

INTERNAL MEMO



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

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

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

Date: January 30, 2017

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

EXECUTIVE SUMMARY

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

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

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

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

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

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

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

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

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

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

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

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

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

RECOMMENDATION

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

INTRODUCTION

BACKGROUND

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

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

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

OBJECTIVE

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

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

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APPROACH

The audit approach included the following steps:

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

AUDIT RESULTS

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

Of the 291 PGF accounts audited, s.15,s.22 s.15
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We have the following concerns with the circumstances under which the cash was accepted for deposit:

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

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

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

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

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

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

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

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

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

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

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

CLOSING REMARKS AND RECOMMENDATION

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

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

Ministry of Finance
BRIEFING DOCUMENT

To: John Mazure
Assistant Deputy Minister
Ministry of Finance

Date Requested: Jan 23/2017
Date Required:

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

Date Prepared: Jan 24/2017

Ministry
Contact: Len Meilleur

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

[Cliff #]

TITLE: Police Presence in BC Casinos – s.15

PURPOSE

(X) **FOR INFORMATION AWARENESS – LAW ENFORCEMENT**
INITIATIVE – NOT FOR RELEASE BEYOND ADM LEVEL GPEB.

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

Executive Director approval: _____

ADM approval: _____

Associate DM approval: _____

DATE PREPARED: 2017 January 24

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TITLE: Police Presence in Lower Mainland Casinos –

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

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John Mazure
Assistant Deputy Minister

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ANNEX A – FINTRAC Mandate and Mission

Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is Canada's financial intelligence unit. Its mandate is to facilitate the detection, prevention and deterrence of money laundering and the financing of terrorist activities, while ensuring the protection of personal information under its control.

<http://www.fintrac-canafe.gc.ca/publications/brochure/2011-02/1-eng.asp#who>

Who must report:

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

What is reported

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

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

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

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

Anti-Money Laundering Strategy

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

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

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

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

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

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Ministry of Finance
BRIEFING DOCUMENT

To: Cheryl Wenezenki-Yolland
Associate Deputy Minister,

Initiated by: John Mazure
Assistant Deputy Minister

Date Prepared: April 26, 2017

Ministry
Contact: John Mazure

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

TITLE: Implementation of the Transaction Assessment Team (TAT)

PURPOSE: [X] INFORMATION

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

DATE PREPARED: April 27, 2017

TITLE: Implementation of the Transaction Assessment Team (TAT)

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

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

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

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

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

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

CURRENT STATUS:

Intelligence

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

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

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

BCLC Initiatives

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

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

Reduction in Suspicious Cash Transactions

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

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

PGF Accounts

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

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

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

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

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

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

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

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

WHAT IS BEING IMPLEMENTED?

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

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

The secondary results are:

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

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

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

Leonard Joseph Meilleur
Executive Director
Compliance Division

Date

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ISSUE NOTE

Issue:

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

Background:

- Government launched the AML strategy in 2011, initially focusing on reducing the use of cash in B.C. gambling facilities through the development and promotion of cash alternatives, such as electronic fund transfers and patron gaming accounts at casinos.
- Since 2015, the AML strategy has focused on areas of highest risk to the integrity of gambling, including large and suspicious cash transactions and illegal gambling houses.
- In April 2016, the Ministers of Finance and Public Safety and Solicitor General, and the Combined Forces Special Enforcement Unit B.C. created the Joint Illegal Gaming Investigations Team (JIGIT). JIGIT's mandate is to address organized crime involvement in illegal gambling and prevent criminals from using B.C. gambling facilities to legalize the proceeds of crime. ^{s.15}
- In May 2016, GPEB also formed its own Intelligence Unit within its Compliance Division. The unit's mandate is to provide stakeholders, management, executive and government with situational awareness of threats to the integrity of gambling. The unit conducts the intelligence function by working with local, regional, national and international law enforcement, security and intelligence agencies.
- BCLC is required to report large-cash transactions over \$10,000, foreign exchanges over \$3,000, and all "suspicious" transactions to the federal Financial Transactions and Reporting Analysis Centre of Canada (FINTRAC). FINTRAC uses this information to identify patterns and gather evidence of potential money laundering. It shares this data with law enforcement.
- In addition to meeting its reporting requirements to FINTRAC, BCLC also provides suspicious transaction reports directly to CFSEU and to GPEB. GPEB monitors each suspicious transaction report by examining the facts surrounding the report, gathering information on suspected criminal activity related to the transaction, and sharing investigative findings with the local police, who have the legal authority to launch an investigation.
- GPEB has noted a downward trend in the total dollar value of cash entering B.C. gambling facilities

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

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

Decision Required:

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

Financial intelligence highlights: 2015–16

Results in the fight against money laundering and terrorist activity financing

September 2016

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

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

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

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

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

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

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

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

Contributing to priority law enforcement and national security investigations

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

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

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

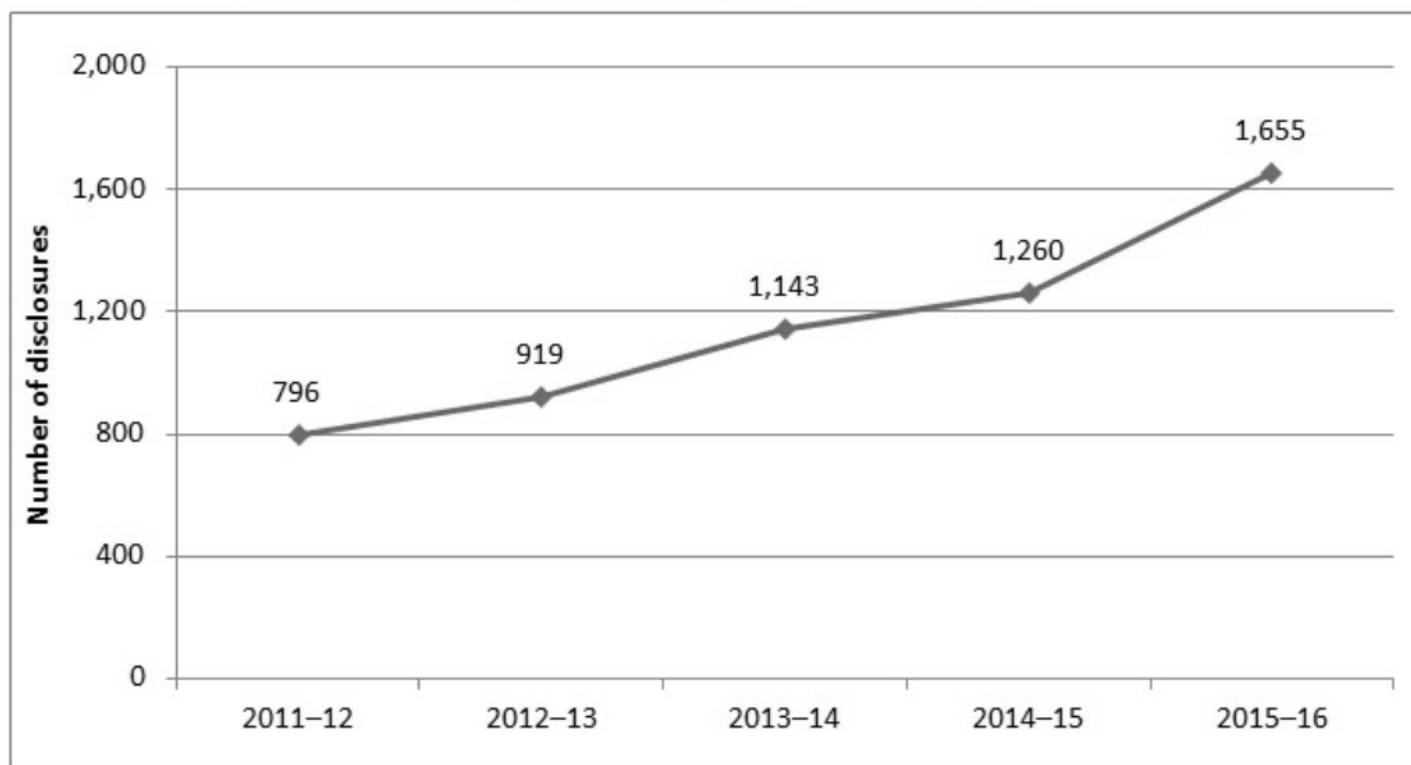
In December 2015, the Mass Marketing Section of the Toronto Police Service Financial Crimes Unit recognized FINTRAC's contribution to a three-year investigation into an alleged \$93 million pyramid scheme. Two individuals were charged with defrauding the public, possession of proceeds of crime, laundering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

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

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

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

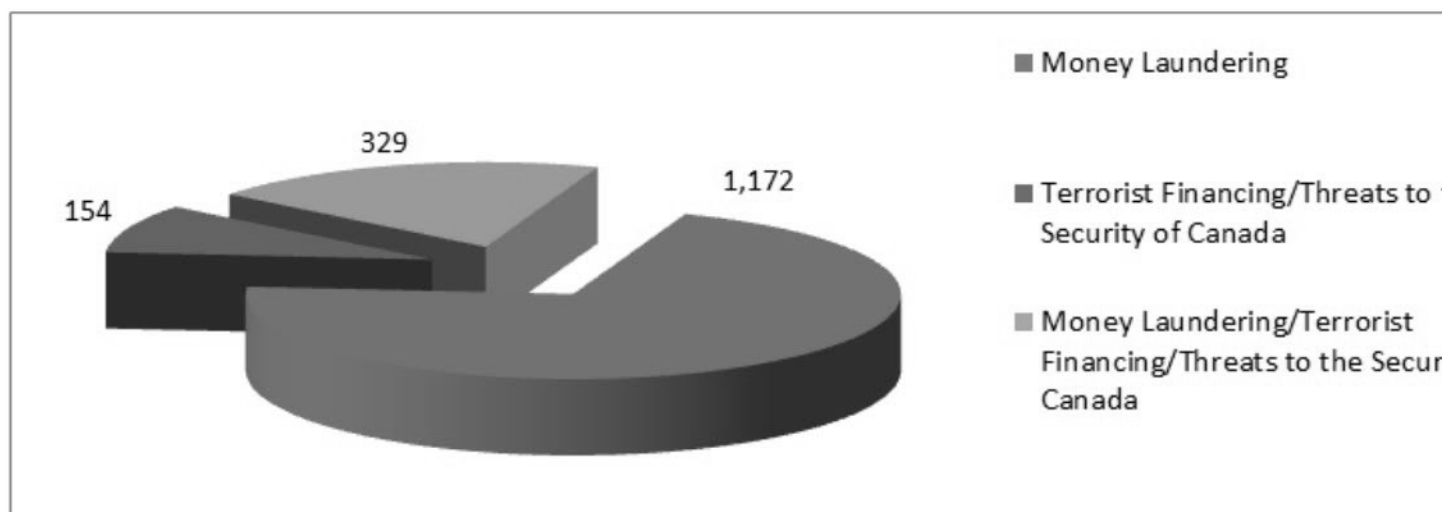
FINTRAC case disclosures from 2011–12 to 2015–16



View the text equivalentFINTRAC case disclosures from 2011–12 to 2015–16

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

Disclosures by type



View the text equivalentDisclosures by type

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

Number of disclosure packages by recipient (2015–16) Footnote*

Recipient
Royal Canadian Mounted Police
Municipal police
Canadian Security Intelligence Service
Foreign financial intelligence units (41 countries)
Provincial police
Canada Border Services Agency

Canada Revenue Agency

Provincial securities regulators

Communications Security Establishment

Footnote *

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

[Return to footnote*referrer](#)

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

Types of predicate offences related to case disclosures

[Footnote*](#)

Predicate offence

Fraud

Drugs

Organized crime

Tax evasion

Customs/excise

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

Human smuggling/trafficking
Corruption
Theft
Crimes against persons
Weapons possession/arms trafficking
Charities
Illegal gambling
Prostitution/bawdy houses
Other (Crimes against property, luring, tobacco sales/distribution, other Federal Acts)
Child exploitation

Footnote *

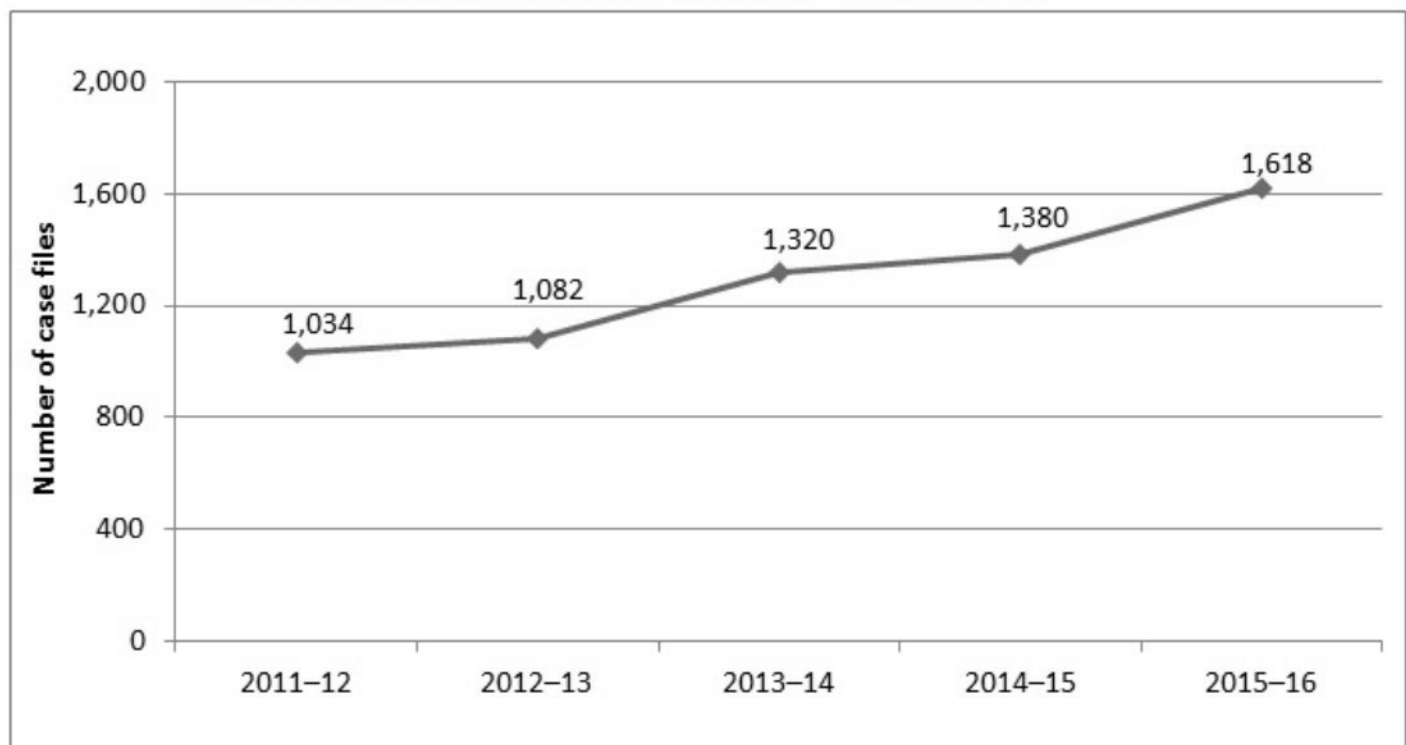
The percentages in this table do not add up to 100 percent since a FINTRAC disclosure may relate solely to money laundering, terrorism financing or threats to the security of Canada, or relate to multiple predicate offences at once.

[Return to footnote*referrer](#)

In 2015–16, FINTRAC received 1,618 case files [Footnote1](#) from police, law enforcement and national security partners, as well as from members of the public. This is an increase of nearly 20 percent from the previous year. These files provide key intelligence on alleged criminals and terrorists and are often the starting point for the Centre’s analysis. They are used by the Centre to establish connections between individuals and entities and to

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

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



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

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

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

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

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

A new partnership to counter human trafficking

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

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

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

Footnote 1

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

[Return to footnote1referrer](#)

Date Modified:

2016-09-12

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

ISSUE: Joint Illegal Gaming Investigation Team

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

Answer:

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

2. Question: Who will staff this new team?

Answer:

- The team will be made up of members from the Combined Forces Special Enforcement Unit British Columbia (CFSEU-BC) and the Gaming Policy and Enforcement Branch (GPEB).
- In the first year the team will consist of ^{s.15} CFSEU-BC staff, ^{s.15}
- Government is also assigning four existing GPEB investigators to the team who will act as subject matter experts.
- When fully staffed in 2017, JIGIT will consist of ^{s.15} teams based out of the CFSEU-BC headquarters in Surrey and will have ^{s.15}

3. Question: What is CFSEU-BC?

Answer:

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

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

Answer:

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

5. Question: Who is paying for this?

Answer:

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

6. Question: When will the team be operational?

Answer:

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

7. Question: Why are we doing this now?

Answer:

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

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

Answer:

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

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

Answer:

- We know from various law enforcement sources that legal and illegal gambling is being used by organized crime for the purpose of money laundering. That is not at question here and it's why we've created this joint team between CFSEU-BC and GPEB.
- But as the team gets underway we will get a clear picture of the exact scope of the problem as organized crime is targeted in B.C.'s legal gaming facilities and illegal gaming houses.
- s.15

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

Answer:

s.15

•

• s.15

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

Answer:

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

s.17

Contact: John Mazure, ADM and General Manager

Division: Gaming Policy and Enforcement

Phone:

Page: 3 of 8

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

INTEGRATED ILLEGAL ENFORCEMENT TEAM (IIGET):

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

Answer:

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

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

Answer:

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

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

Answer:

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

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

Phone: s.17
Page: 4 of 8

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

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

Answer:

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

BC LOTTERY CORPORATION:

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

Answer:

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

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

Answer:

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

ILLEGAL GAMING HOUSES:

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

Answer:

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

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

Answer:

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

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

Answer:

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

OTHER ANTI-MONEY LAUNDERING MEASURES:

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

Answer:

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

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

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

Answer:

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

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

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

Answer:

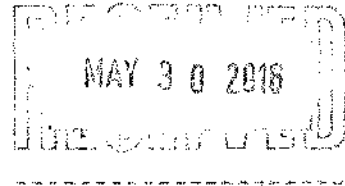
- Federal anti-money laundering laws require BCLC to take proactive steps to know its customers by requiring they produce current, valid government photo ID and record the name, address, occupation and other personal information of players who complete transactions of \$10,000 or more.
- This information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



Financial Transactions and
Reports Analysis Centre
of Canada

Centre d'analyse des
opérations et déclarations
financières du Canada

1185 West Georgia Street, Suite 1120, Vancouver, British Columbia V6E 4E6
1185, rue West Georgia, bureau 1120, Vancouver (Colombie-Britannique) V6E 4E6



May 26, 2016

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

Le v.
Dear ~~Mr. Meilleur~~,

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

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

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

Yours sincerely,

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

Enclosures: 2

Canada

MEMORANDUM OF UNDERSTANDING

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

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

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

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

hereinafter collectively referred to as the "Parties"

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

The Parties have reached the following understanding:

1 INTRODUCTION

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

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

2 PURPOSE

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

3 OFFICIALS

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

For FINTRAC:

Deputy Director
Operations
Financial Transactions and Reports Analysis Centre of Canada
234 Laurier Avenue West,
Ottawa ON K1P1H7

Telephone: 613-947-6859

Fax: 613-943-7931

For GPEB:

General Manager, Assistant Deputy Minister
Gaming Policy and Enforcement Branch,
3rd Floor 910 Government Street
Victoria, BC
V8W 1X3

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

4 COMMUNICATIONS

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

4.3 Both Parties will also, in a timely manner:

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

5 CONFIDENTIALITY AND SECURITY OF INFORMATION

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

6 ADMINISTRATIVE DETAILS

Date in effect

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

Dispute resolution

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

Additions and amendments

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

Termination

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

7 NATURE OF THIS MOU

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

8 COST SHARING

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

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

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

9.1 GPEB agrees to disclose to FINTRAC the following information:

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

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

10.1 FINTRAC agrees to disclose to GPEB the following information:

- 10.1.1 compliance related information, such as guidance provided to casinos regulated by GPEB regarding the reporting, record keeping, client identification and compliance regime requirements, overview of issues arising from FINTRAC's compliance program including monitoring of GPEB's regulated casinos reporting performance, and other similar information that GPEB may use as part of its risk assessment when reviewing its regulated casinos for compliance with Parts 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*;
- 10.1.2 the results of FINTRAC's compliance actions regarding any casino regulated by GPEB with respect to compliance with Parts 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*; and
- 10.1.3 a copy of the correspondence between FINTRAC and casinos regulated by GPEB regarding their compliance deficiencies with Parts 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*;

10.2 It excludes information that would directly or indirectly identify a client of a person or entity referred to in section 5 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

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

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

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

SIGNED in Victoria, British Columbia
this 4th day of May 2016.

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



GÉRALD COSSETTE

Director of the Financial Transactions and
Reports Analysis Centre of Canada



JOHN MAZURE

General Manager, ADM
Gaming Policy and Enforcement Branch



February 7, 2017
Ref: 515516

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

Dear Mr. Mazure,

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

1. Purpose and Intent

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

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

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

JIGIT will have three key strategic objectives:

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

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

Ministry of Public Safety and
Solicitor General

Policing and Security Branch

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

Telephone: 250 387-1100
Facsimile: 250 356-7747
Website: www.gov.bc.ca/pssg

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

2. Organizational Structure

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

s.16

s.15 GPEB personnel, appointed as investigators under the *Gaming Control Act* (GCA) will act as subject-matter-experts within JIGIT. The scope of duties of these GPEB investigators is limited by what is legally permissible under their SPC appointments under the *Police Act*. The selection of GPEB investigators for JIGIT will be done in consultation with CFSEU-BC. Funding for these positions will remain the responsibility of GPEB.

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

3. Governance

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

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

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

4. Funding Structure

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

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

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

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

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

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

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

5. Duration

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

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

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

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

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

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

6. Performance and Reporting

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

s.15, s.16

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

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

7. Confidentiality

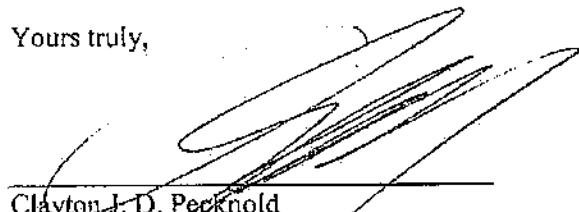
Terms of the agreement shall be confidential with the following exceptions: (1) each Participant may disclose the same on a "need to know" basis to their agents, advisors, consultants, directors, officers, contractors, affiliates and such other persons as may reasonably be required, and (2) the Participants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

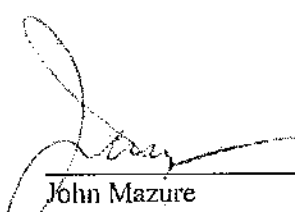
The Participants agree that any documents or reports generated or produced in connection to this agreement shall remain confidential unless otherwise agreed to by both Participants or where disclosure is required by law or regulatory disclosure requirements.

8. General

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

Yours truly,



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

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

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

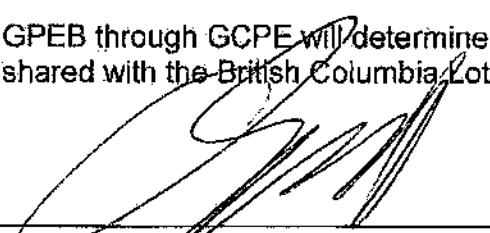
**Media Protocol for
Joint Illegal Gaming Investigation Team (JIGIT)
subsequent to Section 8, of the Operation and Funding Agreement
Between the Minister of Public Safety and Solicitor General and
the Ministry of Finance dated, February 7th, 2017**

Between:

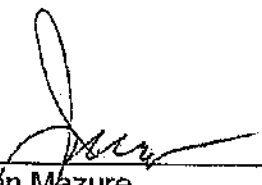
Ministry of Public Safety and Solicitor General (PSSG),
Policing and Security Branch (PSB)
And Ministry of Finance, (MoF)
Gaming Policy and Enforcement Branch (GPEB)

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

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



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



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

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

SECONDMENT AGREEMENT

BETWEEN

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

AND

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

RESPECTING

**JOINT ILLEGAL GAMBLING INVESTIGATION
TEAM**

SECONDMENT AGREEMENT

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6.0 Dispute Resolution

7.0 Notification

8.0 Provisions Applicable to Non-RCMP Members

9.0 Term of Agreement

Signatories

SECONDMENT AGREEMENT

BETWEEN:

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

(hereinafter referred to as *GPEB*)

AND:

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

(hereinafter referred to as the *RCMP*)

PURPOSE AND OBJECTIVE:

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

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

THE PARTICIPANTS AGREE AS FOLLOWS:

SECTION 1.0 INTERPRETATION

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

SECTION 2.0

AGREEMENT AUTHORITY

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

SECTION 3.0

SUBJECT MATTER

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

SECTION 4.0

SALARY, BENEFITS AND FINANCIAL OBLIGATIONS

- 4.1 The Seconded(s) will continue to receive the salary, benefits and other entitlements pursuant to their Agreement in place with the participating agency.
- GPEB is fully responsible for all costs for the Seconded(s) while the Seconded(s) is working with JIGIT. The RCMP will not be billed by GPEB for any costs in related to this secondment.
- 4.2 GPEB will be financially responsible for all operational and administrative costs that are incurred in relation to any secondment activities including, but not limited to, travel, accommodation and meals.
- 4.3 GPEB will be responsible for payment of hourly wages, in accordance with entitlements, and any compensable travel costs, subject(s) court attendance time, specific to any required court appearances arising from tasks performed in the course of the secondment, regardless of whether the secondment has since ceased.

