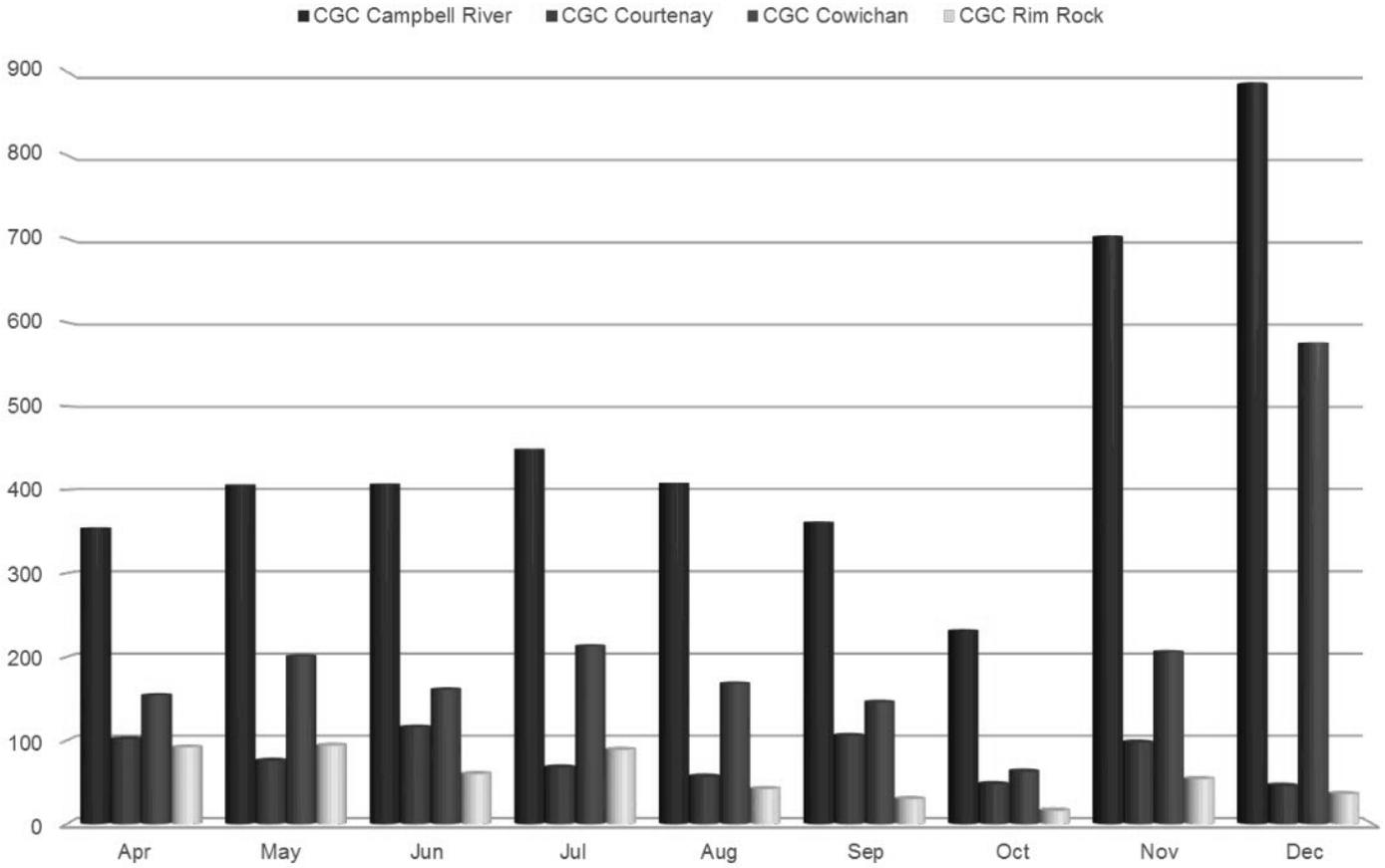
iKiosk Scans per Site Interior CGCs Fiscal Year 2016/17