SECTION 5.0

SECURITY AND CONFIDENTIALITY

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

SECTION 6.0

DISPUTE RESOLUTION

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

SECTION 7.0

NOTIFICATION

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

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

For GPEB:

Executive Director,
Compliance Division
Gaming Policy and
Enforcement Branch

3rd Floor, 910 Government
Street Victoria BC V8W 1X3

For the RCMP:

OIC, Combined Forces Special
Enforcement Unit

14200 Green Timbers Way
Surrey BC V3T 6P3

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

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

SECTION 8.0 PROVISIONS APPLICABLE TO NON-RCMP MEMBERS

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

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

SECTION 9.0 TERM OF AGREEMENT

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

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

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

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



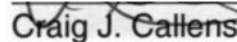
John C. Mazure
Assistant Deputy Minister & General Manager
Gaming Policy and Enforcement Branch
Province of British Columbia

Feb 20, 2017.

Date

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

s.22


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

2017.02.28

Date

B.C. Taxpayer Accountability Principles

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

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

Ministry of Finance
BRIEFING DOCUMENT

To: Michael de Jong
Minister of Finance

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

Initiated by: ADM

Date Prepared: March 31, 2016

Ministry
Contact: John Mazure

Phone Number: ^{s.17}
Email: John.Mazure@gov.bc.ca

[Cliff #] 350268

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

PURPOSE:

(X) FOR INFORMATION

DATE PREPARED: March 30, 2016

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

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

BACKGROUND:

- s.15
- In 2009, GPEB's Compliance Division identified a growing number of suspicious cash transactions occurring in Lower Mainland casinos. A file review covering a 12-month time frame confirmed that in excess of \$30 million dollars in suspicious cash had been reported by the gaming facility service providers.
- Intelligence indicated that predominantly wealthy Asian male patrons were responsible for accessing and bringing in suspicious cash to Lower Mainland casinos. s.15
- s.15
- s.15
-

s.15

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DEFINITIONS:

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

Page 138

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s.16;s.22;s.15

Ministry of Finance
BRIEFING DOCUMENT

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

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

PURPOSE:

☒ **DECISION REQUIRED**

COMMENTS:

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

Executive Director approval: _____

ADM approval: _____

Associate DM approval: _____

DATE PREPARED: November 28, 2016

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

ISSUE:

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

BACKGROUND:

December 13th Press Conference

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

Establishment and Funding of JIGIT

- The Minister of Finance, the Minister of Public Safety and Solicitor General and the chief operating officer of the Combined Forces Special Enforcement Unit of B.C. (CFSEU-BC) announced the creation of the Province's Joint Illegal Gaming Investigation Team (JIGIT) on April 11, 2016.
- JIGIT's five-year mandate is to disrupt organized crime and gang involvement in illegal gaming activities and prevent criminals from using B.C. gaming facilities to legalize the proceeds of crime.
- In March 2016, the Minister of Finance directed the British Columbia Lottery Corporation (BCLC) to fund the provincial share of JIGIT¹ in an in person meeting. The Comprehensive Cost Ratio target for BCLC was adjusted accordingly. BCLC has adjusted expenditure targets and forecast net revenue to reflect this expense through the entire three year financial planning cycle.
- Funding for the joint team is planned for five years, and the unit's effectiveness will be reviewed by the Province and the CFSEU-BC governance board before the agreement is up for renewal after five years.

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

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

DISCUSSION:

s.14

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

RECOMMENDATION:

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

APPROVED / NOT APPROVED

Michael de Jong, Q.C.
Minister

Date

Ministry of Finance
BRIEFING DOCUMENT

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

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

Initiated by: John Mazure

Date Prepared: Nov. 28, 2016

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

Phone Number: 250-387-1301

Email: john.mazure@gov.bc.ca

355016

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

PURPOSE:

(X) DECISION REQUIRED

COMMENTS:

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

Executive Director approval: _____

ADM approval: _____

Associate DM approval: _____

DATE PREPARED: November 28, 2016

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

ISSUE:

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

BACKGROUND:

December 13th Press Conference

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

Establishment and Funding of JIGIT

- The Minister of Finance, the Minister of Public Safety and Solicitor General and the chief operating officer of the Combined Forces Special Enforcement Unit of B.C. (CFSEU-BC) announced the creation of the Province's Joint Illegal Gaming Investigation Team (JIGIT) on April 11, 2016.
- JIGIT's five-year mandate is to disrupt organized crime and gang involvement in illegal gaming activities and prevent criminals from using B.C. gaming facilities to legalize the proceeds of crime.
- In March 2016, the Minister of Finance directed the British Columbia Lottery Corporation (BCLC) to fund the provincial share of JIGIT¹ in an in person meeting. The Comprehensive Cost Ratio target for BCLC was adjusted accordingly. BCLC has adjusted expenditure targets and forecast net revenue to reflect this expense through the entire three year financial planning cycle.
- Funding for the joint team is planned for five years, and the unit's effectiveness will be reviewed by the Province and the CFSEU-BC governance board before the agreement is up for renewal after five years.

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

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

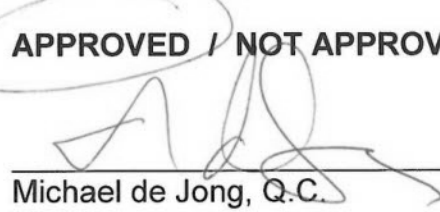
DISCUSSION:

s.14

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

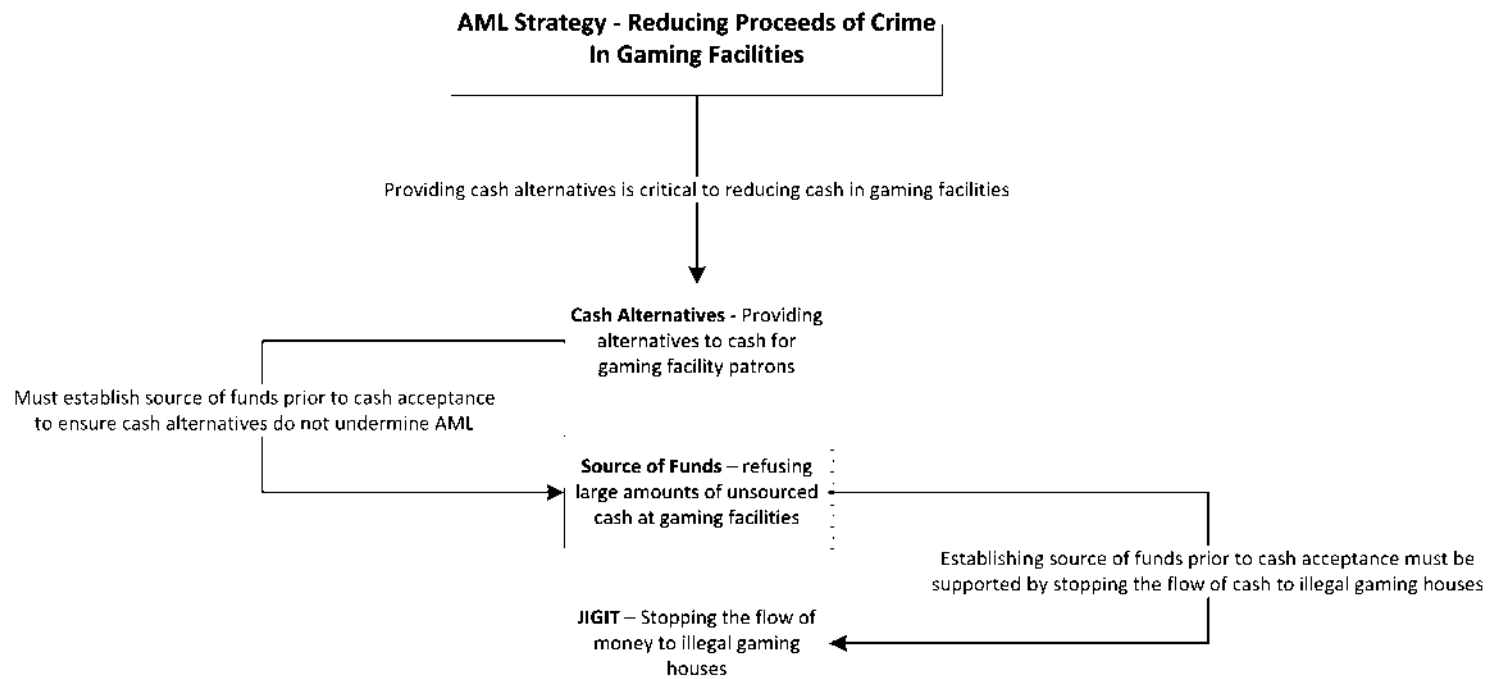
RECOMMENDATION:

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

APPROVED / NOT APPROVED

Michael de Jong, Q.C.
Minister

Date



Advice Bullets

Date: April 05, 2016

TOPIC:

Joint Illegal Gaming Investigation Team (JIGIT)

KEY FACTS REGARDING THE ISSUE:

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

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

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

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

The AML strategy includes three phases:

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

The strategy led to additional improvements including:

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

KEY MESSAGES:

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

Program Area Contact

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

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

Anti-Money Laundering Strategy

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

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

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

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

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

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s.16;s.15

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.

Communications Contact:	Ben Ingram	250 387 6591
Program Area Contact:	Michele Jaggi-Smith	250 387 0201
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)

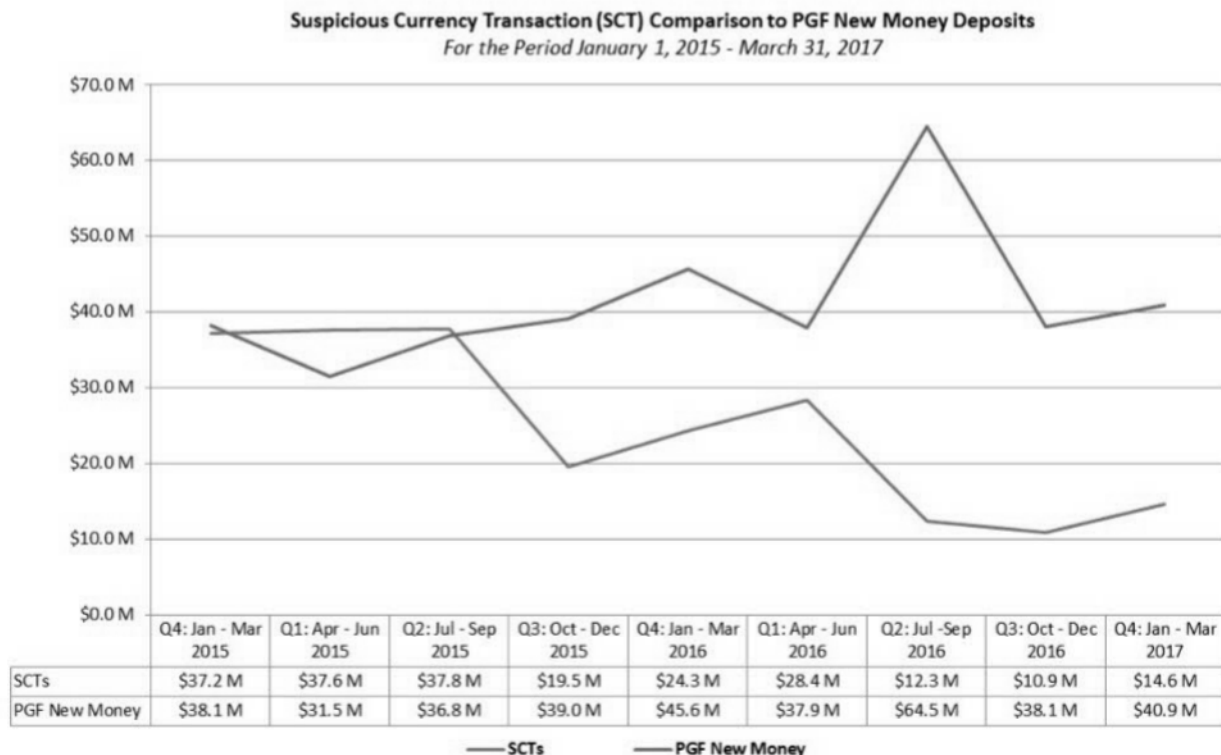
- Government's anti-money laundering (AML) strategy has made significant progress since it was first launched in 2011, however, there will always be a need for vigilance regarding the potential for proceeds of crime entering B.C. gambling facilities.
- The Gaming Policy and Enforcement Branch (GPEB) 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:

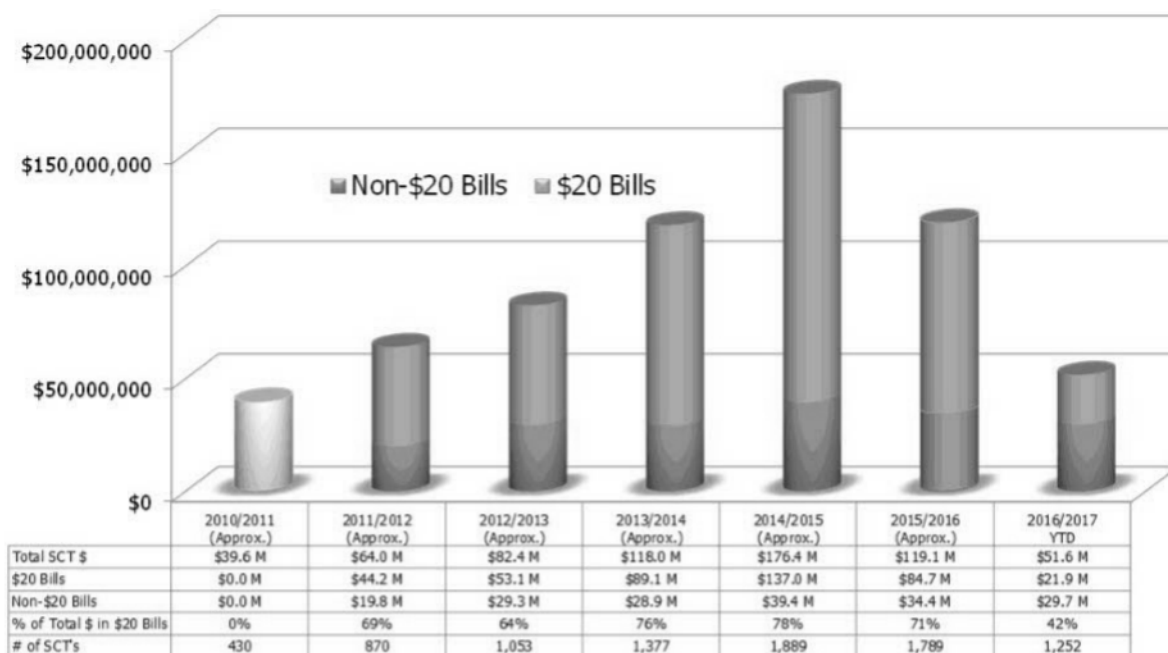
- Government launched the AML strategy in 2011, initially focusing on reducing the use of cash in B.C. gambling facilities through the development and promotion of cash alternatives. These include electronic fund transfers and patron gaming accounts that allow customers to open a casino account, withdraw 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 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
Enforcement Branch
Office of the Assistant
Deputy Minister and
General Manager

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Location:
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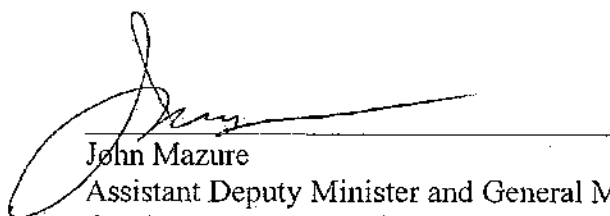
2. **The January 2016 letter from John Mazure, General Manager, GPEB, to Jim Lightbody, CEO and President, BCLC,** included the expectation that “BCLC implement AML best practices with appropriate consideration of evaluating source of wealth and source of funds prior to cash acceptance.”
3. **In the 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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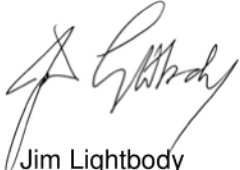
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bclc.com

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', written in a cursive style.

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.

s.15

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 RRCR 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 RRCR, 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 RRCR 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 (RRCR) experienced an increase in patrons leaving with large quantities of RRCR \$5,000 chips.

BCLC believed the high number of outstanding RRCR \$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
-
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-

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

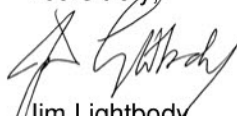
Dear John:

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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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

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Location / Courier Address:
Third Floor, 910 Government Street
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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.

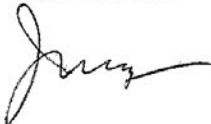
The attached Letter of Understanding between GPEB and PSB must also remain confidential.

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,



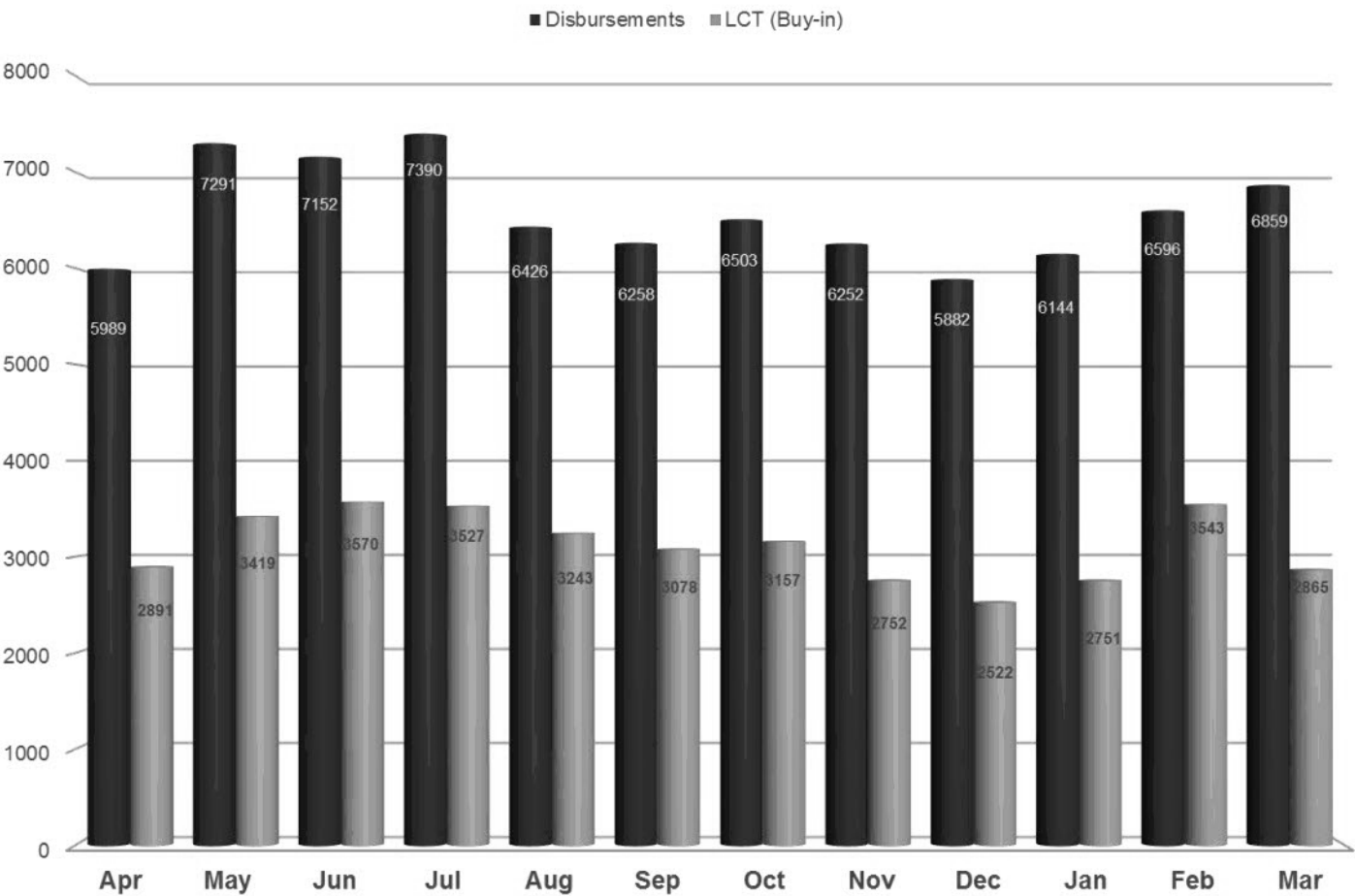
John Mazure
Assistant Deputy Minister and General Manager
Gaming Policy and Enforcement Branch
Ministry of Finance

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

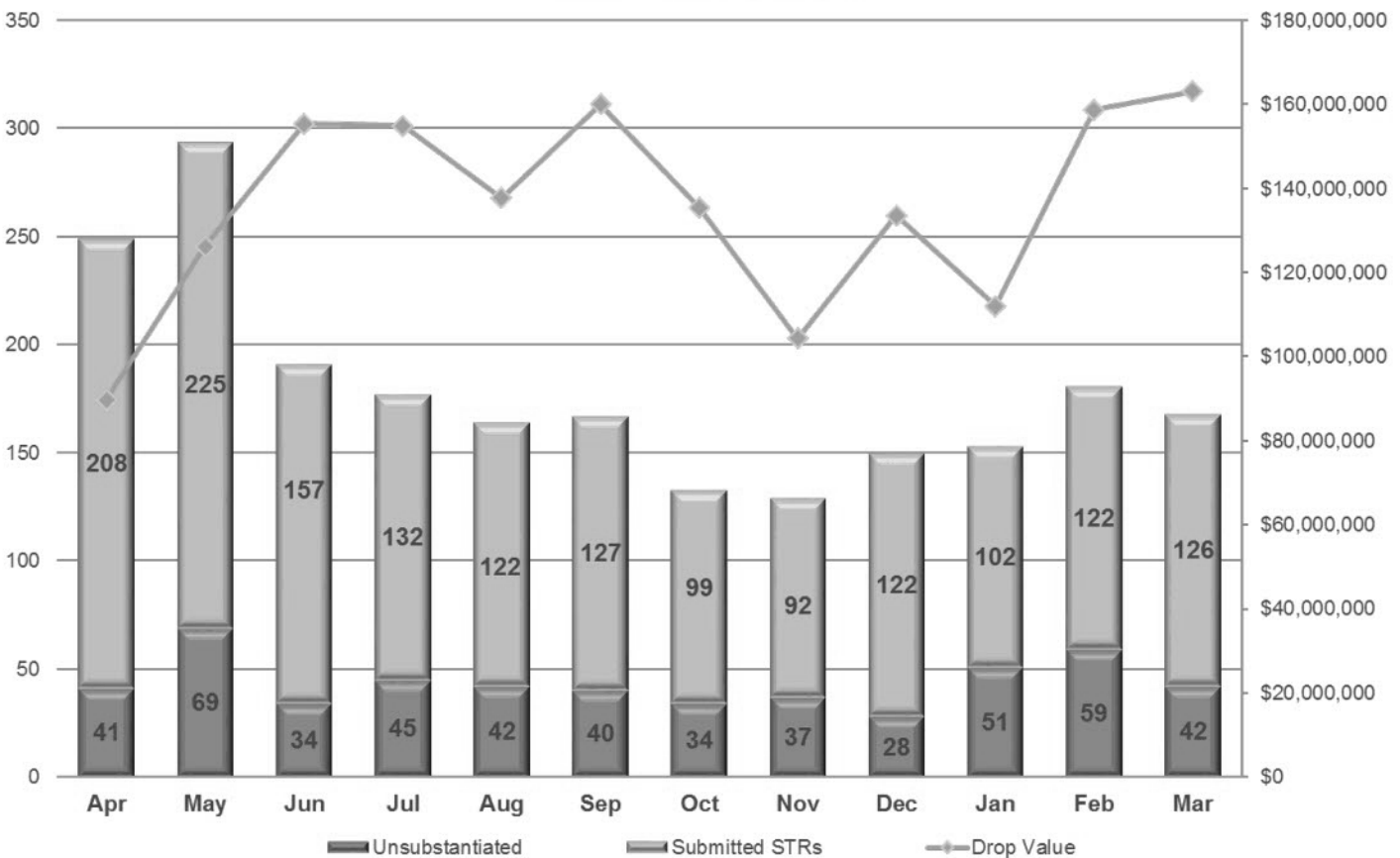
Monthly Dashboard March 2017

Monthly Submissions to FINTRAC Fiscal Year 2016/17



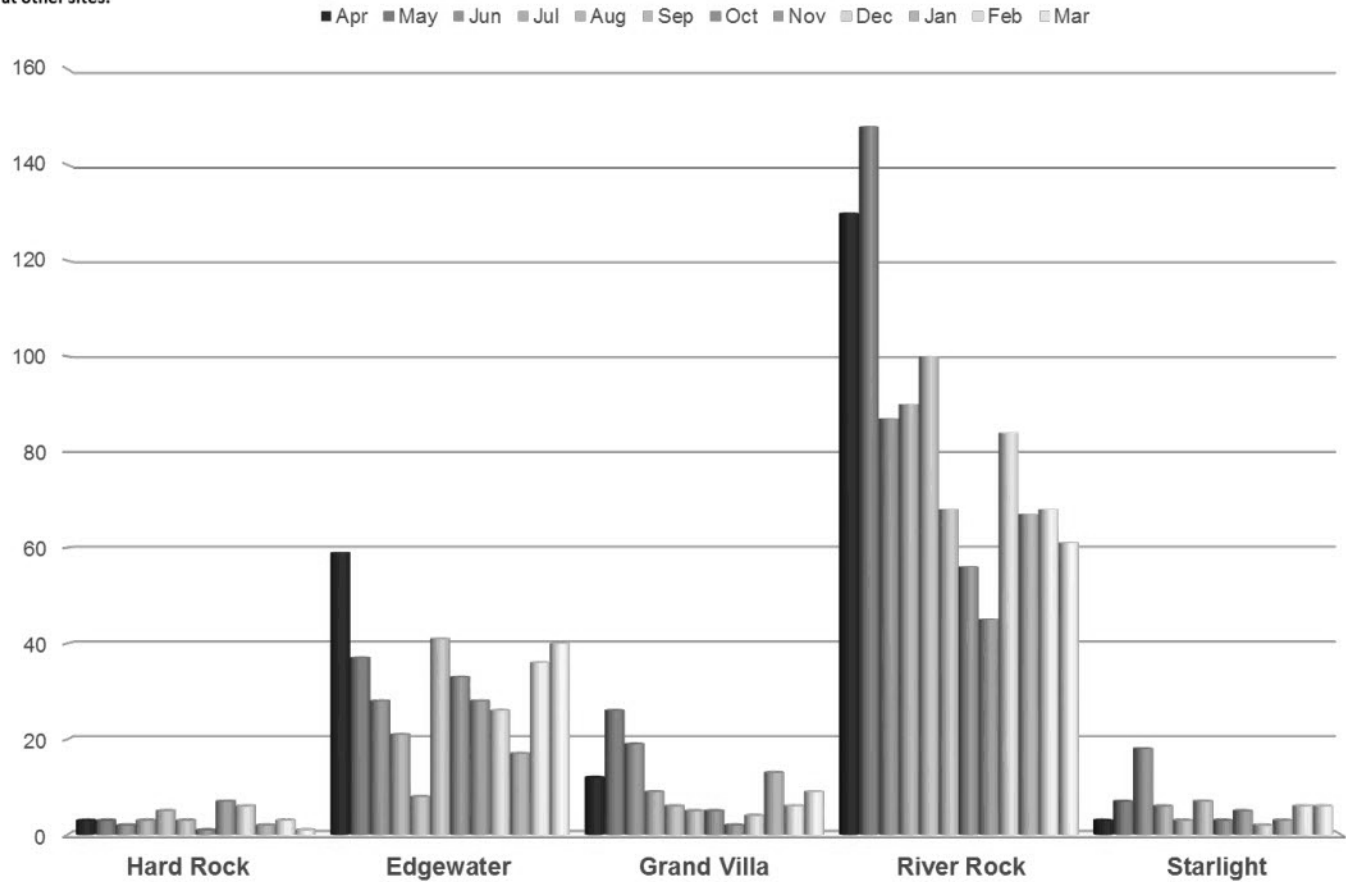
Monthly Suspicious Incident Files vs Monthly High Limit Table Drop Values Fiscal Year 2016/17

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



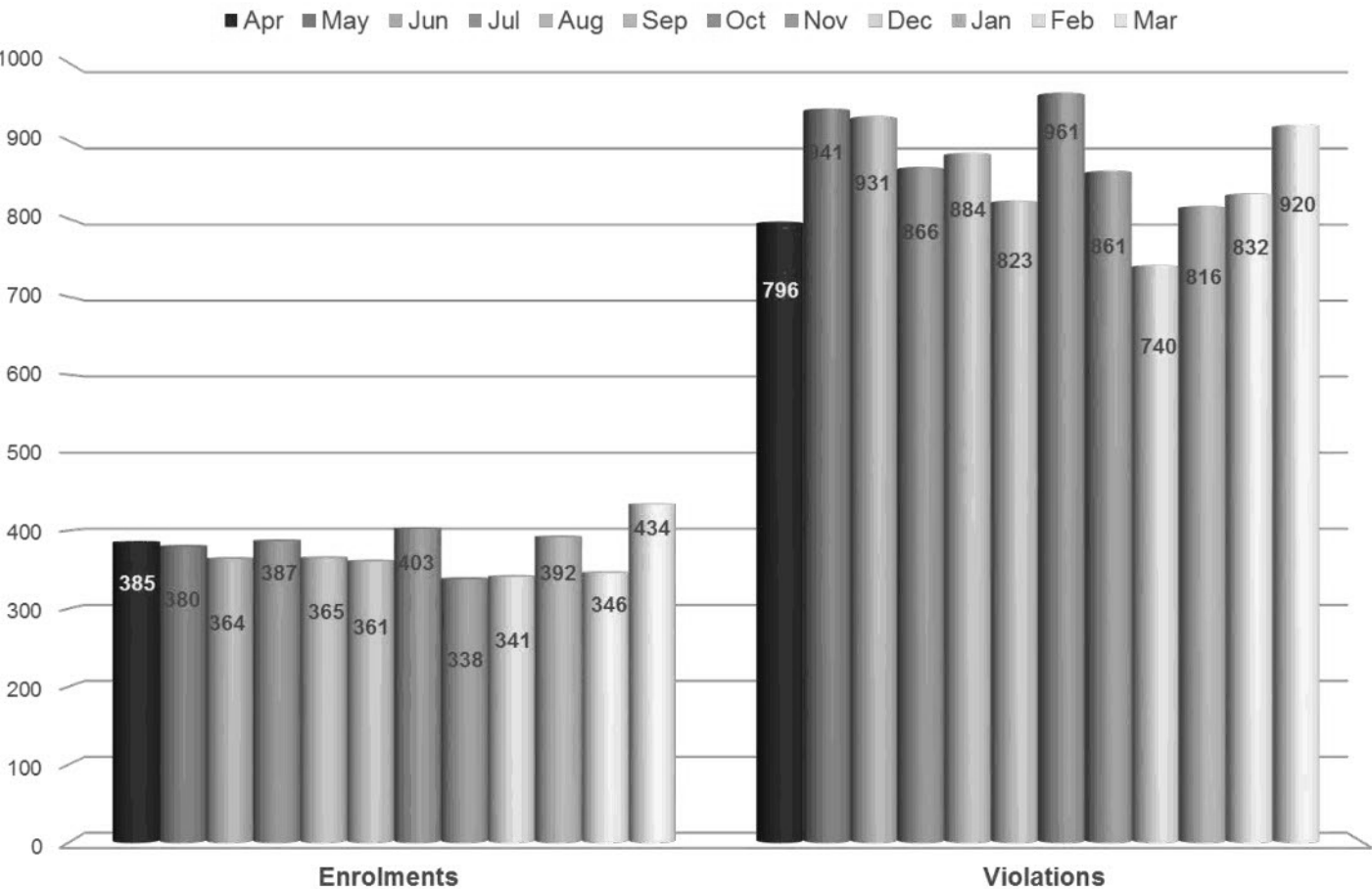
Suspicious Transaction Reports filed by Site Fiscal Year 2016/17

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

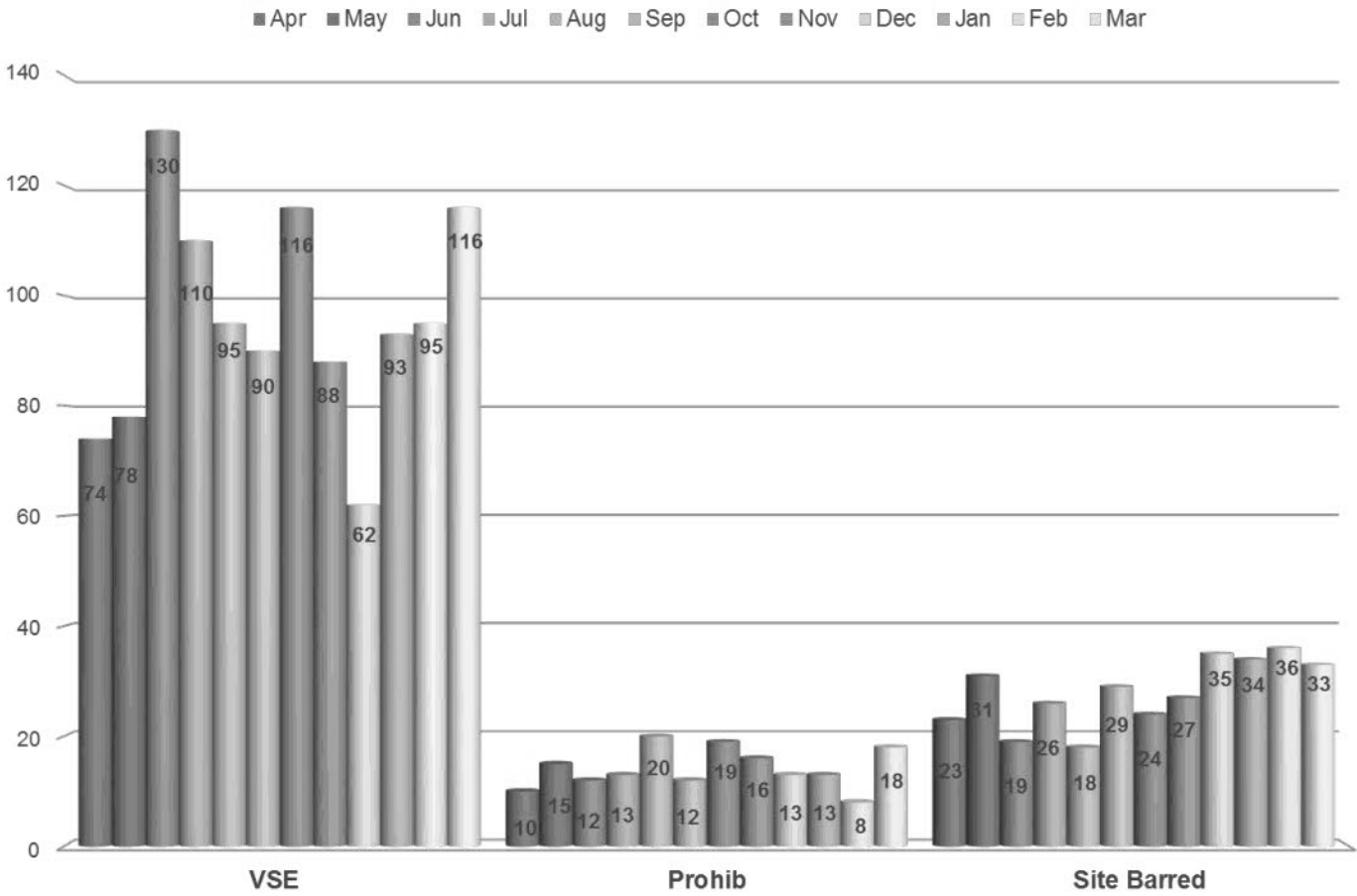


Monthly Report on VSE Enrolments & Violations Fiscal Year 2016/17

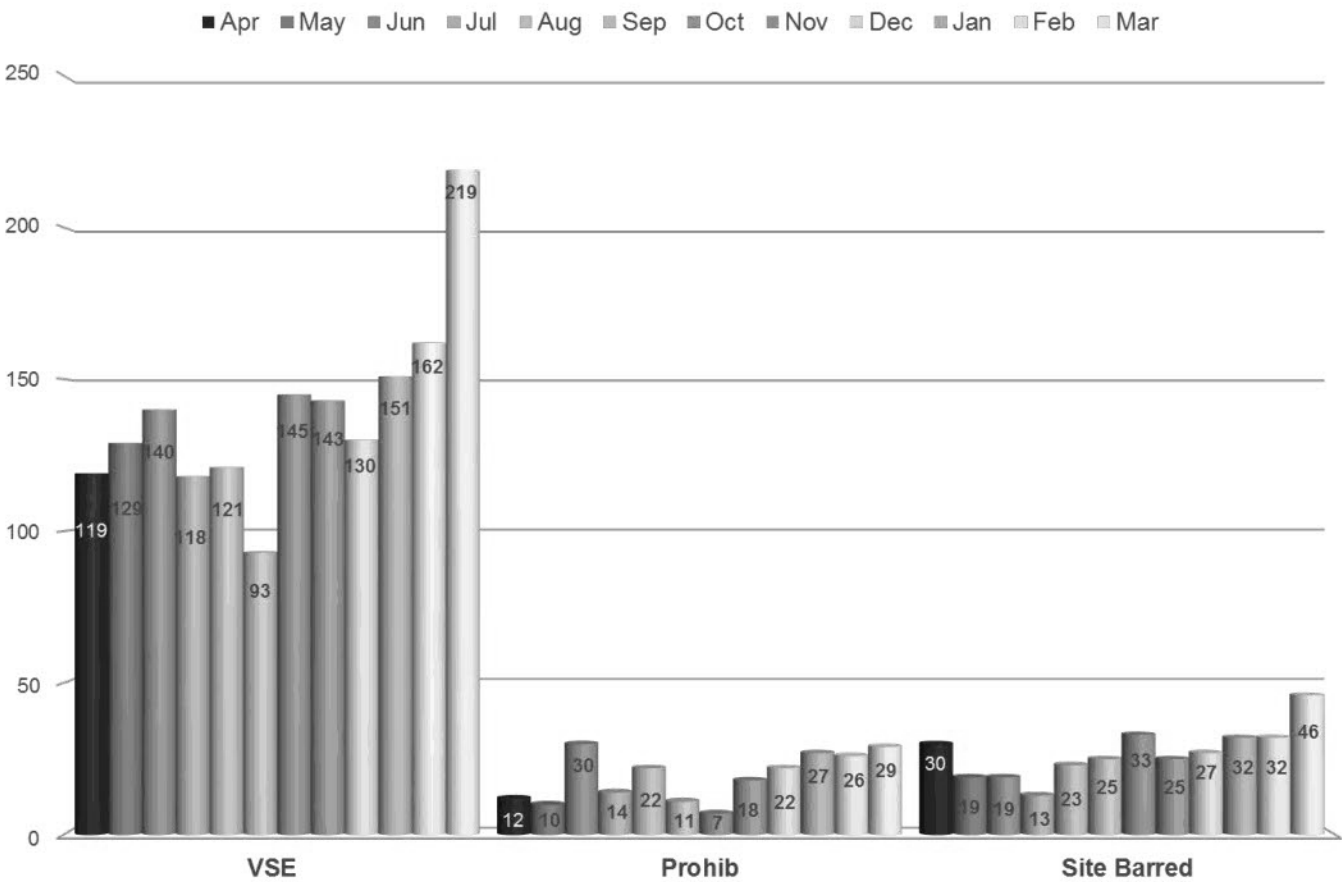
Note: violations include staff, LPR, ID Scanner and Ineligible Win detections



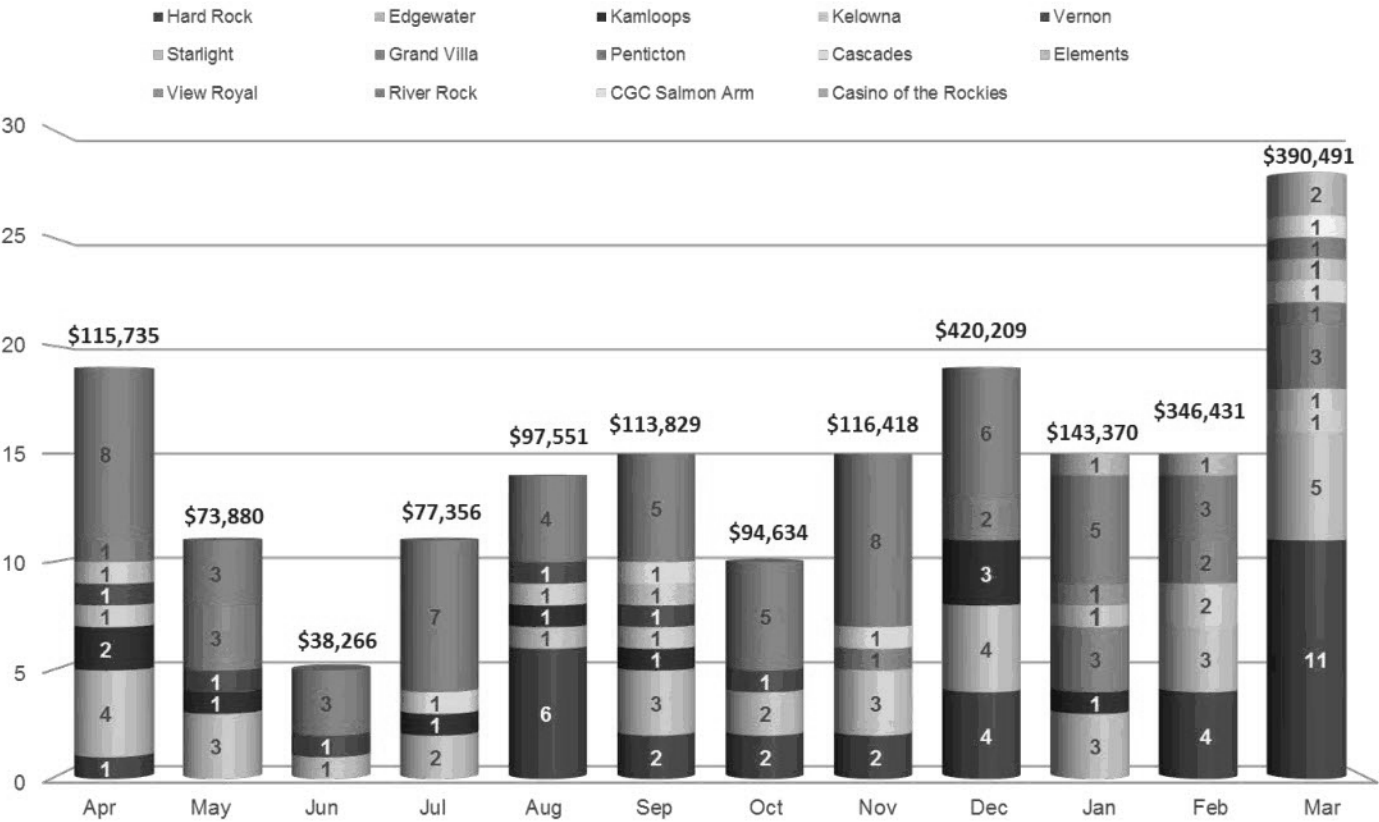
ID Scanner Captures Monthly Report
Fiscal Year 2016/17



LPR Captures Monthly Report
Fiscal Year 2016/17

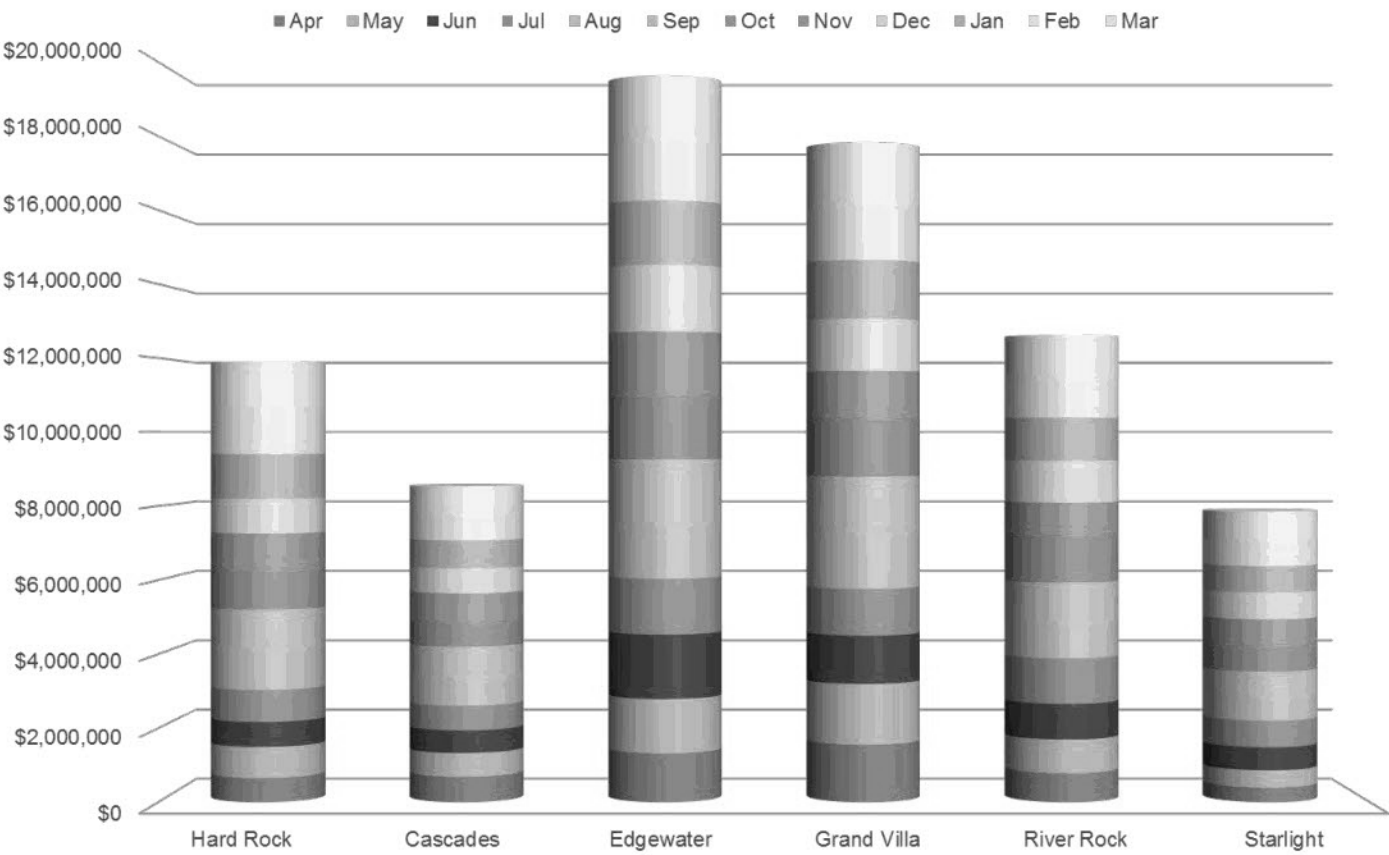


Convenience Cheques Issued Fiscal Year 2016/17 Total Dollar Value = \$2,028,173 Total Cheques Issued = 179