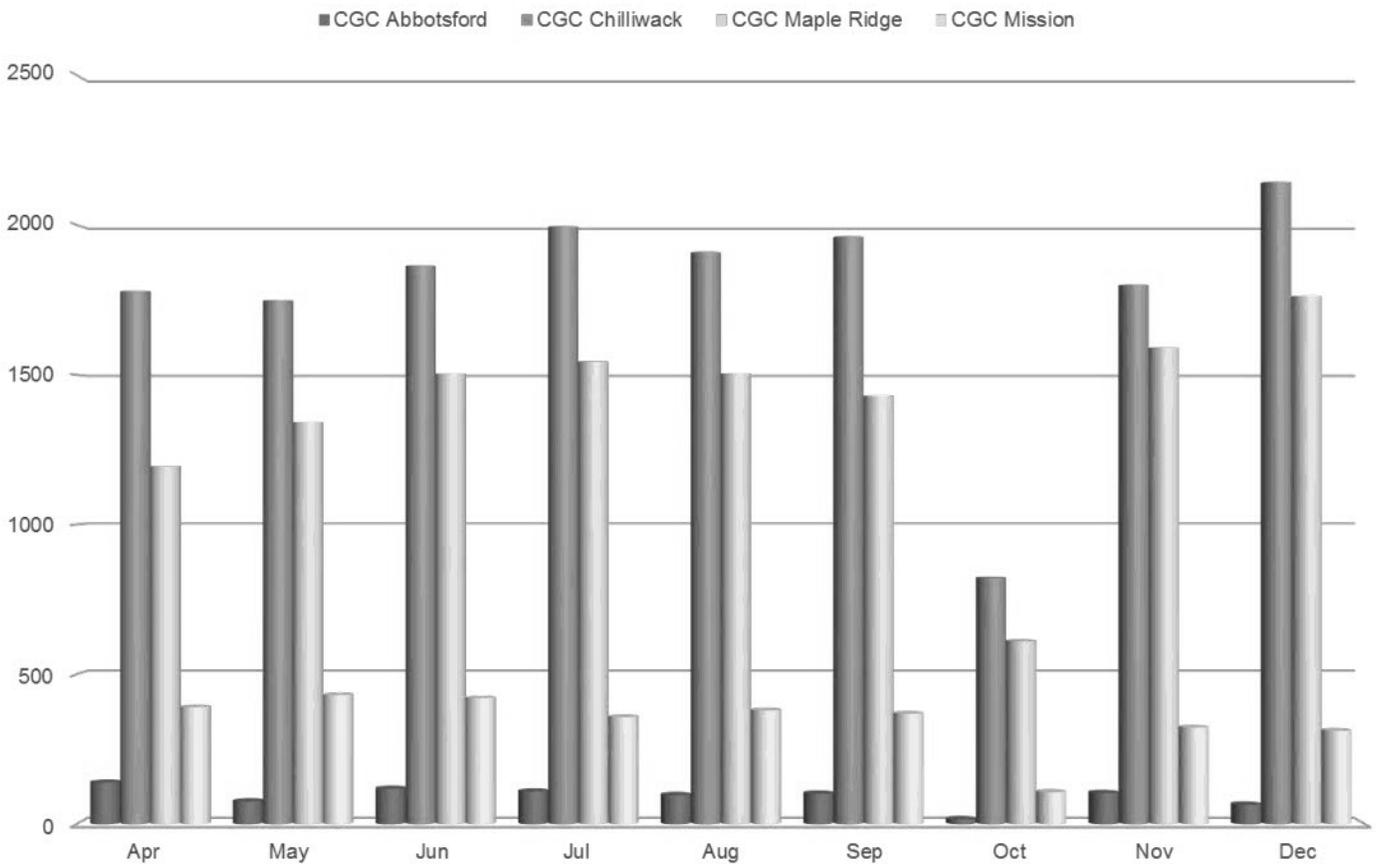
iKiosk Scans per Site Northern CGCs Fiscal Year 2016/17