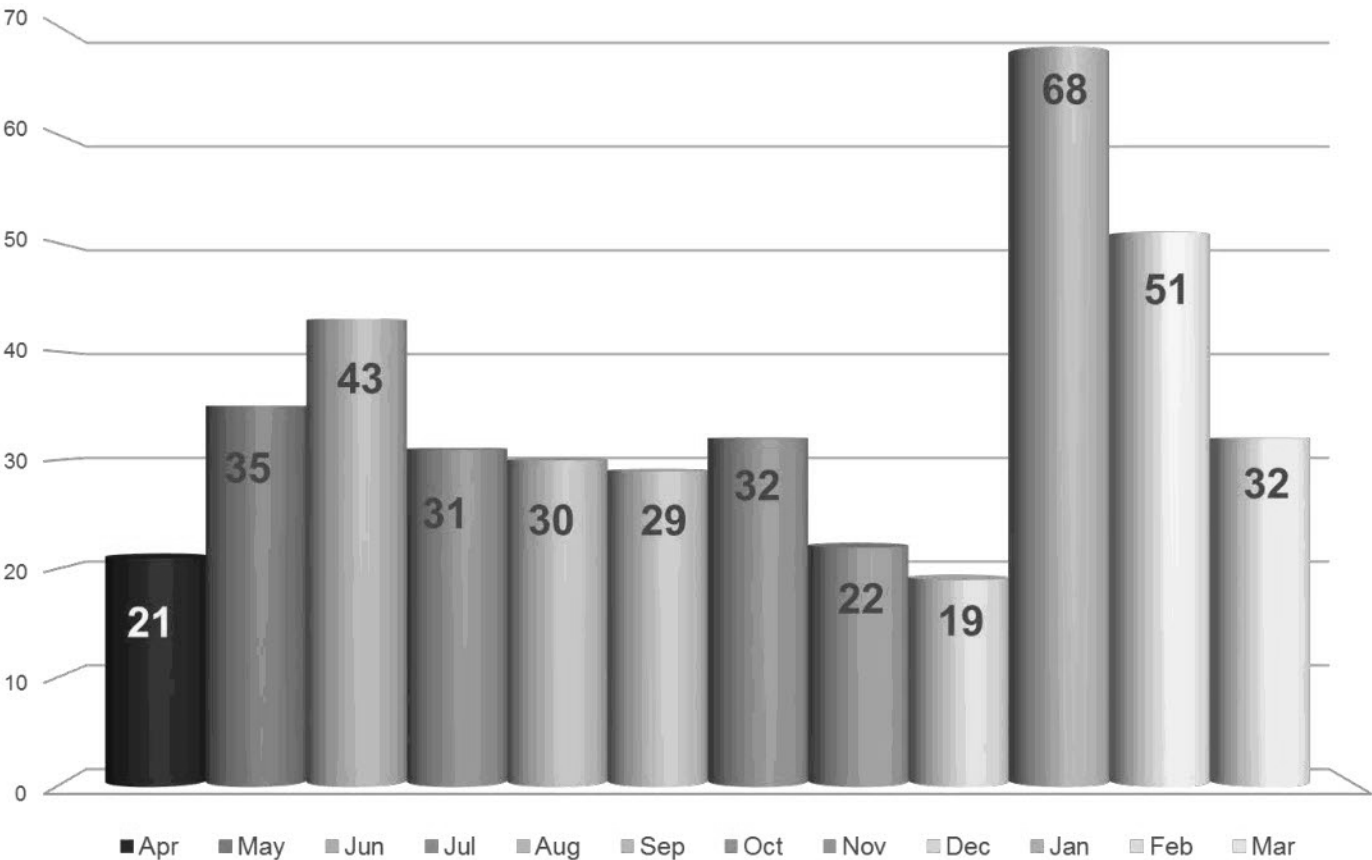
Debit Card use at Cash Cage Monthly Totals by Property Fiscal Year 2016/17

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

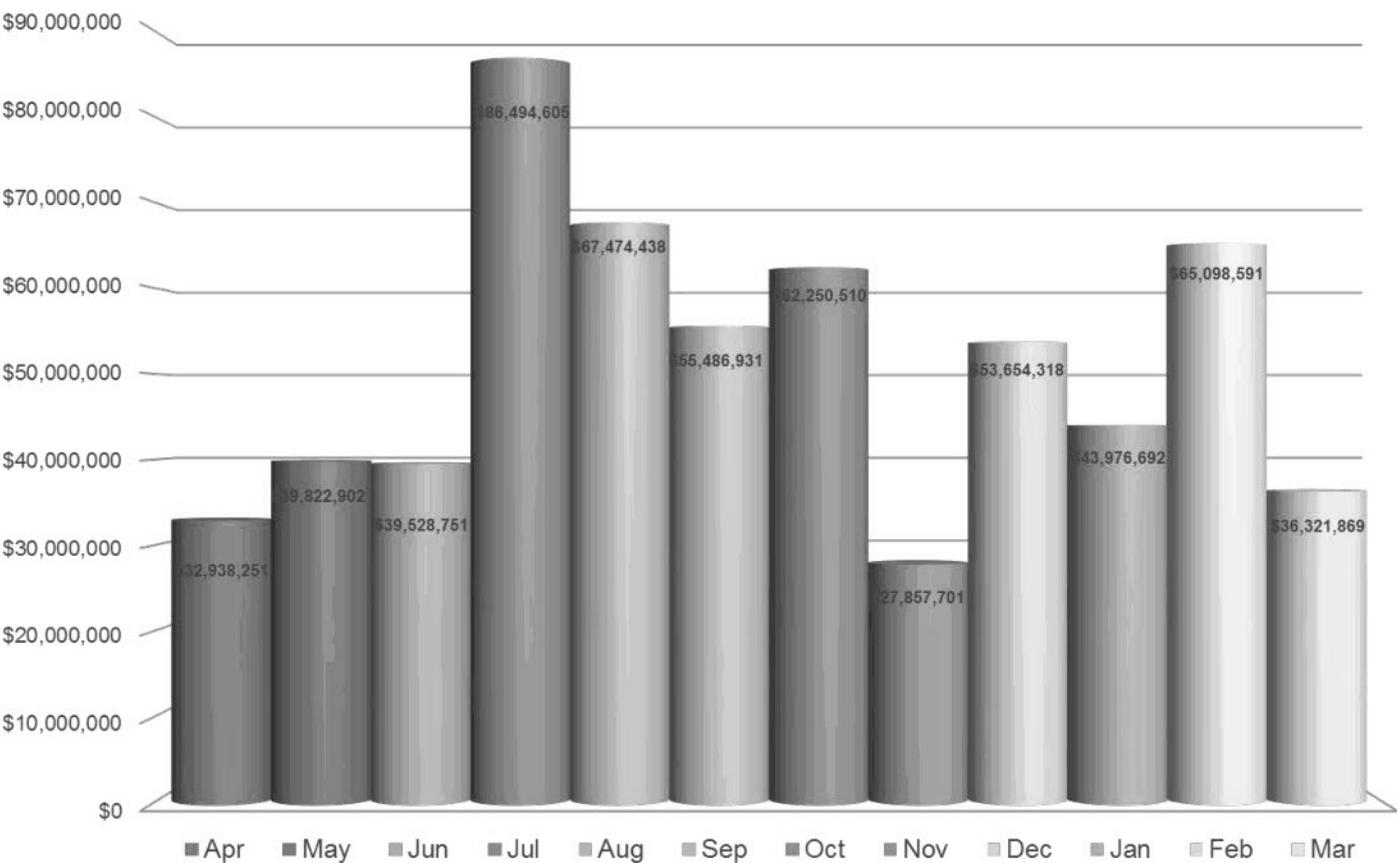


Note: River Rock Casino held a PGF promotion from Jan 15 - Feb 8, 2017. This is the reason for the large spike in Jan & Feb.

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

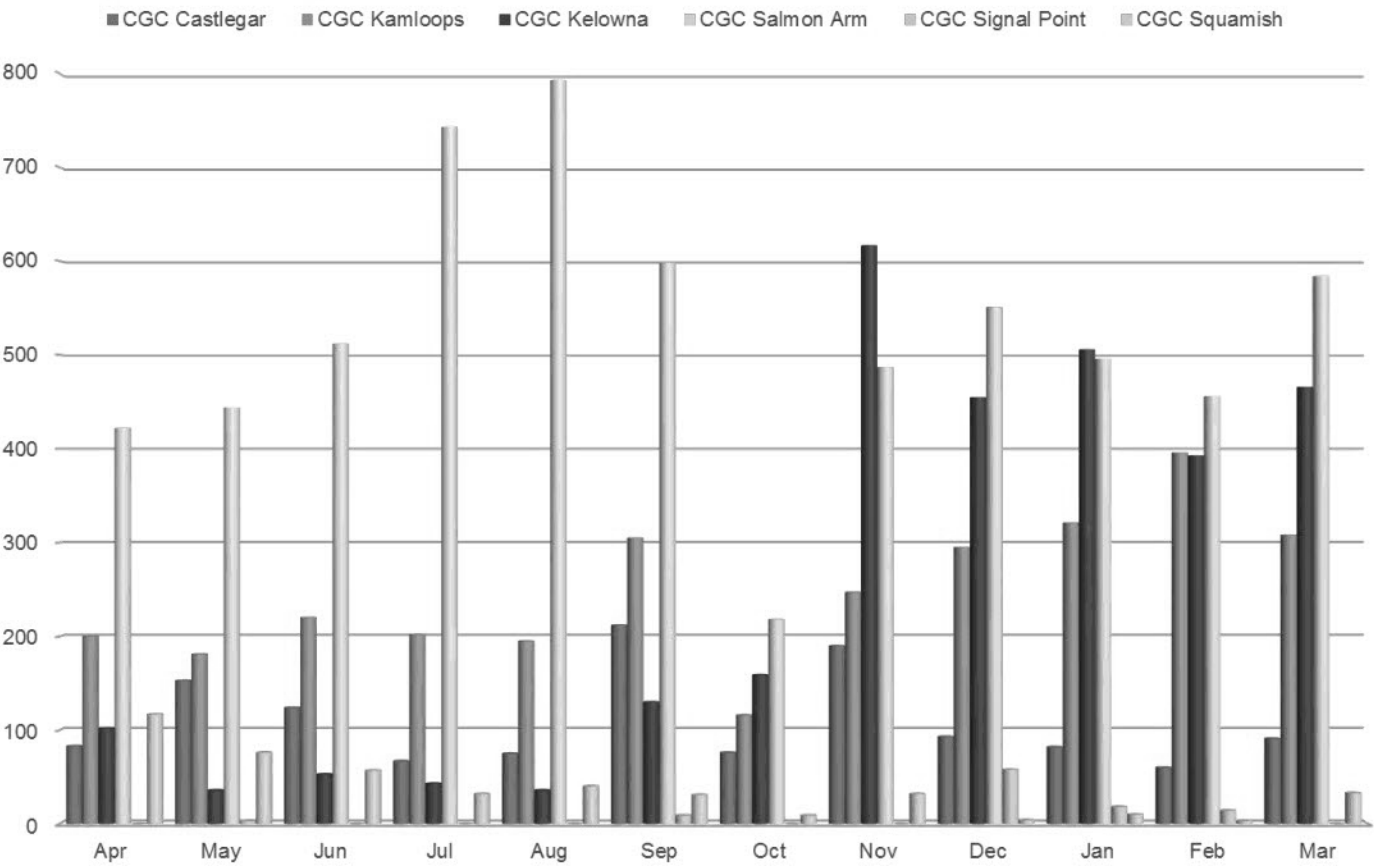


PGF Account Use
Deposits = \$610,905,558
Fiscal Year 2016/17

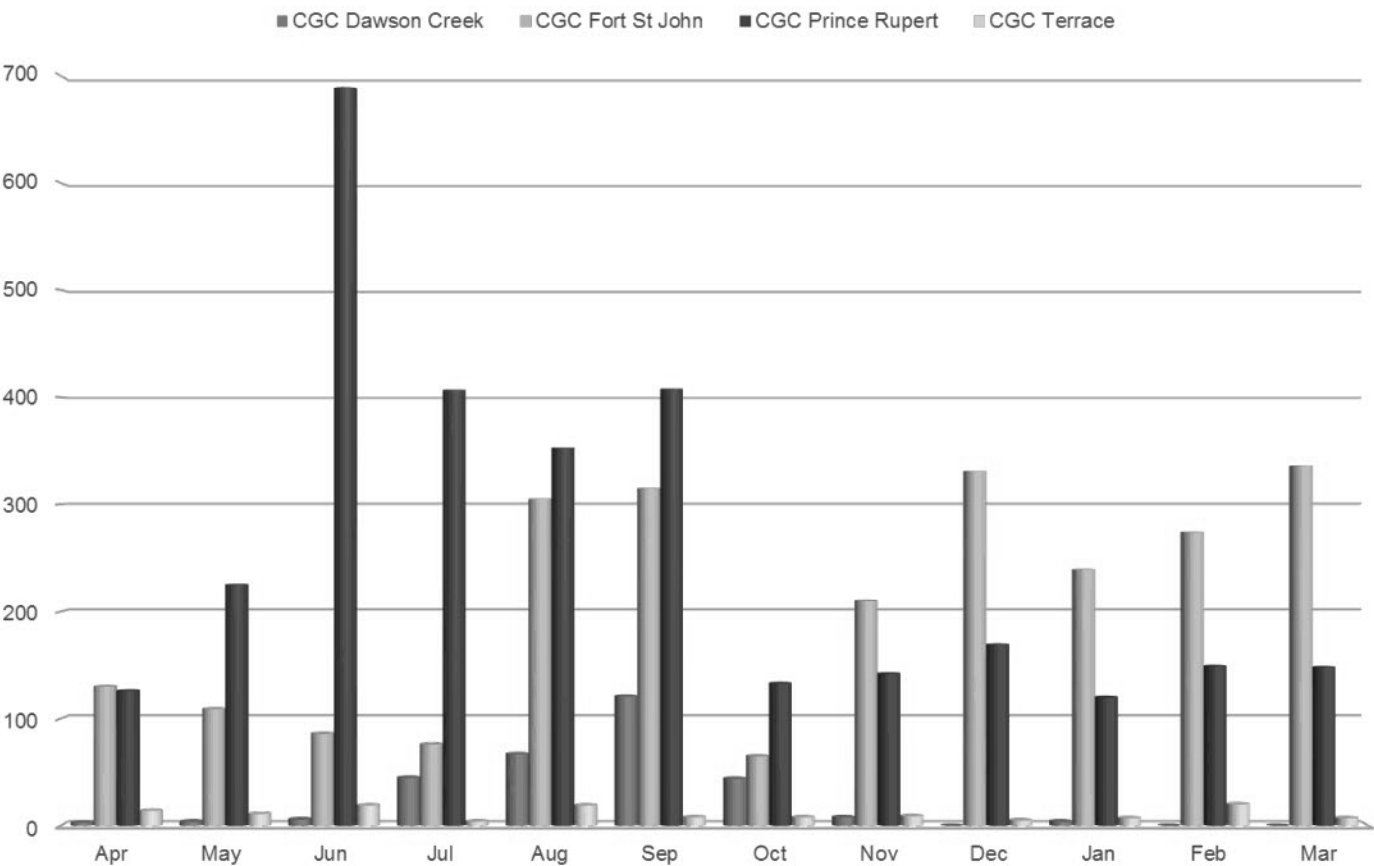


Note: iKiosk stats for month of October for all sites displays only half a month of data due to technical issue.

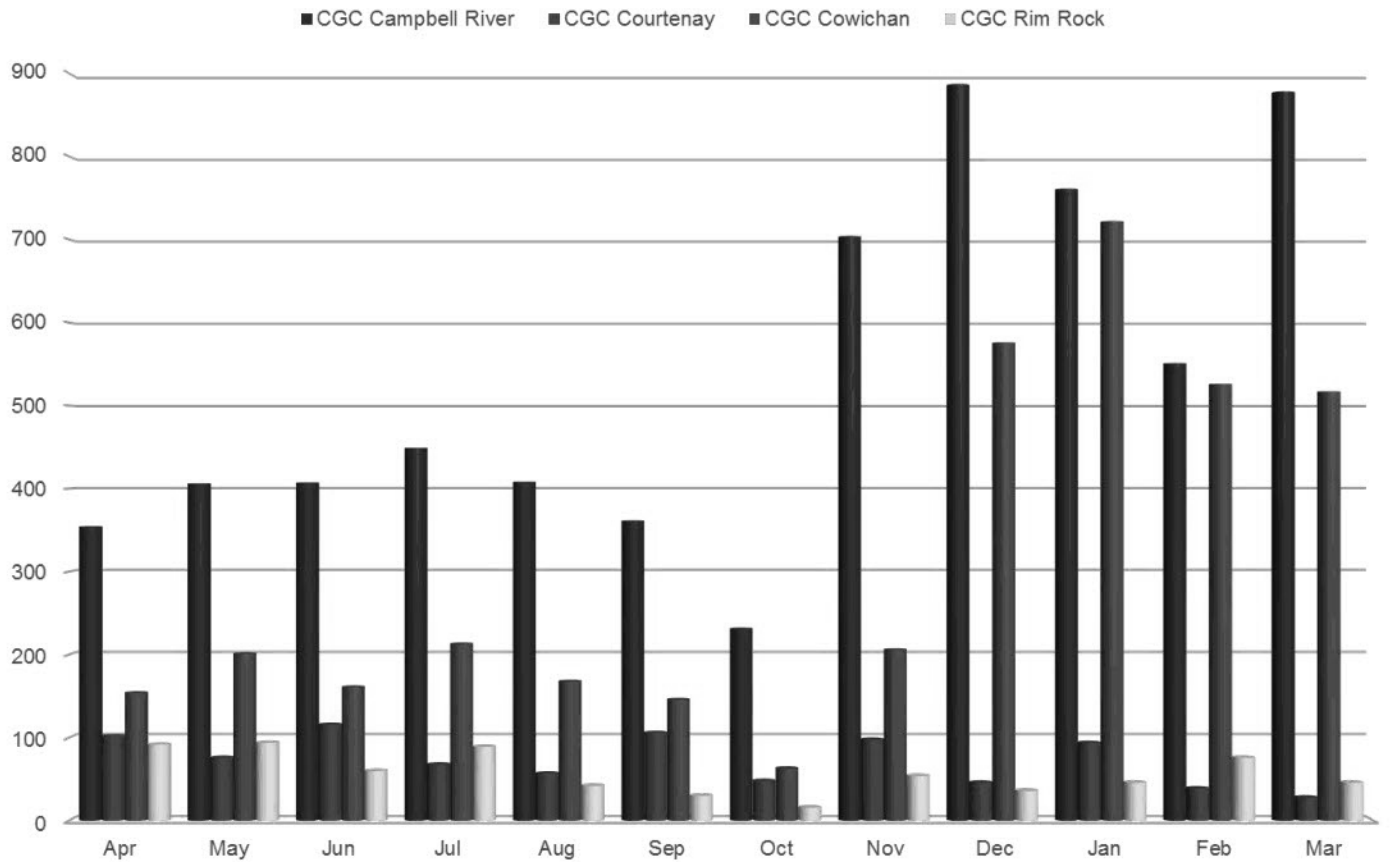
**iKiosk Scans per Site
Interior CGCs
Fiscal Year 2016/17**



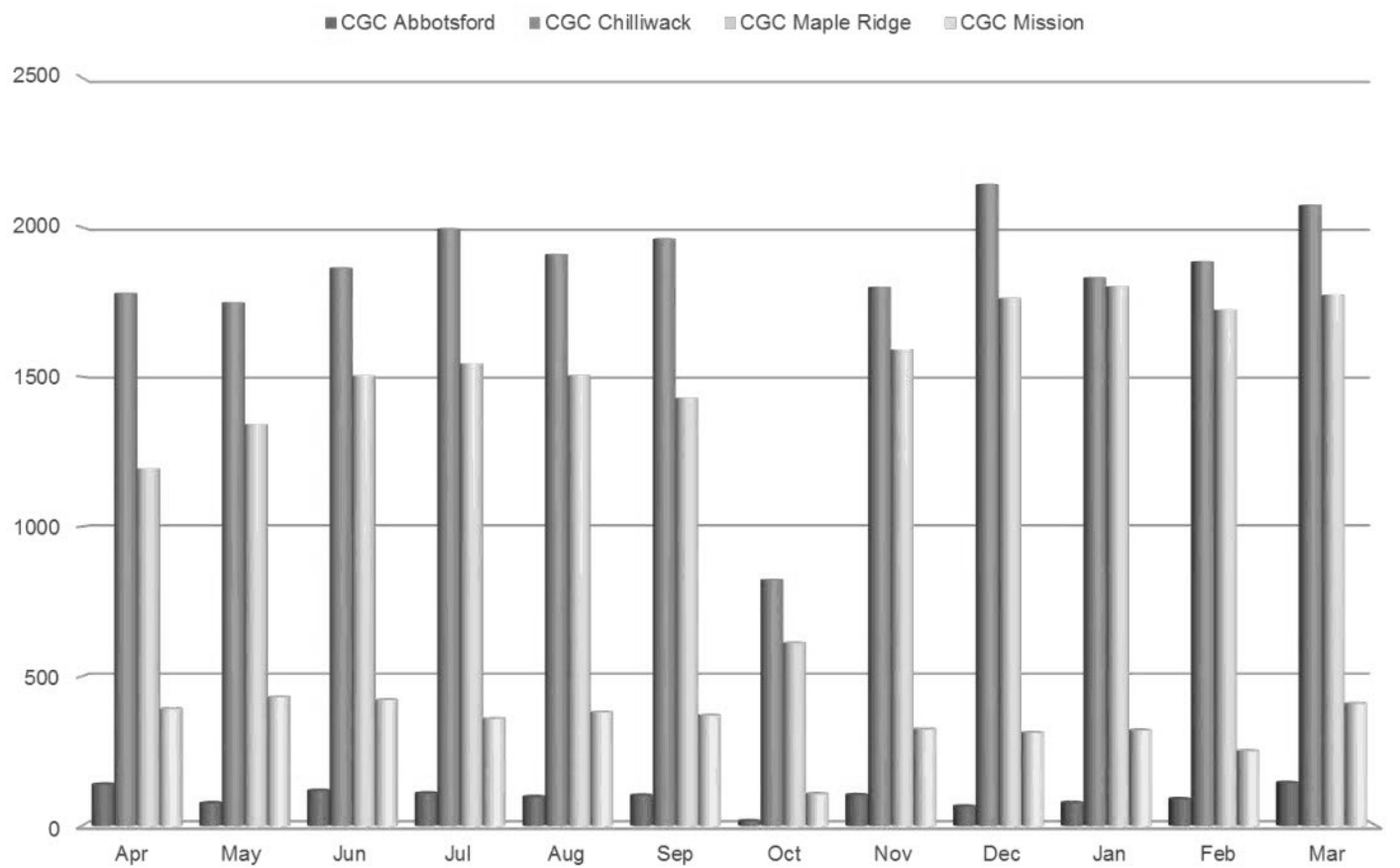
**iKiosk Scans per Site
Northern CGCs
Fiscal Year 2016/17**



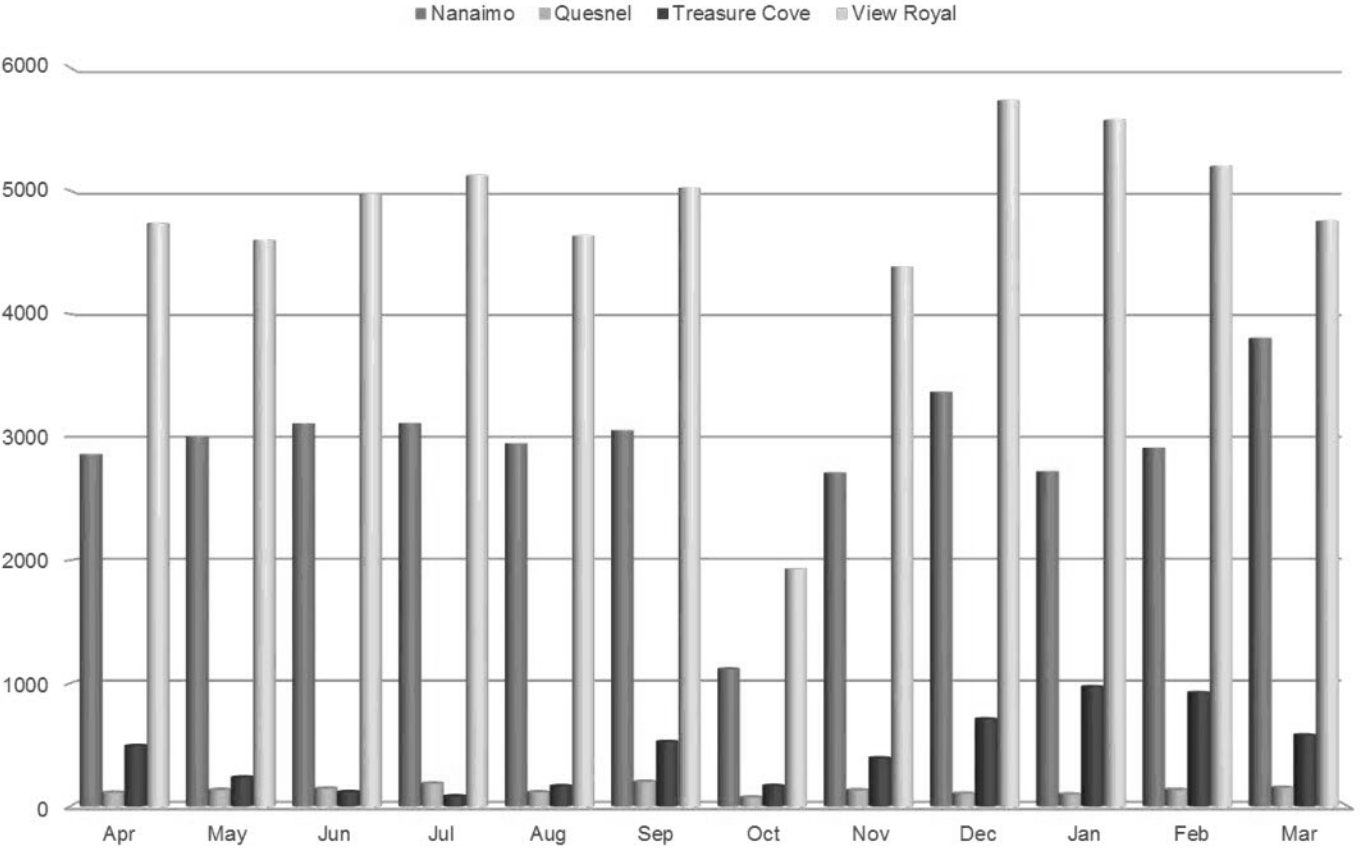
iKiosk Scans per Site Island CGCs Fiscal Year 2016/17



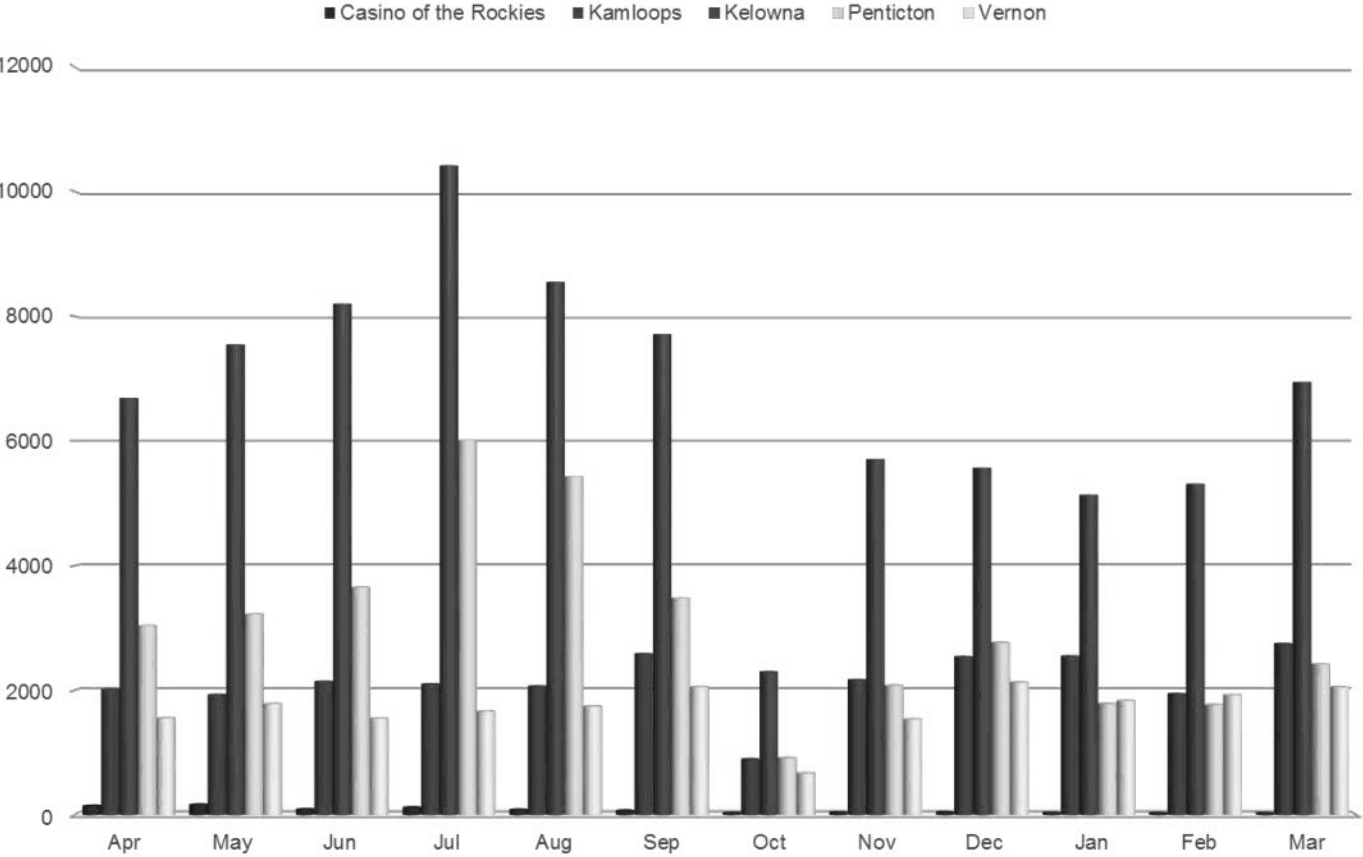
iKiosk Scans per Site Lower Mainland CGCs Fiscal Year 2016/17



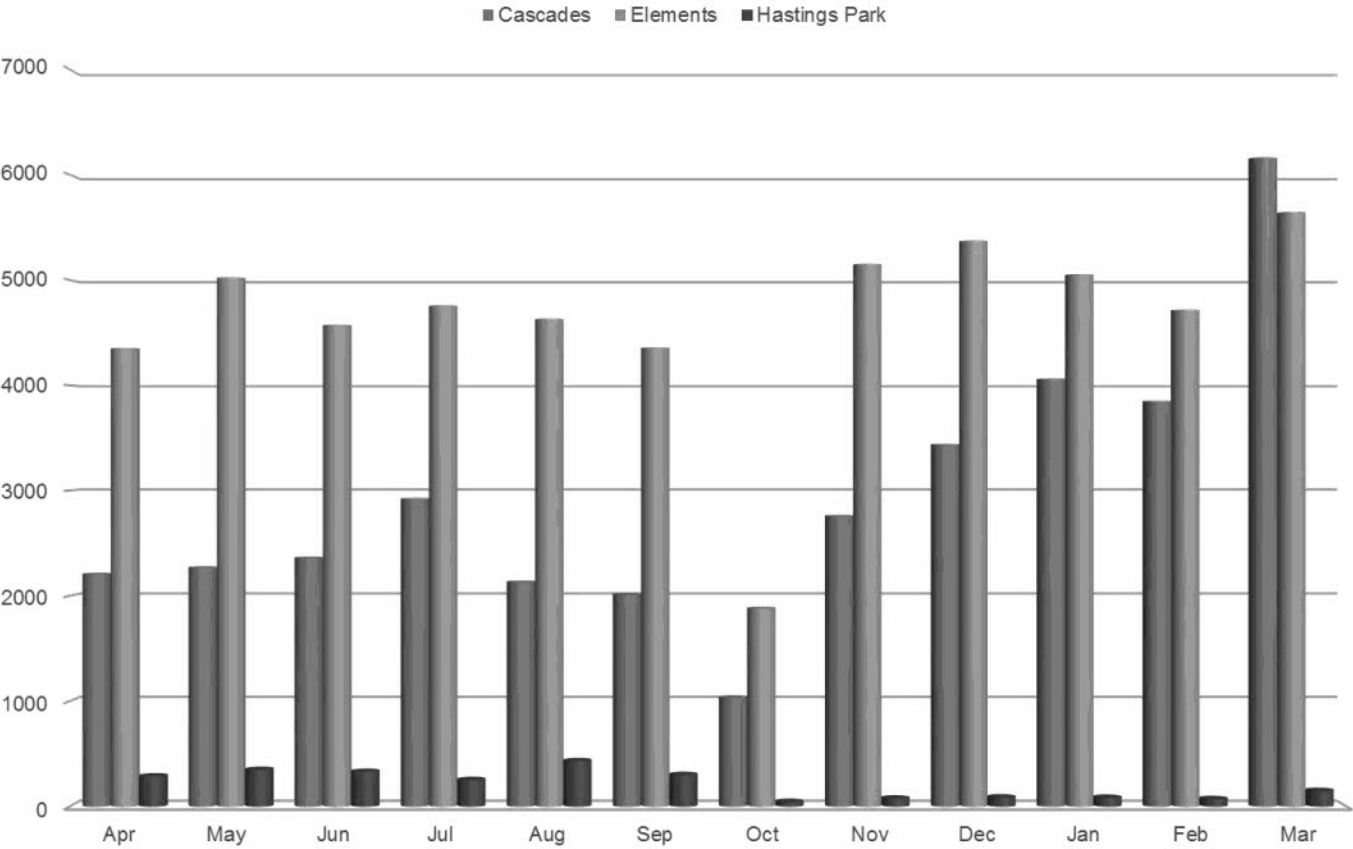
iKiosk Scans per Site Island and Northern Casinos Fiscal Year 2016/17



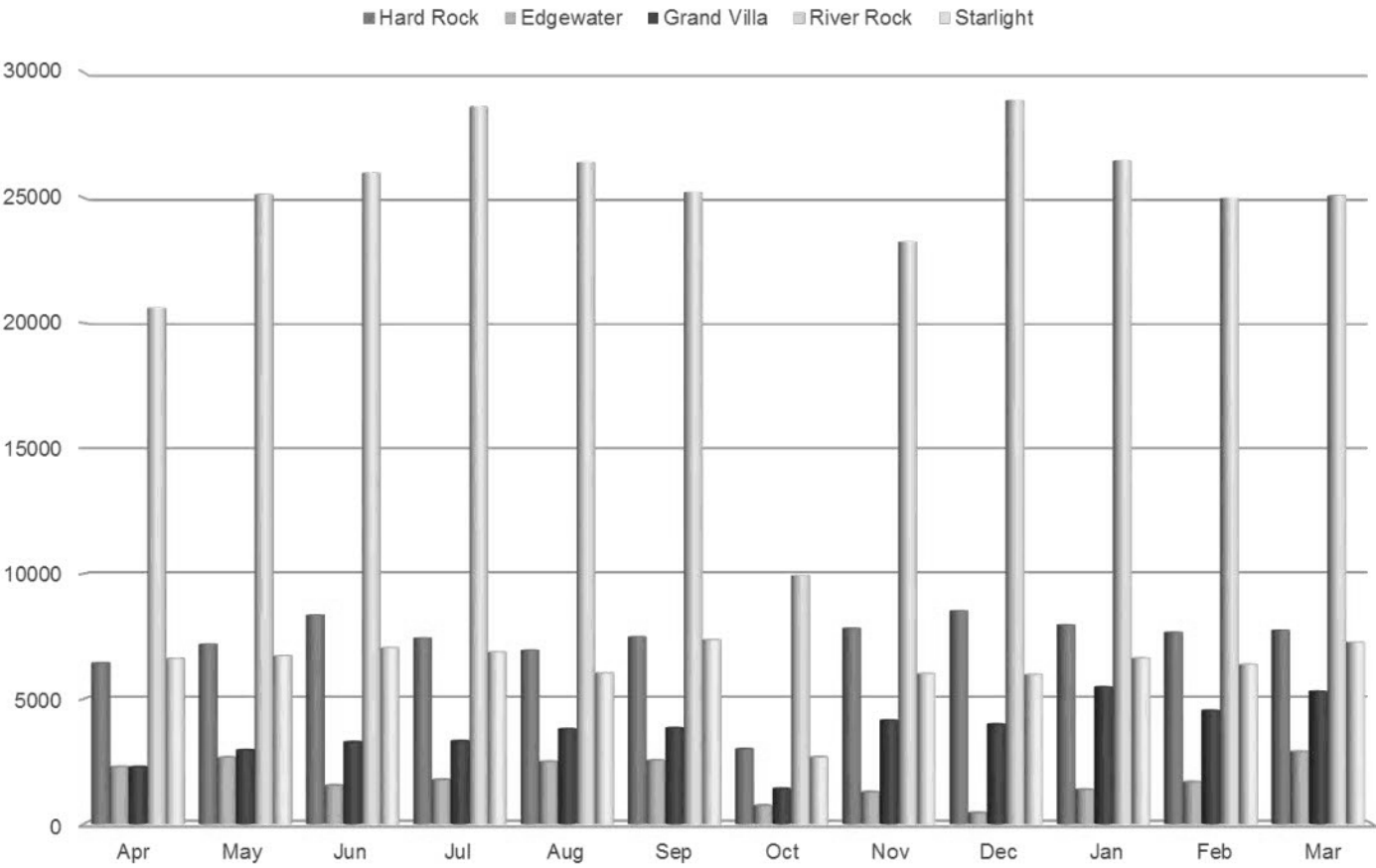
iKiosk Scans per Site Interior Casinos Fiscal Year 2016/17



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



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



Reducing Reliance on Cash New Payment Initiatives

Fiscal Year 2016/17

Q2

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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.

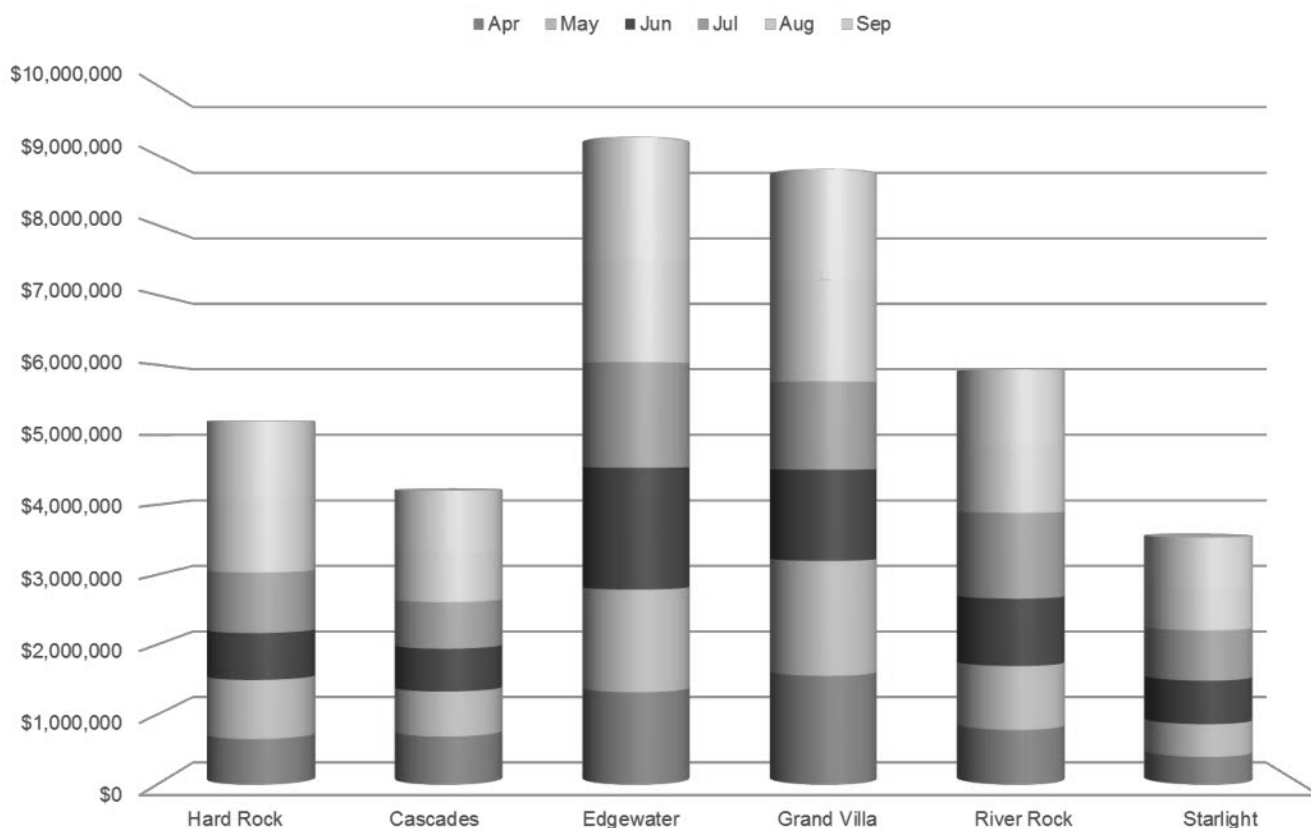
Debit at the cash cage continues to be a viable option for players and its usage shows a steady increase each quarter. The average monthly issuance of convenience cheques has also increased from 10 cheques to 12.5 cheques monthly.

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

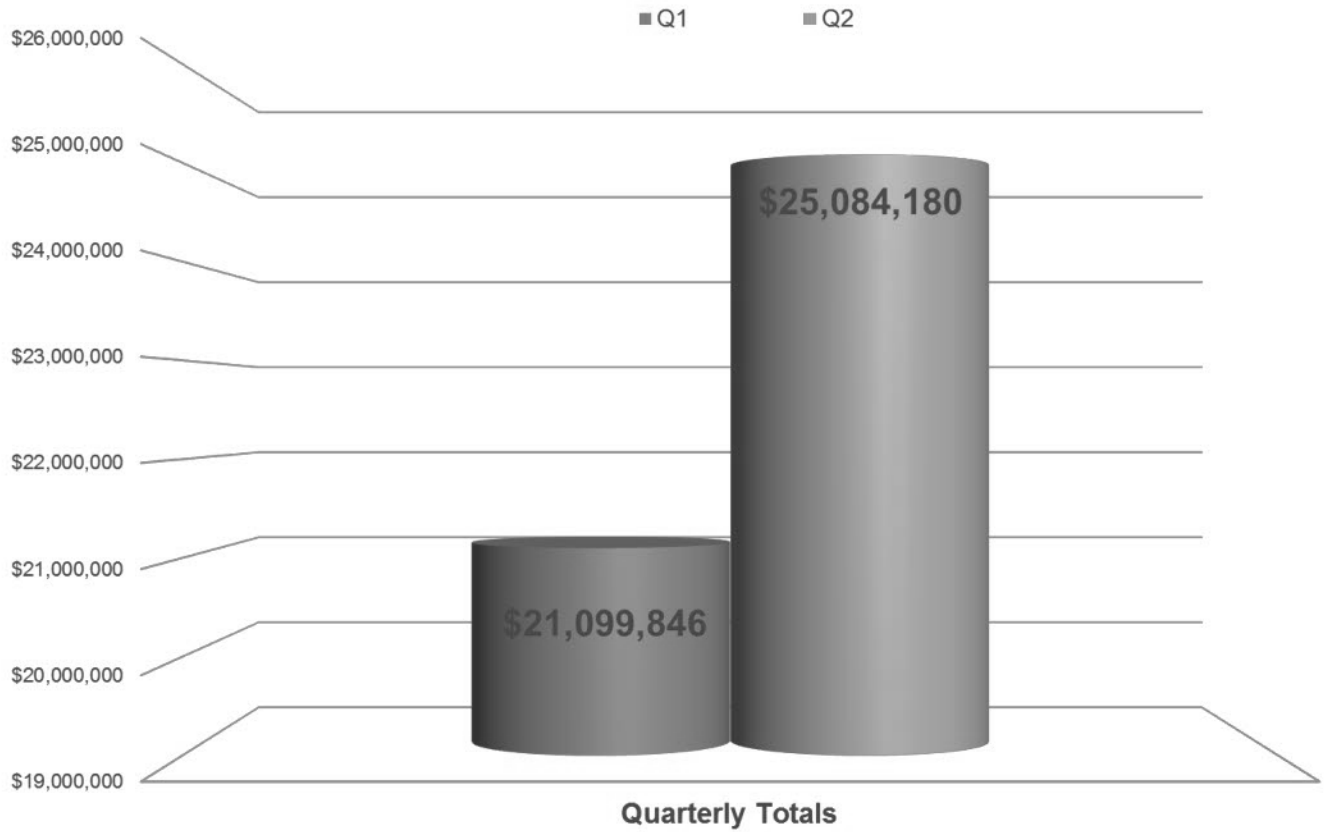
Debit card use at the cash cage is intended for transactions in amounts above ATM limits. Some of the gaming facilities provide this debit option to patrons for any amount while some sites have established minimum monetary limits for withdraw.

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



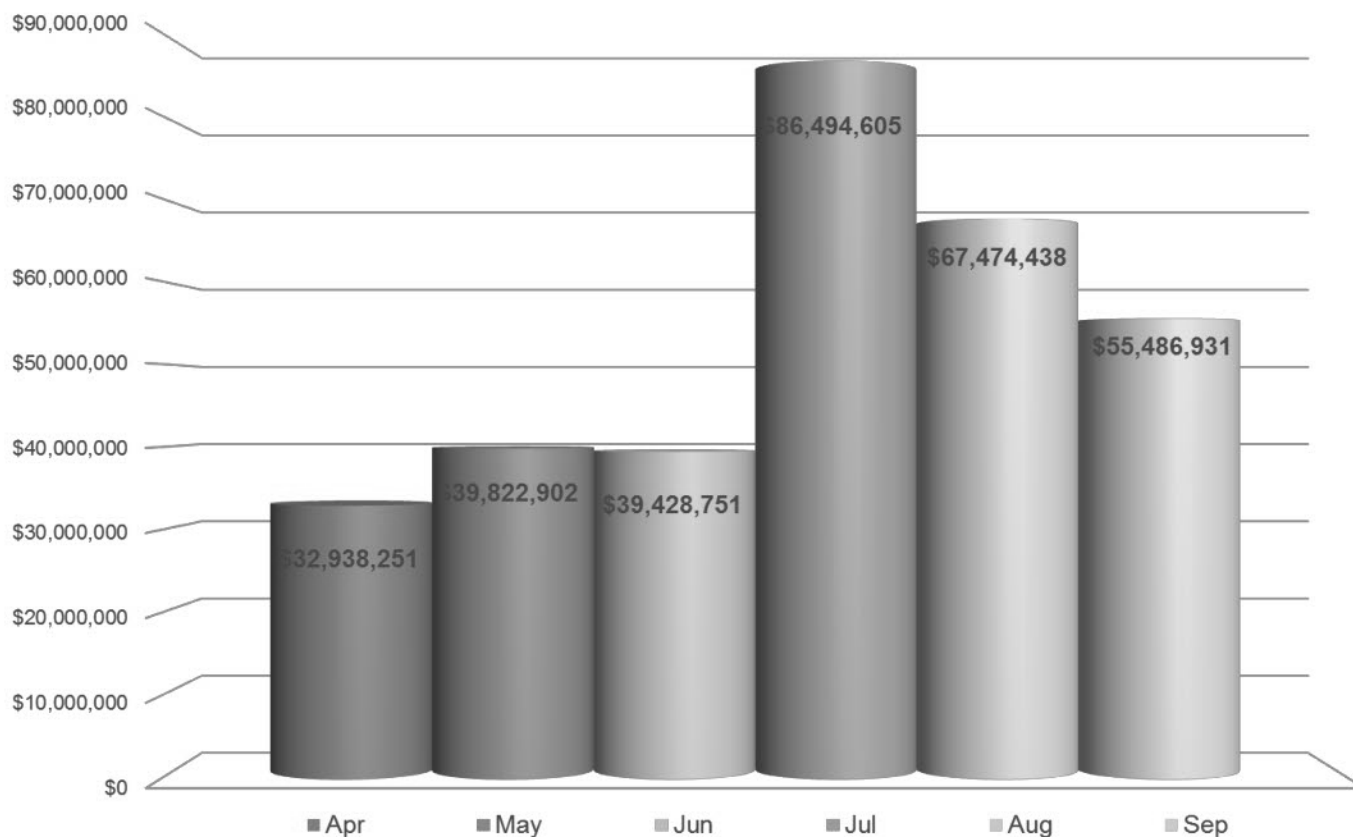
- A 19% increase from the previous quarterly total.
- Q2 total for previous fiscal year 2015/16 was \$15,088,333 an increase of 66% over same quarter last fiscal year.