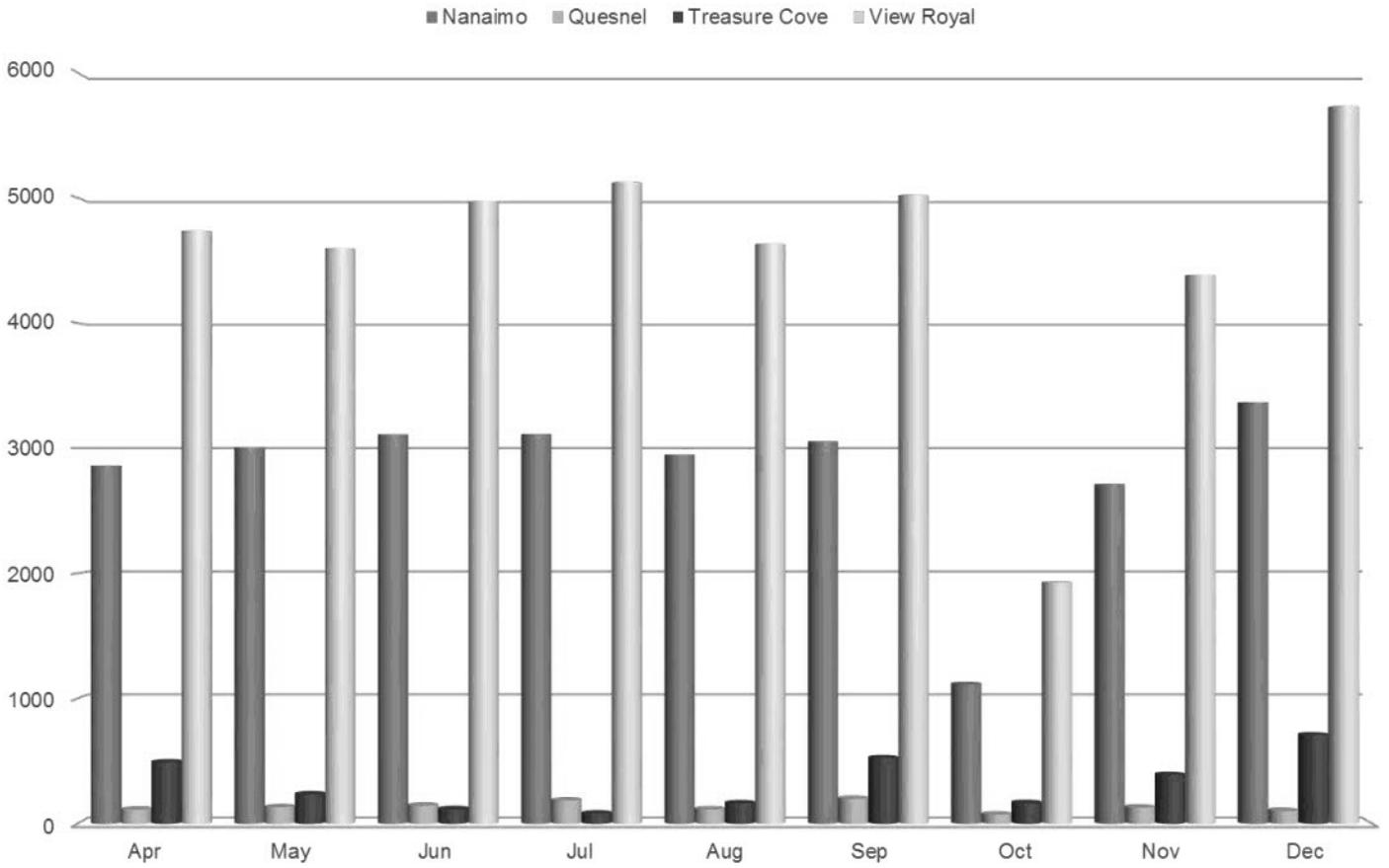
iKiosk Scans per Site Island CGCs Fiscal Year 2016/17



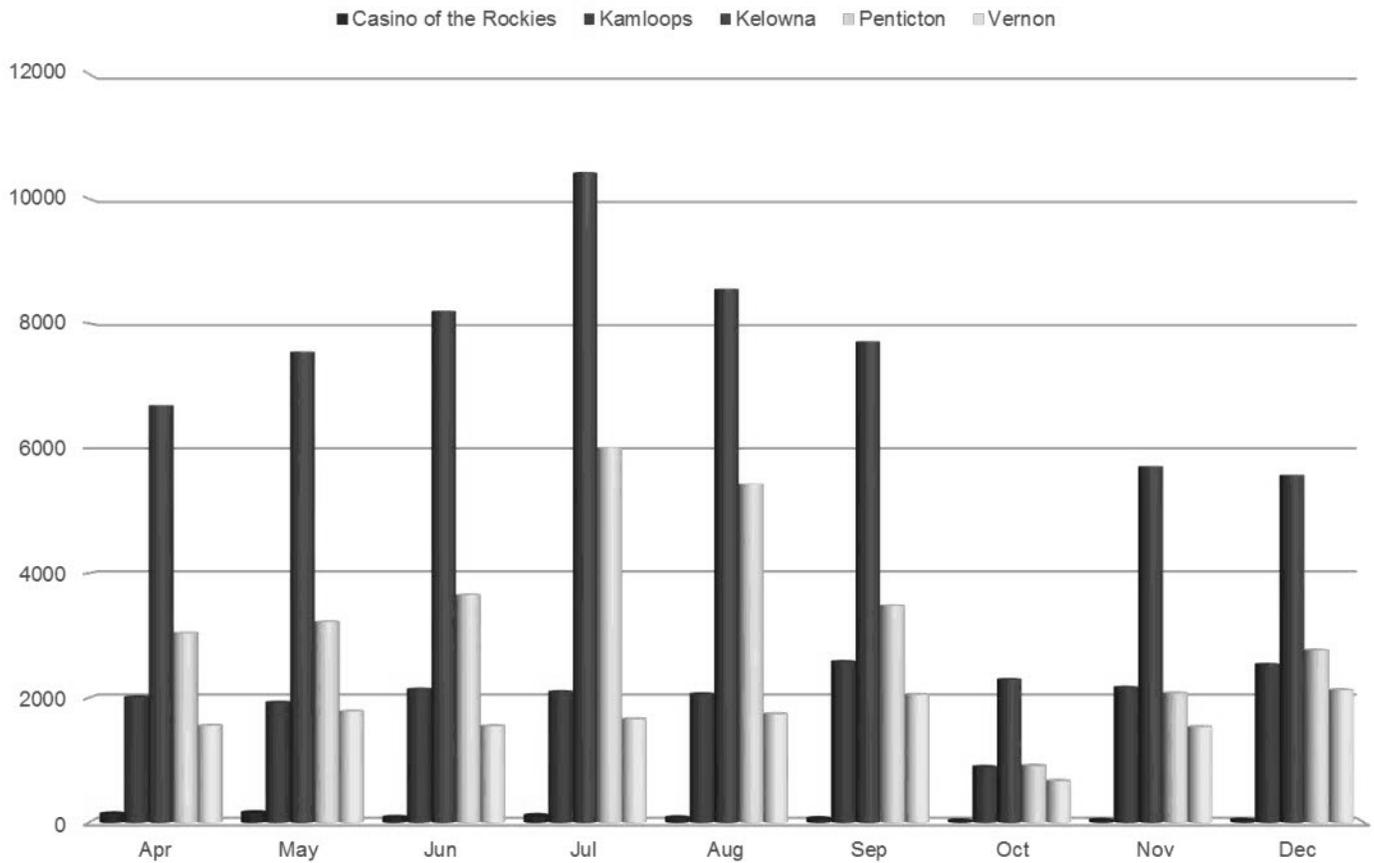
iKiosk Scans per Site Lower Mainland CGCs Fiscal Year 2016/17



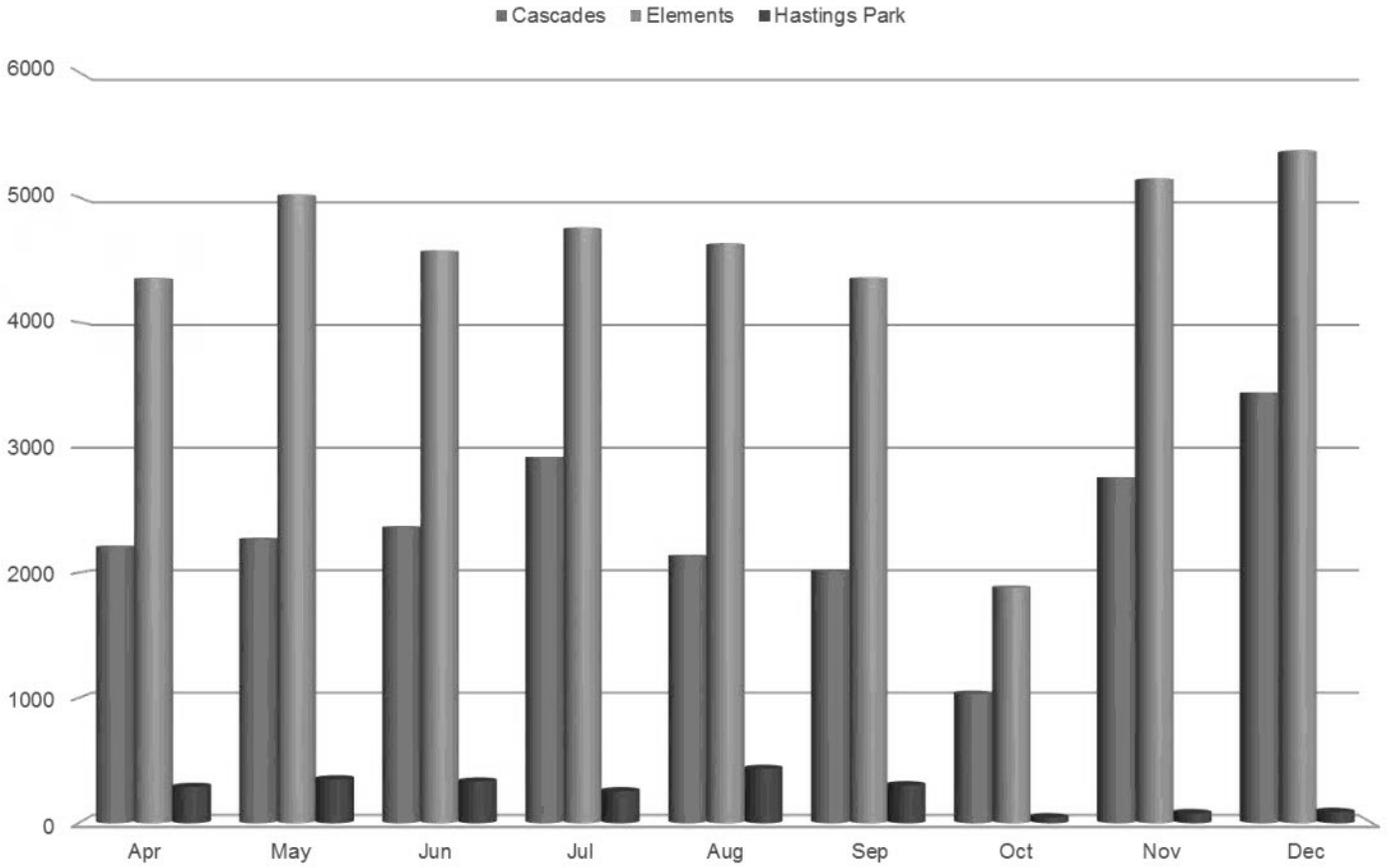
iKiosk Scans per Site Island and Northern Casinos Fiscal Year 2016/17