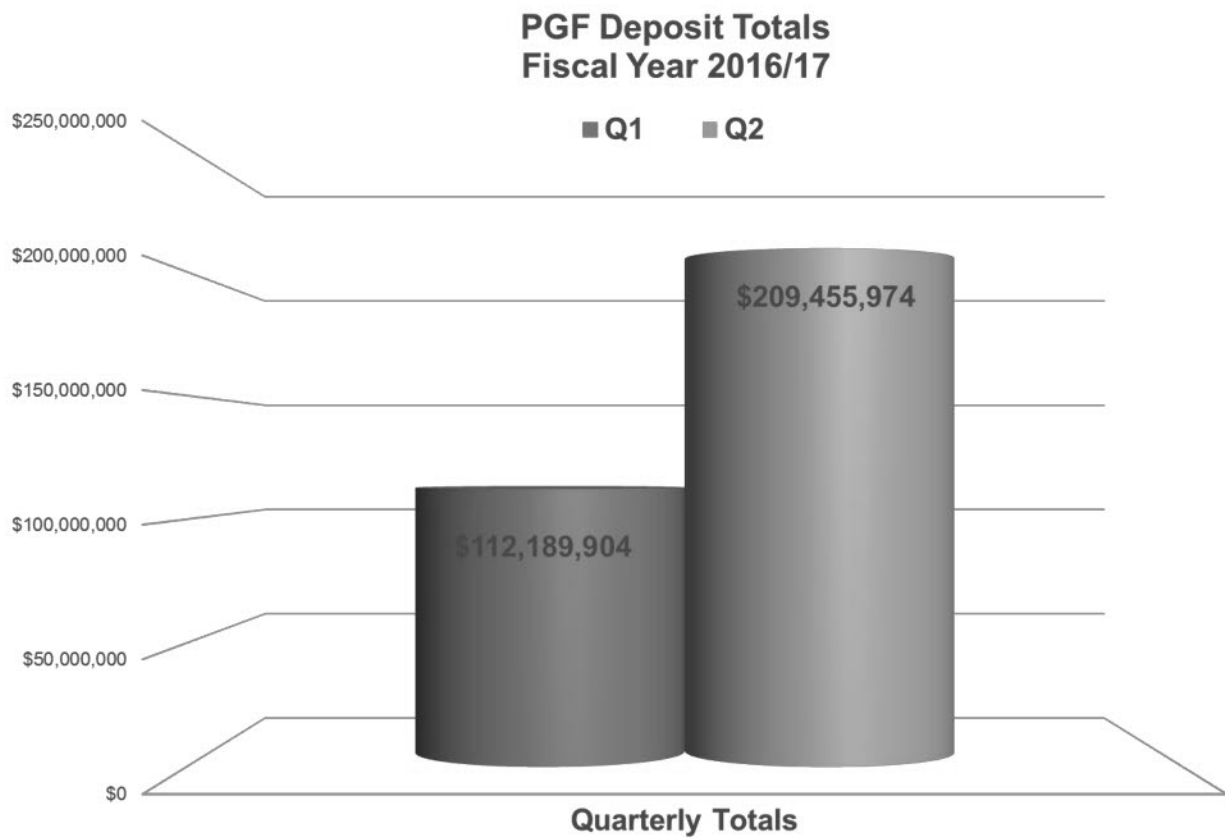
Patron Gaming Fund (PGF) Accounts

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.

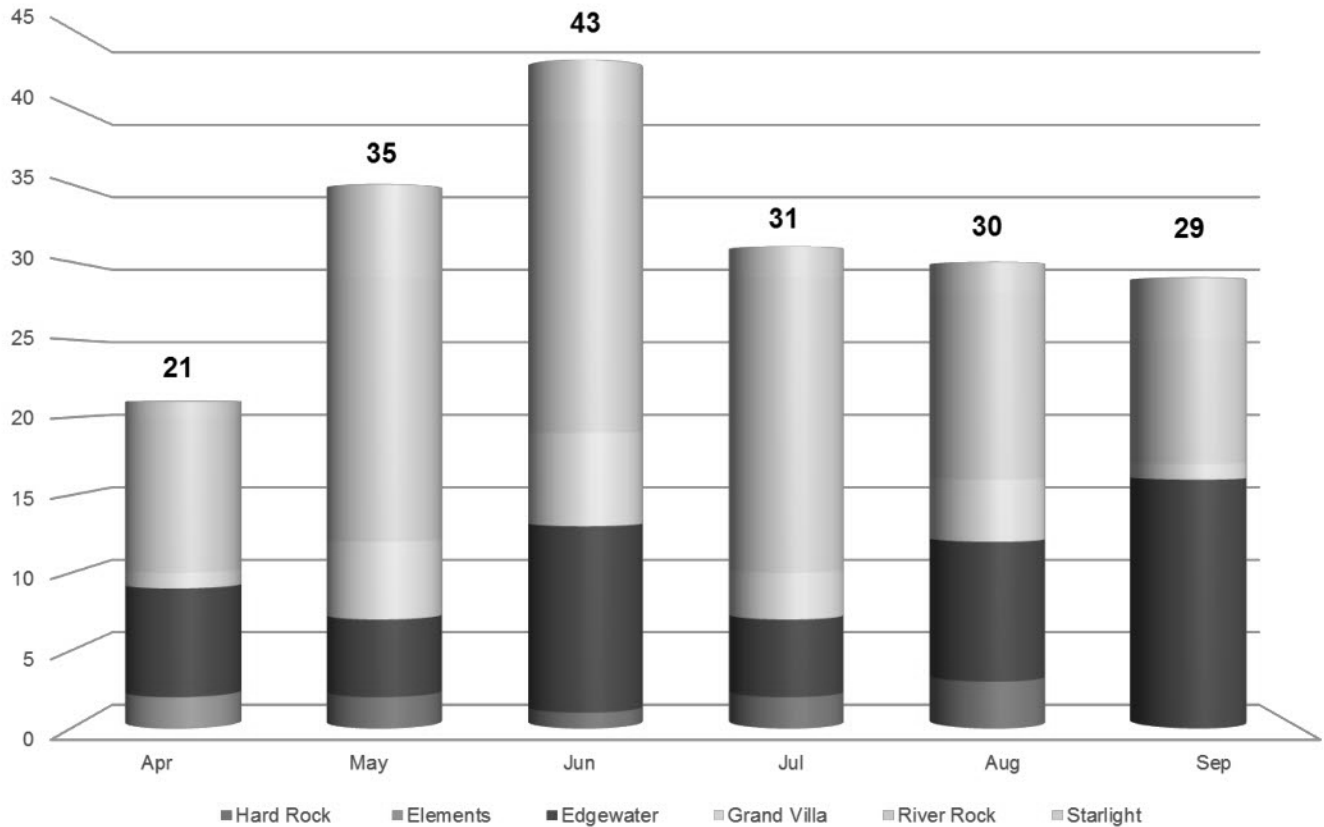
PGF Account Use Deposits = \$321,645,877 Fiscal Year 2016/17





- 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**



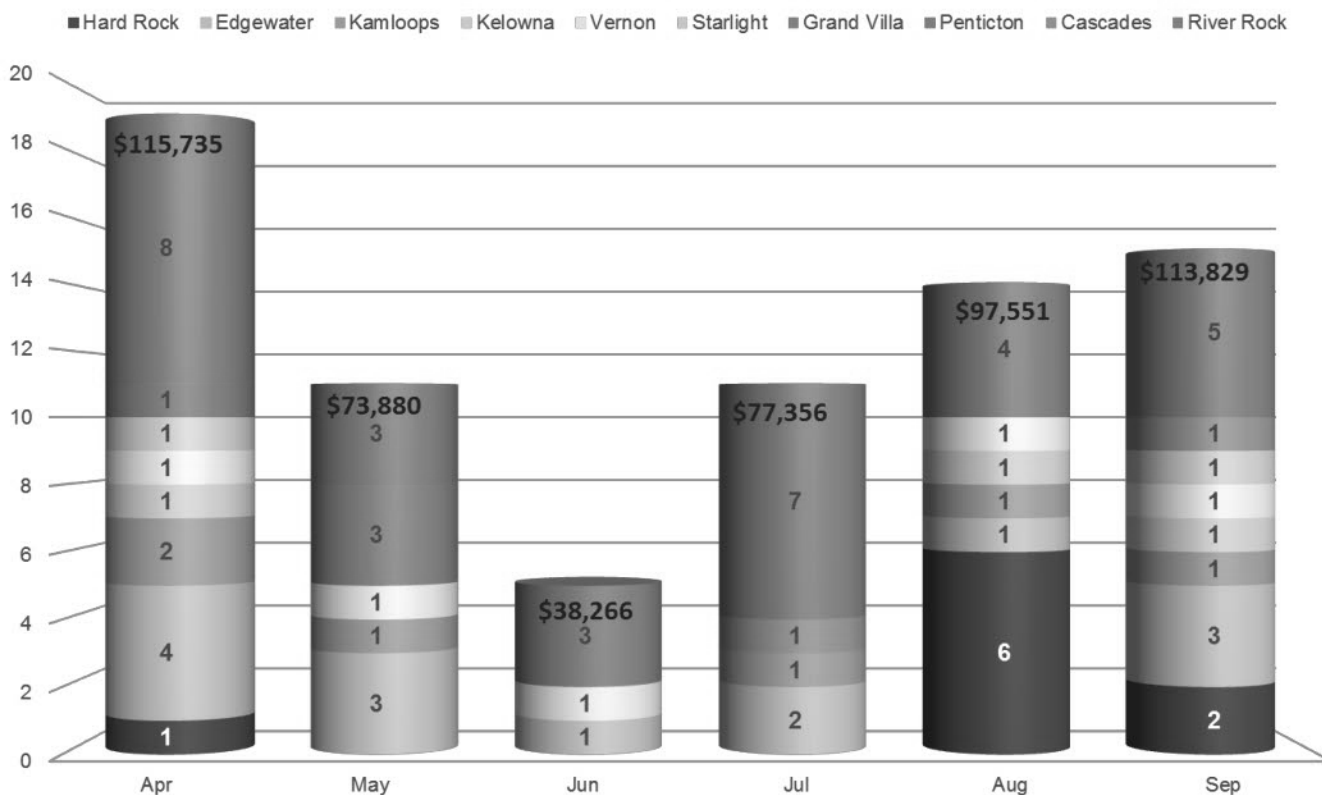
- New PGF accounts decreased by 9% this quarter over previous.
- Q1 Total = 99
- Q2 Total = 90
- Second Quarter total previous fiscal year (2015/16) – 69 new accounts, a 30% increase over same quarter last fiscal.
- A possible explanation for the increase in PGF account openings from the Q2 fiscal year 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.

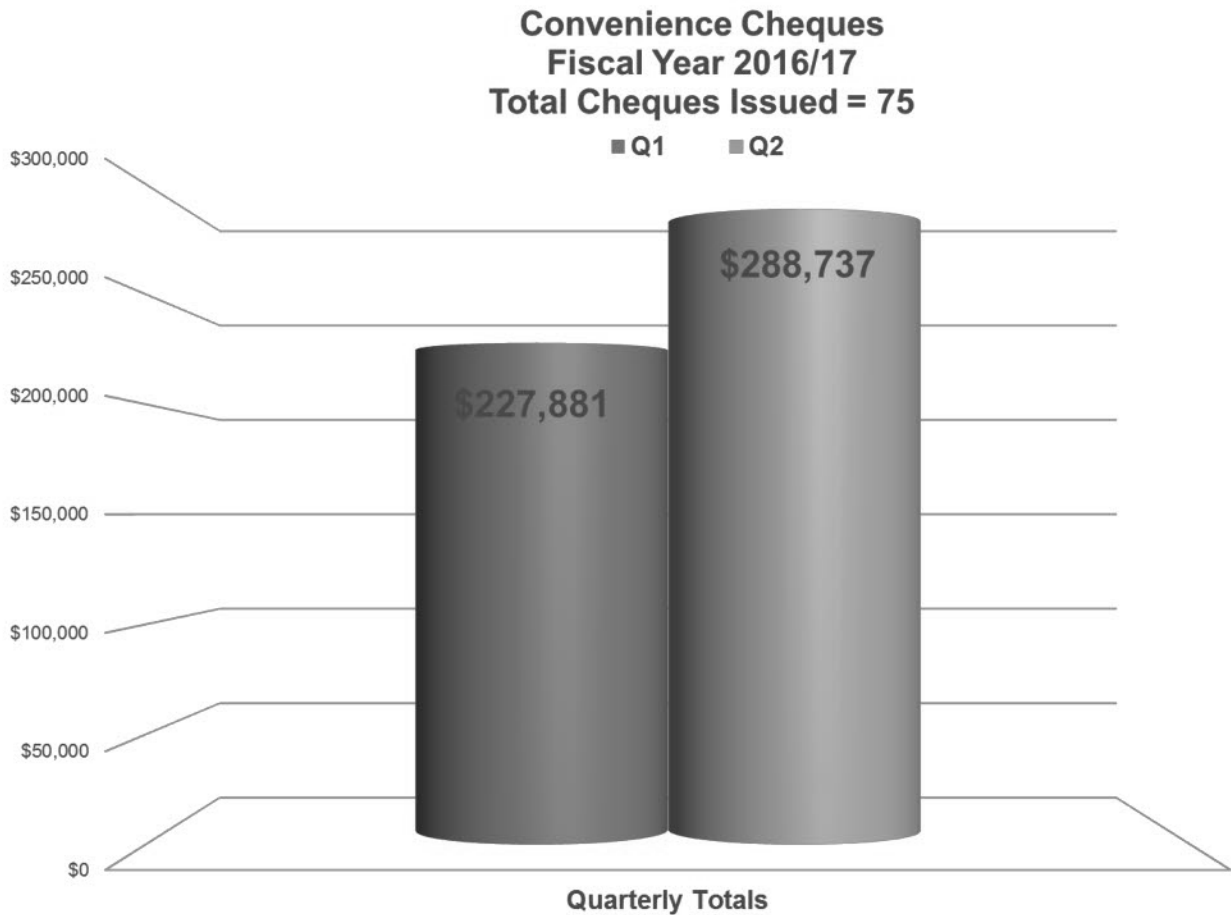
Delimited convenience cheques have been approved but not yet implemented. The policies, procedures and controls for this initiative are currently being drafted. This change has been made to further reduce the use of cash in gaming facilities and replace it with a monetary instrument which is traceable.

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.

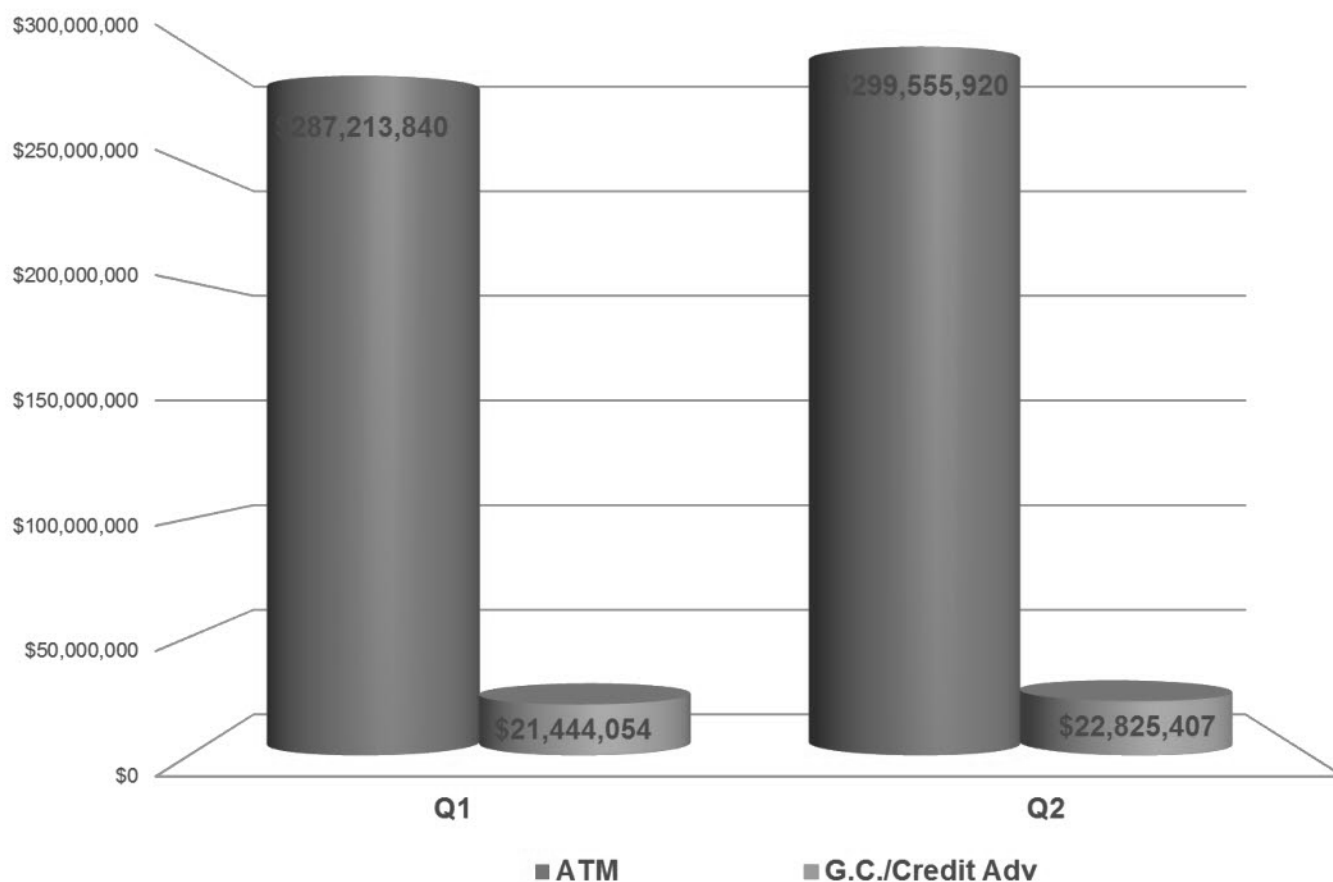


- A 27% increase has occurred over the previous quarterly total.
- Q2 total for previous fiscal year 2015/16 was \$188,263 an increase of 53% over same quarter last fiscal year

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	1st Quarter Current Fiscal 2016/17	2nd Quarter Current Fiscal 2016/17	% Change from previous Quarter
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 s.15,s.21
- 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.

- 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. BCLC 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

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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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', written over a horizontal line.

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 ^{s.22} matter was settled in B.C. Supreme Court. A negotiated settlement saw the forfeiture of \$41,715 in cash and drugs seized from ^{s.22} during traffic stops in October and December 2015. ^{s.22} \$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}

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.**

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

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

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[RSS](#)

Community Gaming
Grant Review
Report Completed



THE COMBINED FORCES
SPECIAL ENFORCEMENT UNIT
BRITISH COLUMBIA

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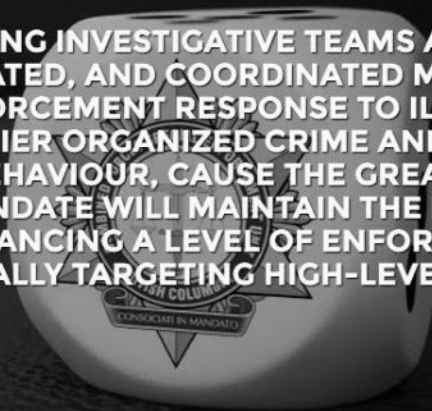
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JOINT ILLEGAL GAMING INVESTIGATION TEAM

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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+ 16 MAXMILLIONS

Buy Ticket

Current Jackpot
\$5 Million EST.
PLUS 1 GUARANTEED \$1 Million Prize

Buy Ticket

All Winning Numbers »

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Winning Numbers

See all games »

LOTTO MAX & Extra

FRIDAY, SEPTEMBER 2, 2016

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

Gaming Service Providers



Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)



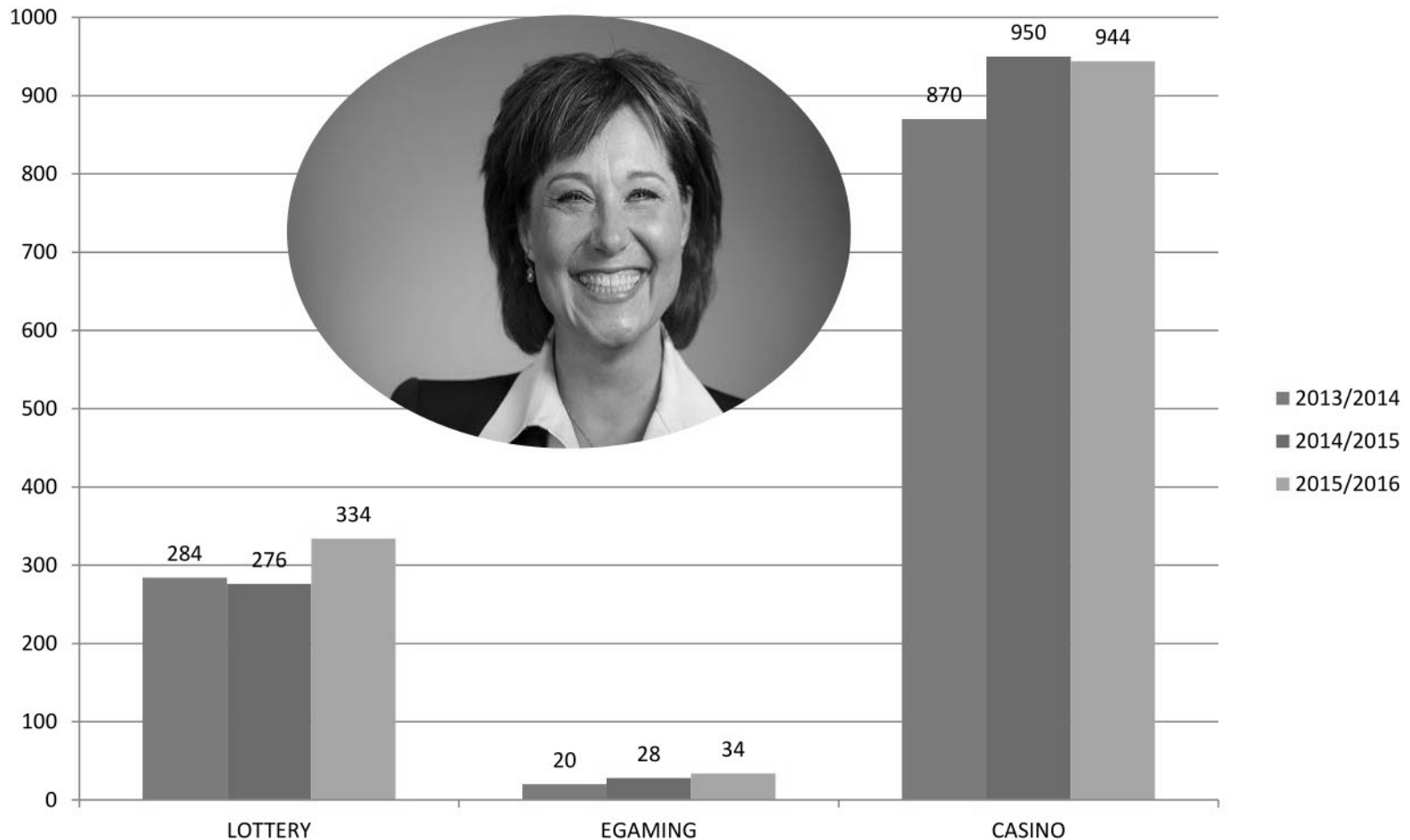
Financial Transactions and
Reports Analysis Centre
of Canada

- ⦿ 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	<p>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.</p> <p>Conduct due diligence investigations in relations to assisting report requirement of PCMLFTA</p>	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)