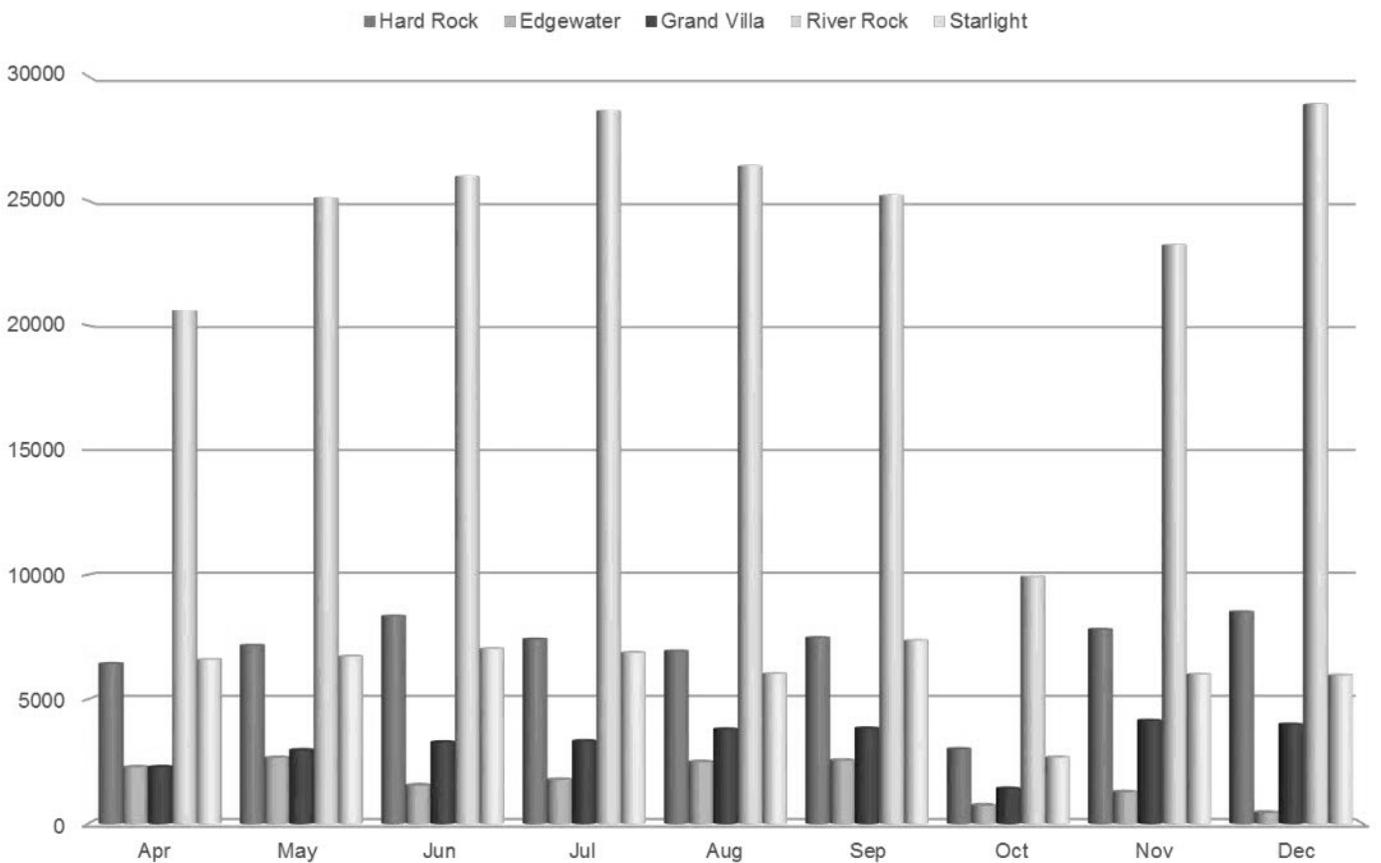
iKiosk Scans per Site Interior Casinos Fiscal Year 2016/17

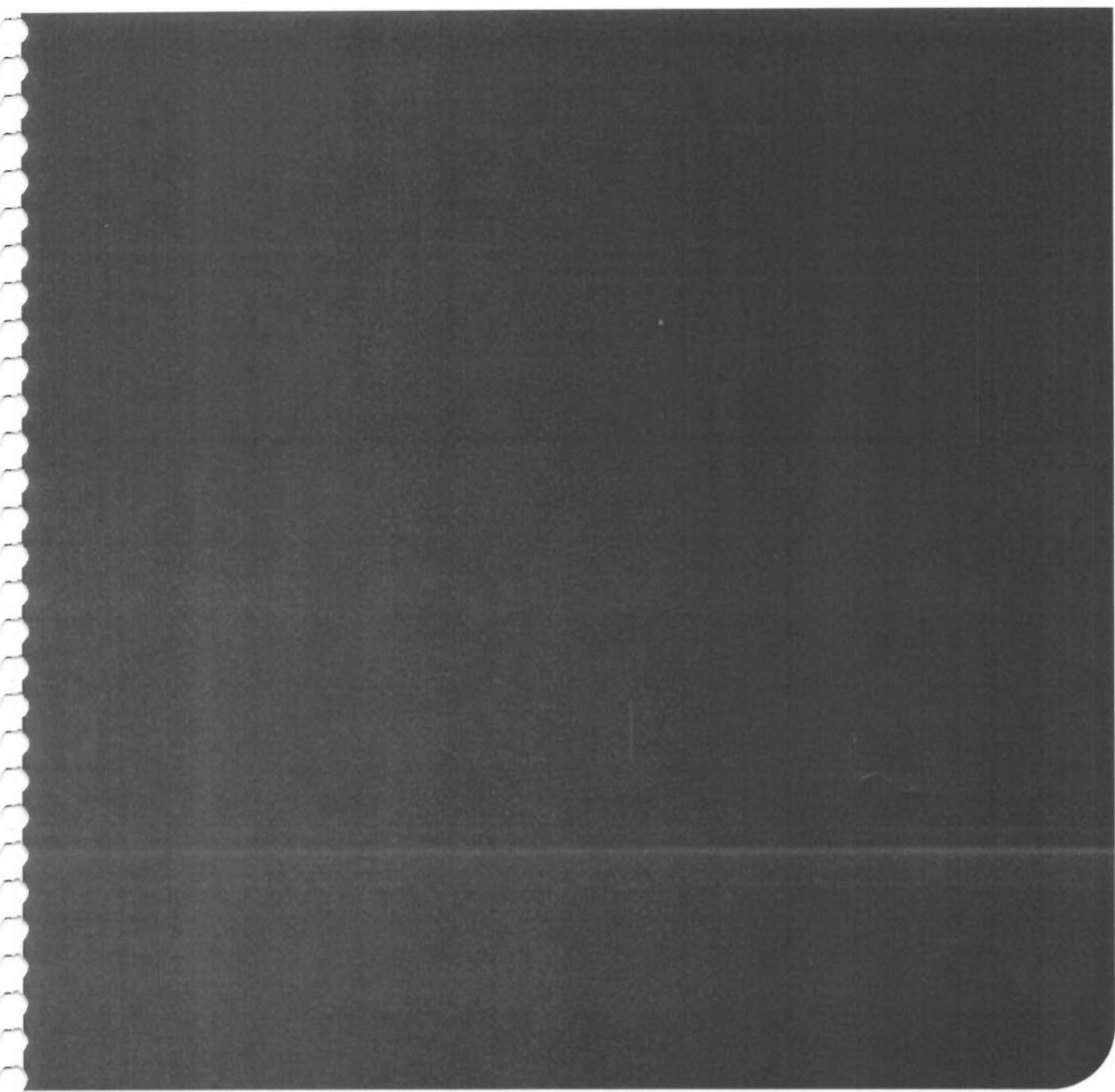


iKiosk Scans per Site Small Lower Mainland Casinos Fiscal Year 2016/17



iKiosk Scans per Site Large Lower Mainland Casinos Fiscal Year 2016/17





Electronic Funds Transfers and Delimited Convenience Cheques

Due Diligence

Bal Bamra, Manager AML Intelligence
October 31, 2016

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Withheld pursuant to/removed as

s.15

EXECUTIVE SUMMARY

In 2015 the BCLC AML Department started working on 3 specific new cash alternative initiatives to help reduce the amount of unsourced cash coming into our gaming establishments. These were:

1. Eliminate the \$10,000 threshold for convenience cheques to an unlimited amount;
 2. Accept International Electronic Funds Transfers;
- s.15

Comprehensive analysis and research projects were undertaken for all three including consulting key external stakeholders such as Service Providers (SP), Financial Institutions (FI), Government Policy Enforcement Branch (GPEB), Financial Transactions Analysis Centre of Canada (FINTRAC), Canada Revenue Agency (CRA) and Law Enforcement as well as internal stakeholders.

As a result it was decided that options 1 and 2 could be made operational in 2016^{s.15}
s.15

While the primary impetus for each cash alternative was enhancing safety for all casino patrons who frequent our facilities with large sums of cash, these initiatives also have the added benefit of reducing suspicious cash reports and large cash transaction reports and minimizing “churn” so that true player value can be more easily determined. Options 1 and 2 will also create additional buy in methods for high value players and we expect a positive impact on revenue.

**Churn is the same money going back and forward and around the casino v what is new money.*

Page 136 to/à Page 269

Withheld pursuant to/removed as

s.15

20 July 2016

RE: FINTRAC EXAMINATION – Changes to PGF Operations

Dear Service Partners,

FINTRAC recently completed their bi-annual examination of BCLC's Anti-Money Laundering Compliance program.

While specifics of the examination will be discussed in more detail at the next quarterly Compliance meeting there was one identified issue in particular which will require an immediate change to the current Player Gaming Fund (PGF) administration procedures.

s.15

While this is not a policy requirement it has however been the reporting practice in place since the inception of PGF accounts. This practice had been the subject of on-going discussions with FINTRAC and during the recent examination BCLC were provided updated guidance in relation to PGF reporting.

s.15

As the original source of funds into a PGF account is not cash there is no regulatory requirement to report a Large Cash Transaction for that original deposit, or any subsequent gaming transactions involving that initial deposit.

The main purpose of this change is to eliminate the over reporting of non-cash transactions which currently exists between a PGF account and a gaming table. There will be on occasion instances where a player may choose to withdraw funds from their PGF account or from subsequent play. Should the amount be of \$10,000 or more, whether than be for winnings or return of funds, then in that case a CDR is still required.

Please note this change does not impact any of the existing PGF policy requirements currently found in Casino and Community Gaming Centre Standards, Policies and Procedures - Section: 3-8.3 Cage – Patron Gaming Funds Accounts

Please contact myself or Bal BAMRA, BCLC Manager AML Intelligence bbamra@bclc.com can should you require further information.

Regards,

s.22

Ross Alderson
Director, AML & Investigations, BCLC



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s.22 **AML/JIGIT inquiry & BCLC response**
April 14, 2016

General response points:

- BCLC maintains a rigorous anti-money laundering program in all our casinos, and we are committed to fulfilling our role in Canada's anti-money laundering regime.
- BCLC is one part of the anti-money laundering regime; FINTRAC, the police and prosecution services are the other primary components. BCLC's role is to monitor, record and report specific transactions to FINTRAC, and in so doing BCLC helps in the prevention and detection of money laundering.
- It is FINTRAC's role to analyze the data provided to it by BCLC and other reporting entities (such as banks, credit unions and realtors) and report any suspected instances of money laundering to law enforcement for investigation. FINTRAC is not permitted by law to share the results of their analysis with BCLC, so FINTRAC is not able to directly alert BCLC about individuals or circumstances it suspects may involve money laundering. Only the police are able to receive this information from FINTRAC.
- It is the role of the police to investigate money laundering offences. BCLC has no authority to investigate money laundering offences.
- Where a police investigation concludes money laundering has occurred, it is then up to prosecutors to approve charges and conduct trials.

Q&A:

- 1. Gross \$ taken in by BC casino gaming each year last 5 yrs**
 - Please see **Appendix A**, outlining BCLC's five year casino game revenue and net income.
- 2. Estimated \$ money laundered in BC casinos each year, last 5**
 - BCLC has not received any information from enforcement agencies on any confirmed case of money laundering occurring at a B.C. casino.
 - We are not aware of any convictions related to money laundering involving a B.C. casino.
 - In 2014/15, BCLC filed more than 100,000 large cash transaction reports and more than 1,700 suspicious transaction reports to FINTRAC.
 - Casinos in B.C., and across Canada, account for only a small percentage of large cash and suspicious transactions reports filed with FINTRAC each year. The vast majority of reports are filed by banks and credit unions.