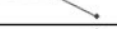






All BC Reporting Sectors

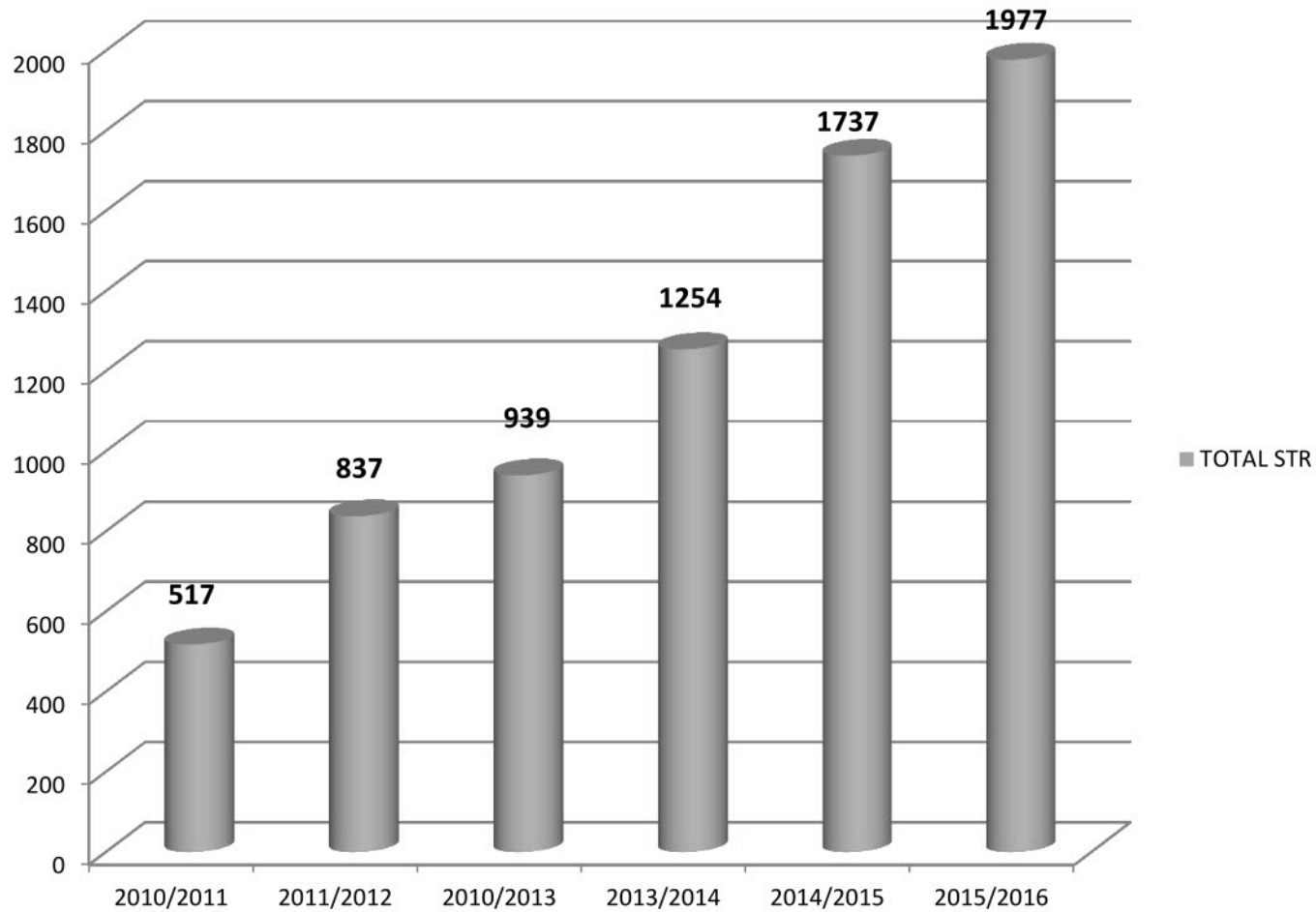
Large Cash Transaction Reports

	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

[Click to Return to Home Screen](#)

Jan-Sep 2016

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



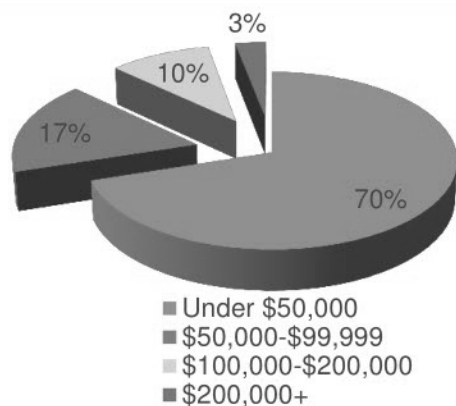
Age Bracket

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

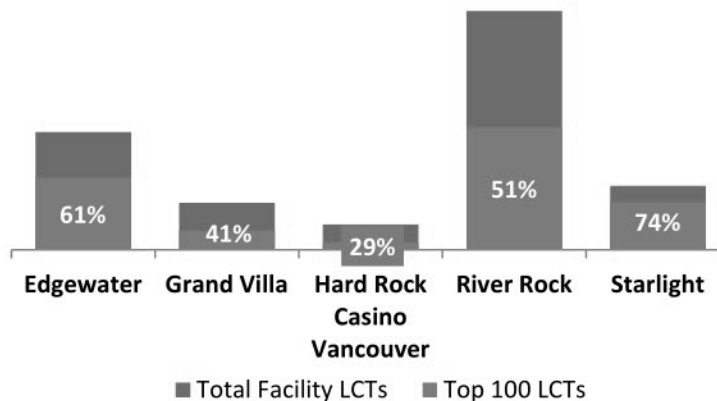
Ethnicity

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

Average of Individual Buy-Ins



Top 100 % of facility LCTs



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

Top 100 account for 54% of LCTs

bclc

How to Launder money in Gaming.

s.15



How does BCLC prevent Money laundering continued

s.15



How does BCLC prevent Money laundering?

s.15



Ongoing AML Training: Risk Indicators Chart

s.15

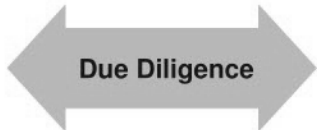
Culture of Compliance

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



s.15

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

- CFSEU Provincial Tactical Enforcement Program
- RTIC sharing protocol



- s.15

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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.



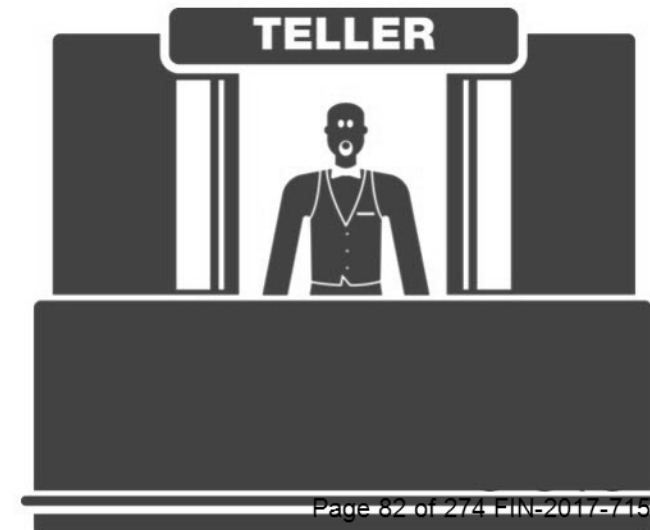
Verified win cheque.

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.



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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

Page 087

Withheld pursuant to/removed as

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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

Copyright

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.

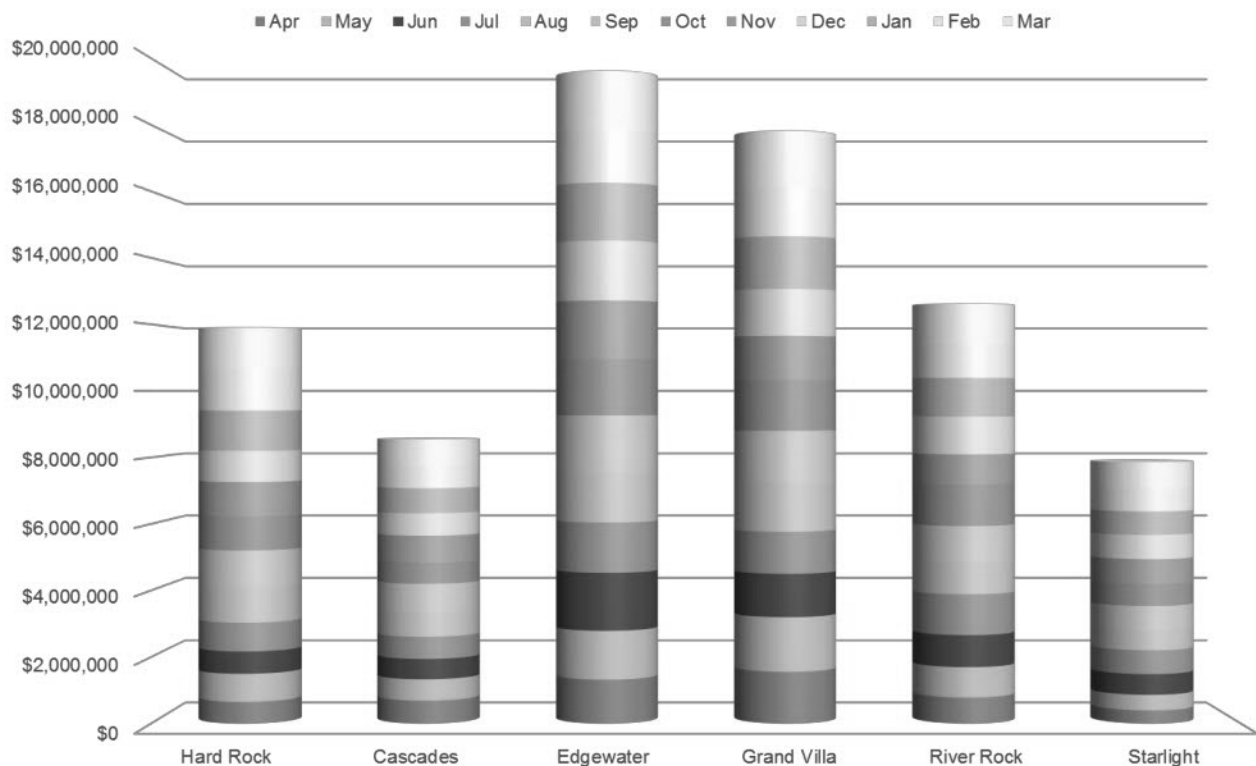
Debit at the cash cage continues to be a viable option for players and its usage shows a steady increase each quarter with an 8% increase this quarter and a 41% increase over the same quarter last fiscal year (2015/16)

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.

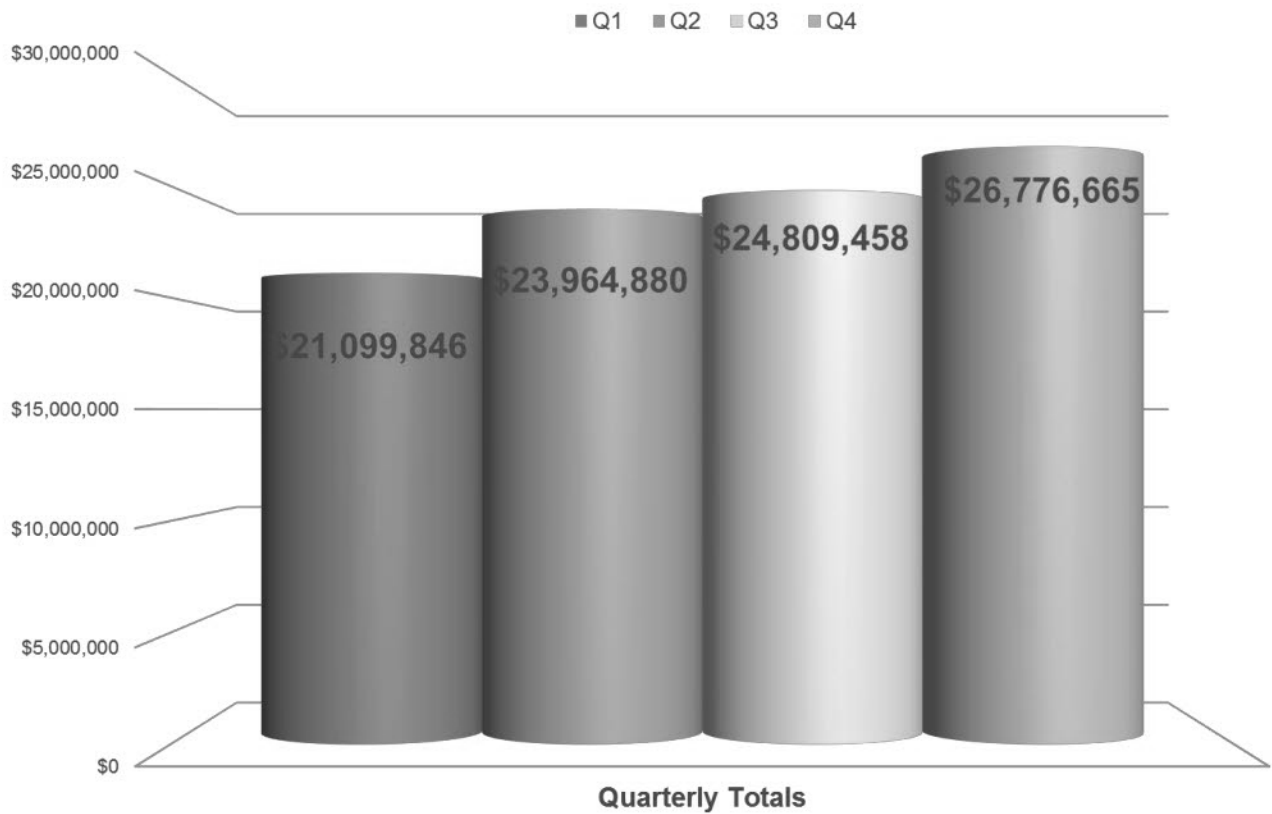
Debit Card use at Cash Cage Monthly Totals by Property Fiscal Year 2016/17

Note: also in use at CGCs Abbotsford, Campbell 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



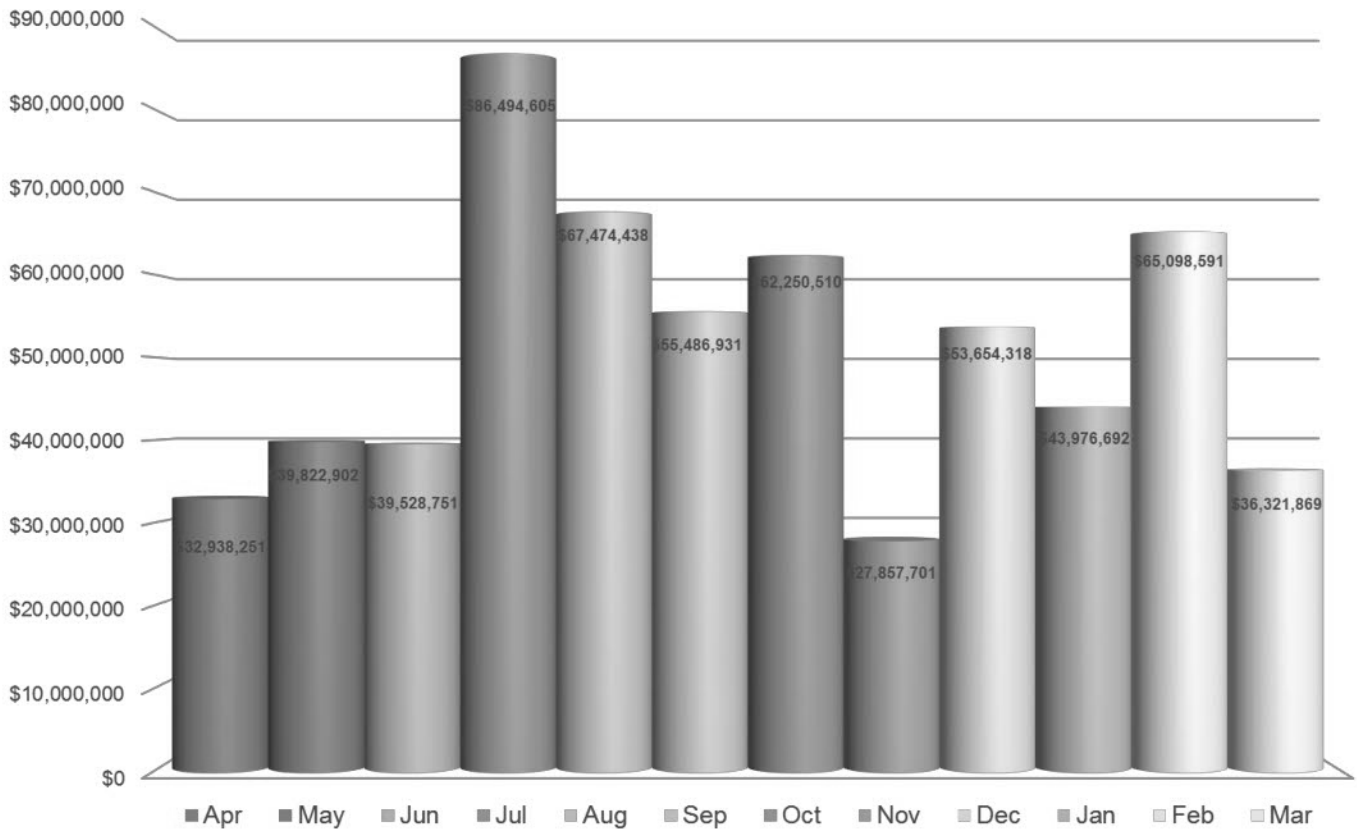
- An 8% increase from the previous quarterly total.
- Q4 total for previous fiscal year 2015/16 was \$18,941,896 an increase of 41% over same quarter last fiscal year.

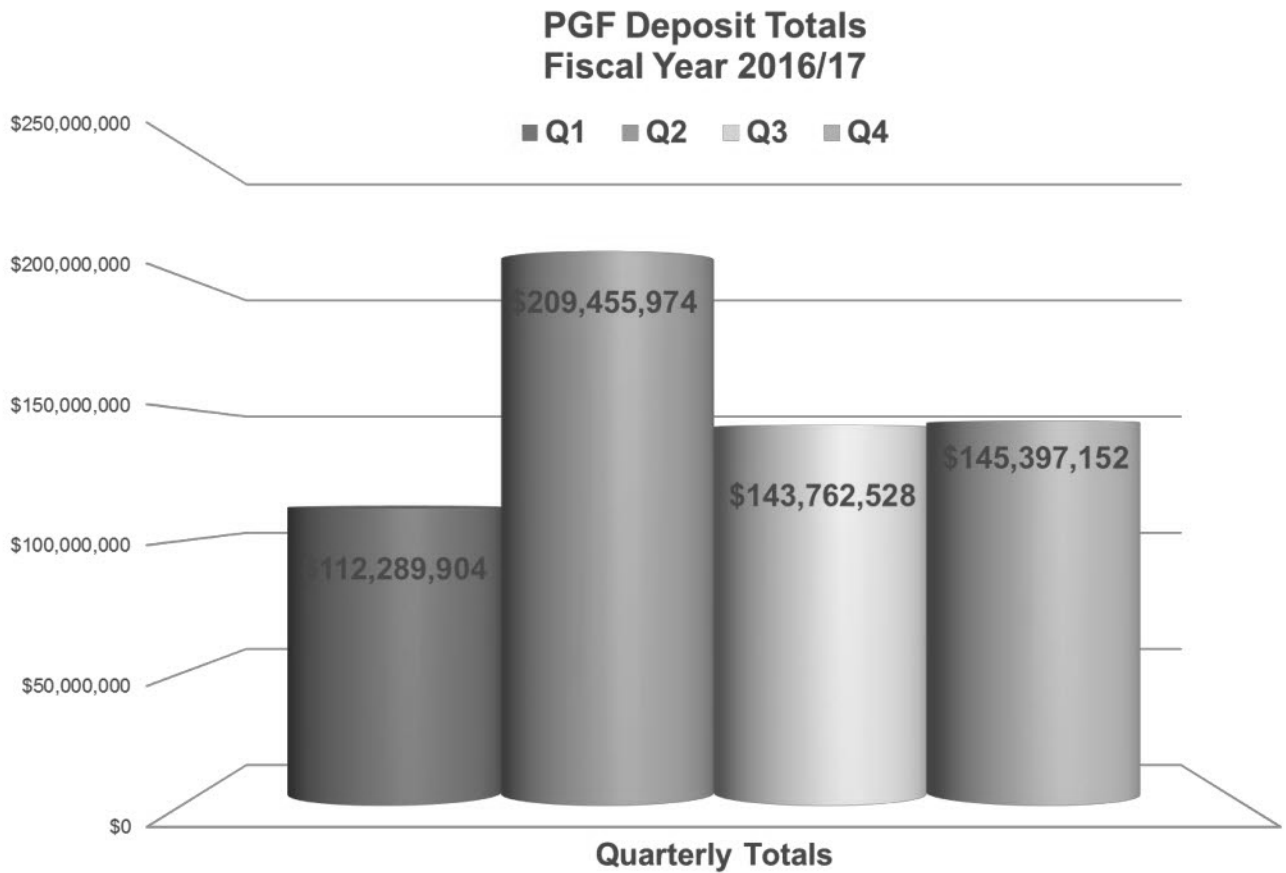
Patron Gaming Fund (PGF) Accounts

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.

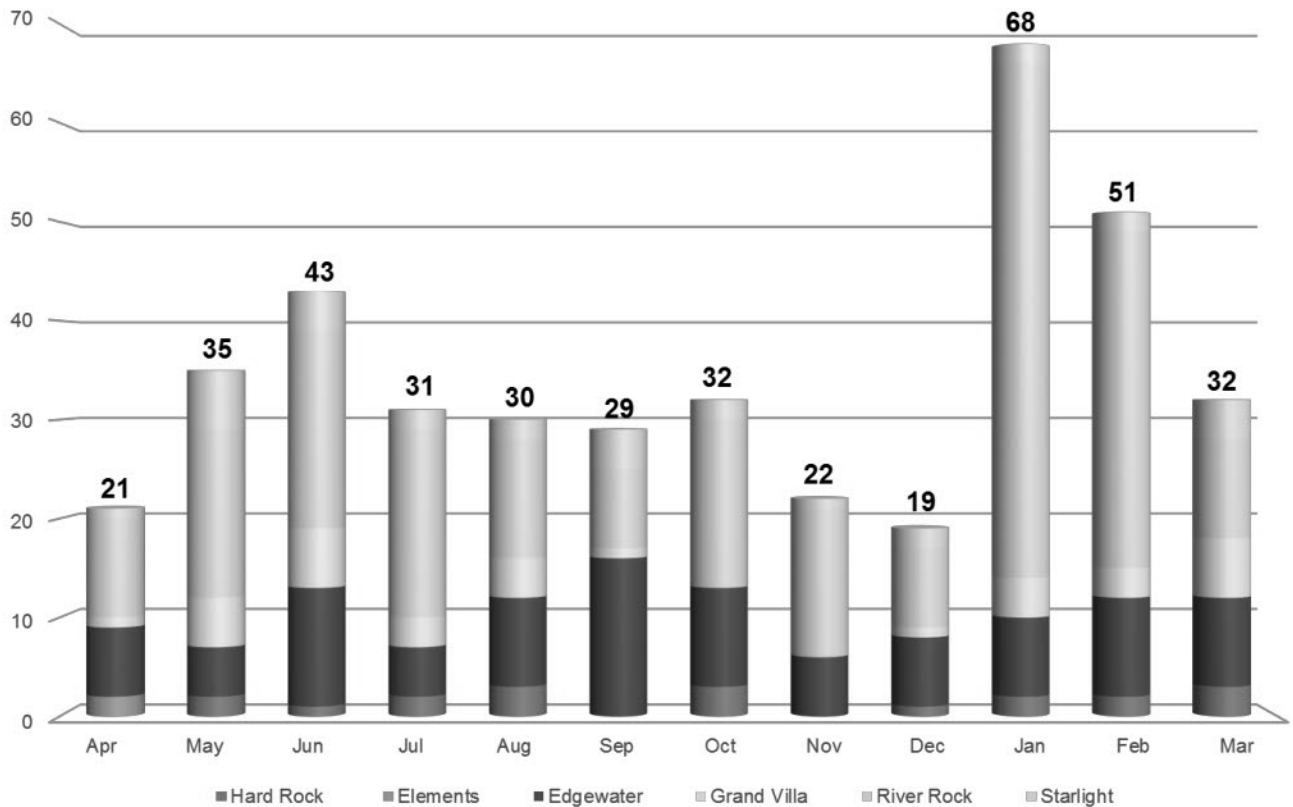
PGF Account Use Deposits = \$610,905,558 Fiscal Year 2016/17