BC Large Cash Transaction reports as reported by FINTRAC:

LCTs – BRITISH COLUMBIA REGULATED SECTOR	2010-2011	2011-2012	2012-2013	Total
Financial Institutions (All)	989,618	1,103,876	1,170,710	3,264,204
Banks	904,112	1,018,298	1,083,438	3,005,848
BC Credit Unions	85,506	85,578	87,272	258,356
Money Services Businesses	6,783	8,175	8,031	22,989
Real Estate	0	4	3	7
Casinos	19,933	21,846	24,141	65,920
Securities Dealers	0	1	0	1
Dealers in Precious Metals and Stones	32	88	71	191
Life Insurance	0	1	2	3
British Columbia Notaries	0	0	1	1
Total of all sectors				3,353,316

Disclosures – British Columbia as reported by FINTRAC:

	2010-2011	2011-2012	2012-2013
Total FinTRAC disclosures sent to law enforcement and federal agencies in British Columbia	92	103	126
FinTRAC disclosures that involved casinos (involved = at least one report from a casino relevant to the disclosure) in British Columbia	34	30	39

3. \$ tax/transfer from BC casino gaming to BC Gov't each year, last 5

- In 2014/15, BCLC delivered \$1.25 billion in net income to the Province, with the proceeds used by the Province to benefit people and communities across British Columbia.
- Of this, \$950.3M in net income came from our casino and community gaming facilities.
- Please see **Appendix A**, outlining BCLC's five year casino game revenue and net income.

4. # BCLC casino investigators/detectives

- In addition to extensive on-site casino operator security staff, BCLC has 15 investigators and 13 compliance officers dedicated to the oversight of the security and integrity of all gaming facilities across the province. BCLC also has a dedicated Anti-Money Laundering Unit consisting of five members.

- BCLC investigators examine and analyze gaming related offences such as cheating and player complaints, and support BCLC's anti-money laundering requirements – helping to ensure transactions are monitored and required reports to FINTRAC and police are complete and submitted.
- BCLC's 13 member compliance team monitors service providers, who operate our facilities, to ensure they follow all of BCLC's standards, policies and procedures as well as meet all statutory requirements related to gaming, including anti-money laundering measures.
- The AML and Investigations units work with police and regulatory agencies. BCLC provides copies of suspicious transaction reports and information regarding individuals it believes may be engaged in criminal activity at/targeting a casino to police.

5. \$ cost above

- In 2015/16, BCLC budgeted \$3.3M for casino and community gaming investigations, compliance and anti-money laundering staff.

6. # investigations by BCLC casino investigators/detectives into casino money laundering each year, last 5

- To be clear, only the police and Crown have authority related to criminal investigations, recommending charges and prosecutions.
- BCLC does have an Information Sharing Agreement with law enforcement that provides them the ability to proactively ban suspected members of organized crime from gaming facilities in B.C. To date, 163 people have been banned.
- BCLC will make complaints to police where it uncovers information it believes may involve criminal activity and will ask the police to investigate. Where this occurs, BCLC will provide any support it can to the police investigation and any subsequent prosecution.
- While we don't have the authority to investigate, we do have the authority to place conditions on patrons if we identify any issues related to cash used in our facilities.
- Where warranted, and based on individual circumstances, some customers may be asked for information around the source of the funds they intend to use for gaming. By ascertaining identity, we are performing customer due diligence which is aligned with FINTRAC requirements.
- If concerns arise around the origin of funds being used, restrictions may be placed on the methods an individual customer is permitted to use to buy-in. For example, a customer may be restricted to using bank drafts or certified cheques.

7. # prosecutions based on above investigations, each year, last 5

8. # convictions in prosecutions for money laundering based on BCLC investigators/detectives casino investigations, each year, last

9. What is the most serious sentence for money laundering in a prosecution based on a BCLC investigators/detectives casino investigation in last 5 years

- BCLC has no authority to investigate money laundering or any other criminal offence. The police have this authority. Statistics on money laundering investigations will have to come from the police. BCLC does make complaints and provide information to police where we uncover circumstances we believe may involve criminal activity.
- The Ministry of Justice and Attorney General would be best suited to respond to this.

10. What is BCLC's reaction to the announcement below, particularly as BCLC is paying 70% of JIGIT's costs?

- BCLC has had a long, positive working relationship with police agencies. We very much look forward to this dedicated police initiative which will help ensure our facilities continue to remain safe and enjoyable for British Columbians and are not targeted by criminal elements.

If asked:

- BCLC has factored this cost into its budget and financial forecasts.