- 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

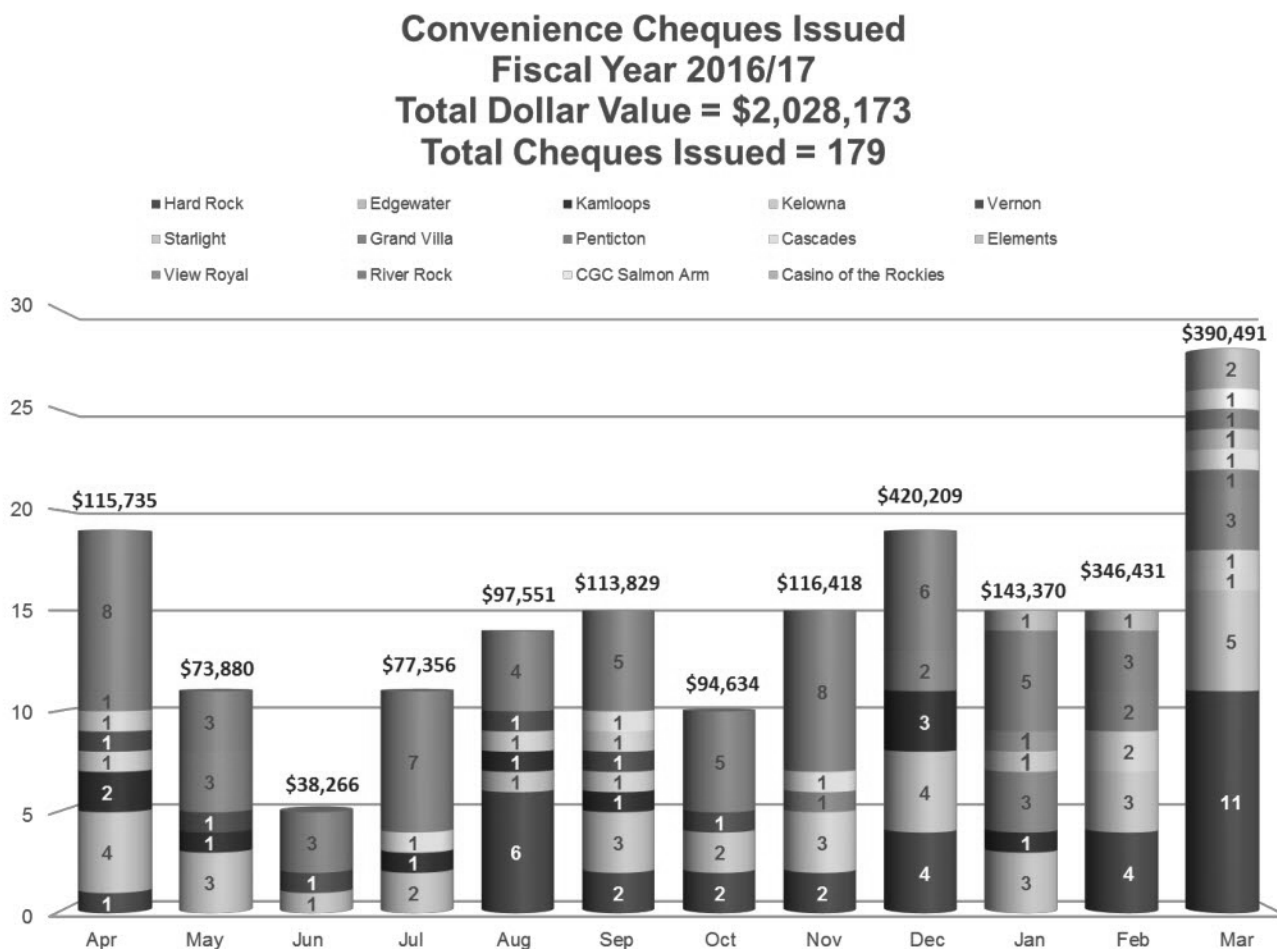


- New PGF accounts increased by 107% this quarter over previous.
- Q1 Total = 99
- Q2 Total = 90
- Q3 Total = 73
- Q4 Total = 151
- The River Rock Casino held a PGF account opening promotion from January 15 to February 8, 2017. This promotion is directly linked to the large spike in account openings.
- 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

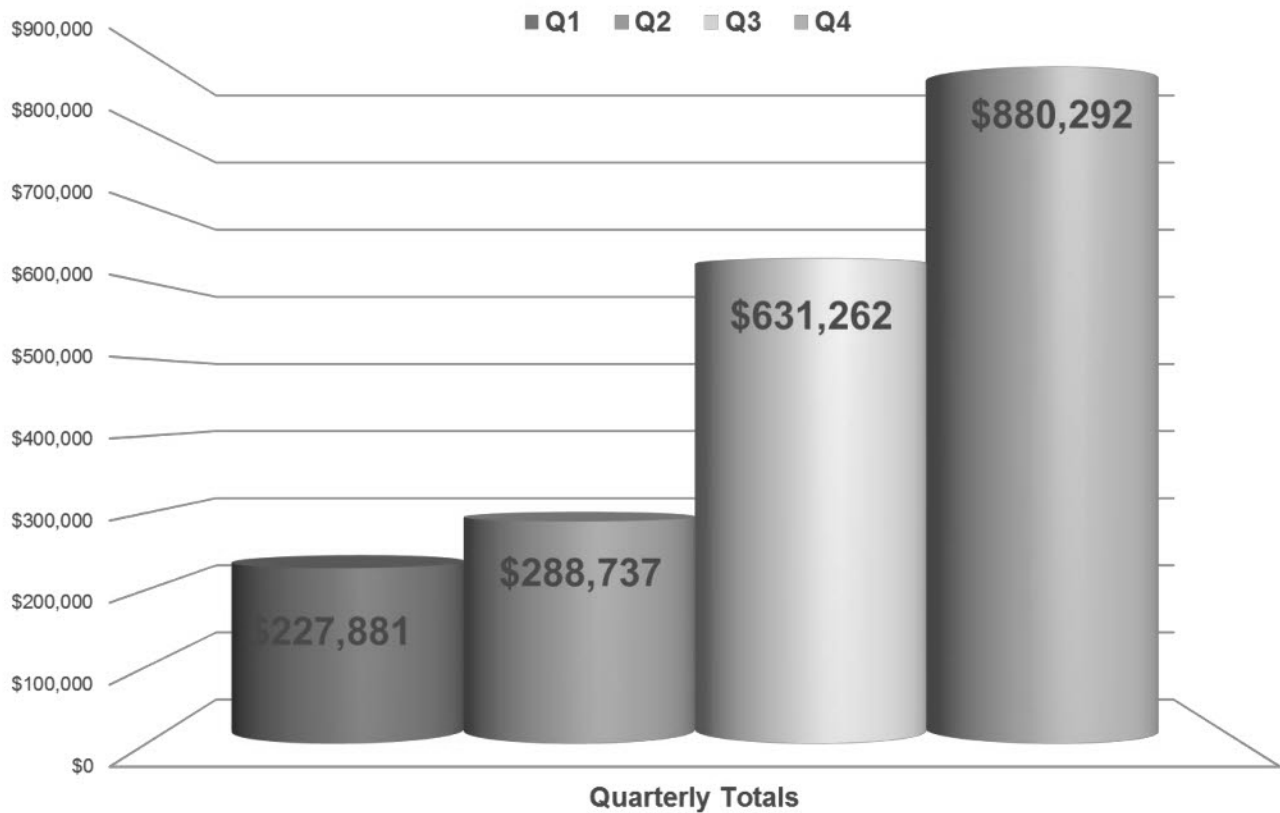
Service providers are permitted to issue cheques to patrons for the return of buy-in funds. At the launch of this initiative, the initial threshold amount was \$5,000 and increased to \$8,000 in January 2013. As of April 2014, the new threshold amount increased to \$10,000. These cheques are clearly 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.



- 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.

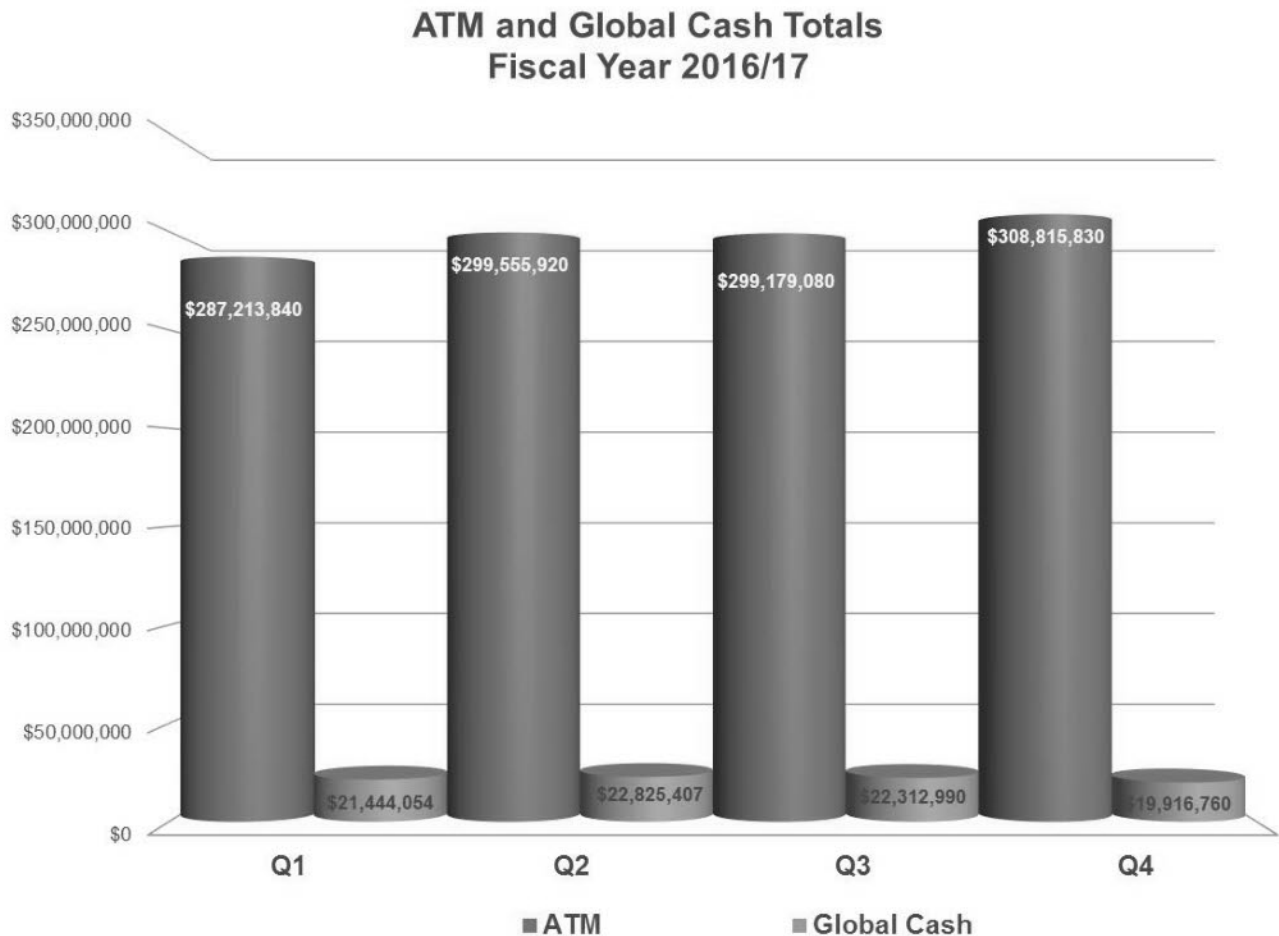
**Convenience Cheques
Fiscal Year 2016/17
Total Cheques Issued = 179**



- 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	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	% Change
	Current Fiscal	Current Fiscal	Current Fiscal	Current Fiscal	from previous
	2016/17	2016/17	2016/17	2016/17	Quarter
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.

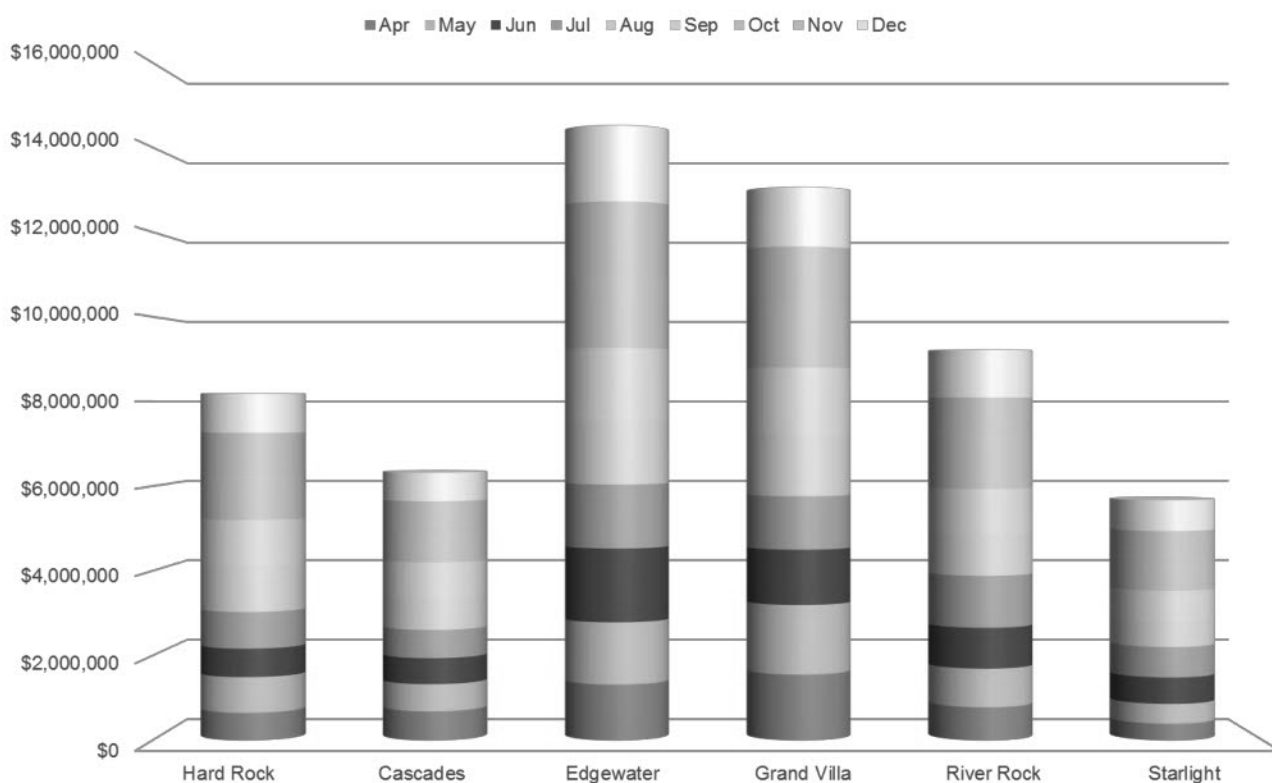
Debit at the cash cage continues to be a viable option for players and its usage shows a steady increase each quarter. The average monthly issuance of convenience cheques has also increased from 10 cheques to 12.5 cheques monthly.

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

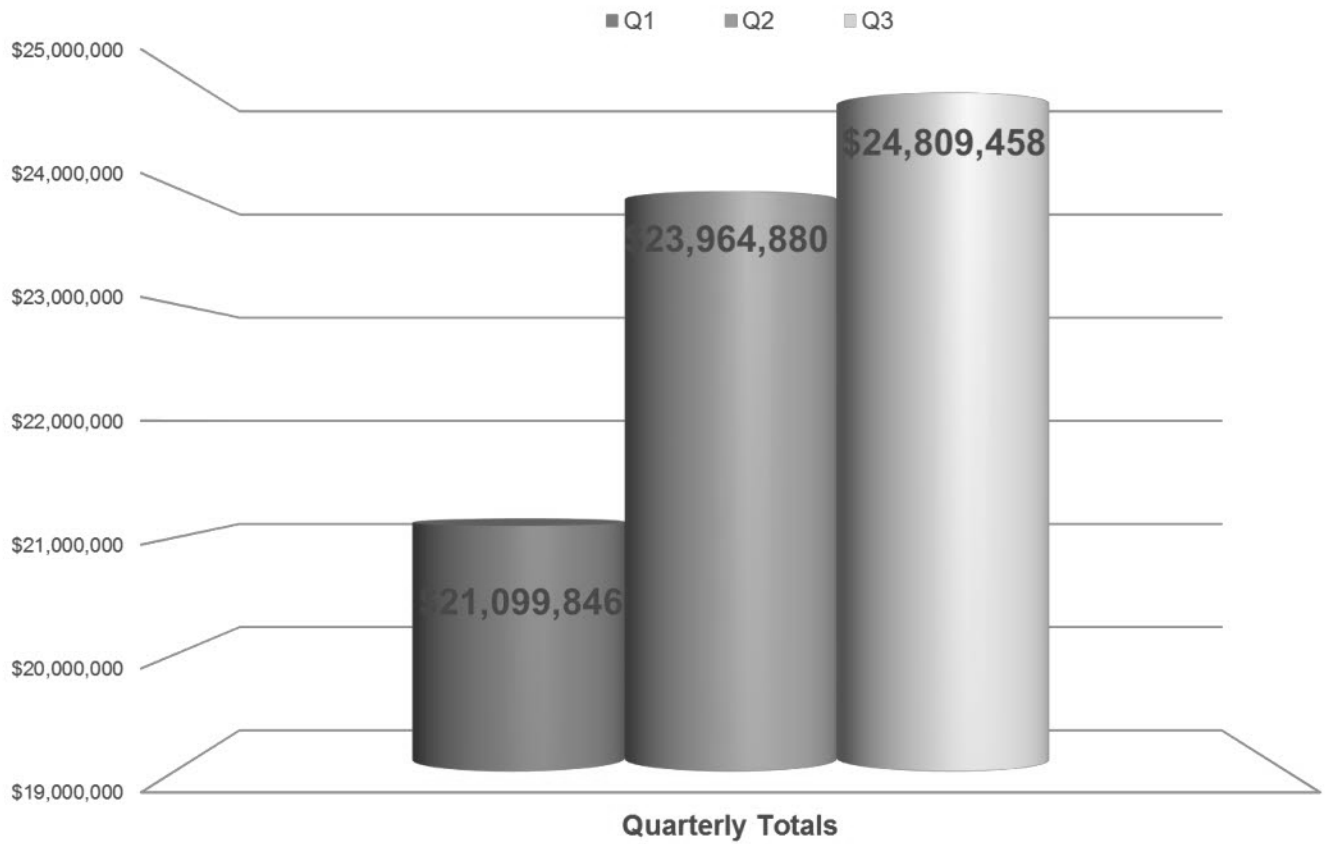
Debit card use at the cash cage is intended for transactions in amounts above ATM limits. Some of the gaming facilities provide this debit option to patrons for any amount while some sites have established minimum monetary limits for withdraw.

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



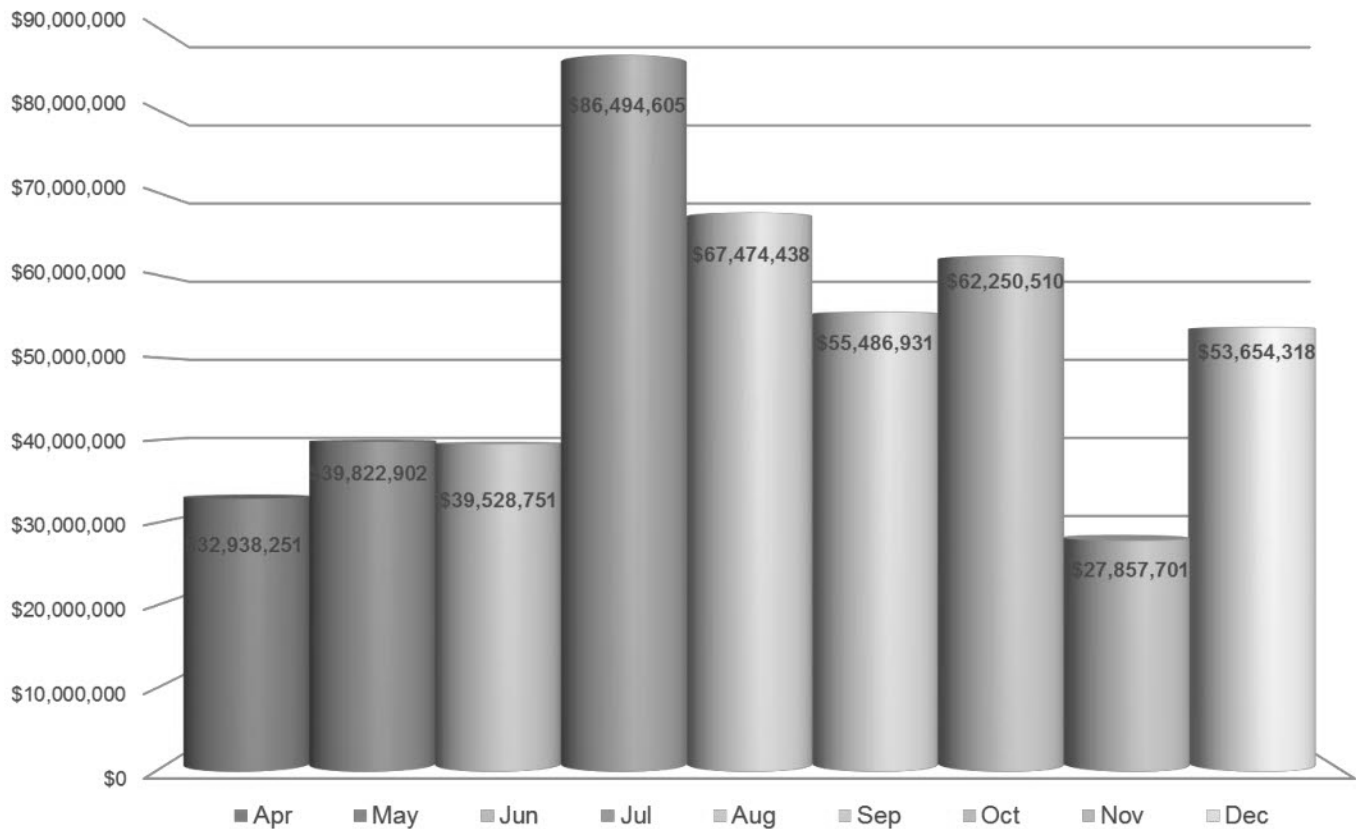
- A 4% increase from the previous quarterly total.
- Q3 total for previous fiscal year 2015/16 was \$18,283,564 an increase of 36% over same quarter last fiscal year.

Patron Gaming Fund (PGF) Accounts

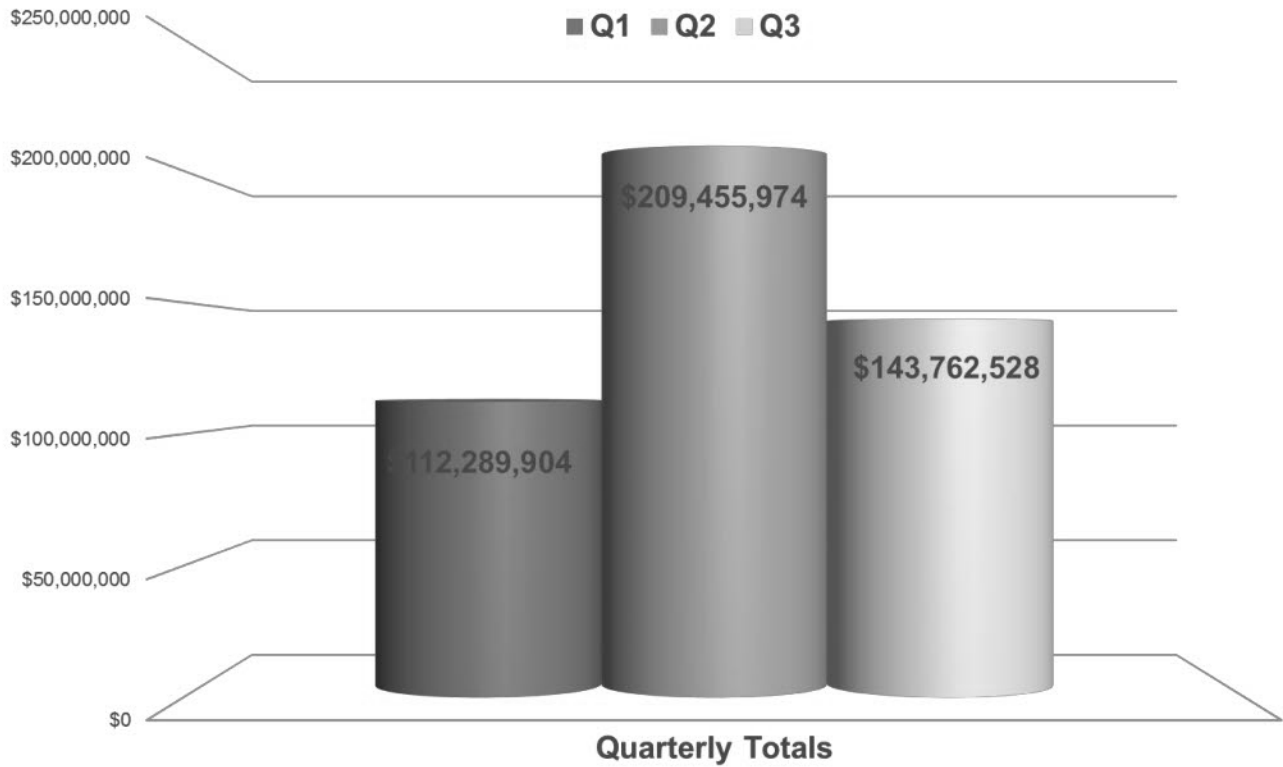
Data on PGF Accounts from April 1, 2016 to December 31, 2016

- \$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

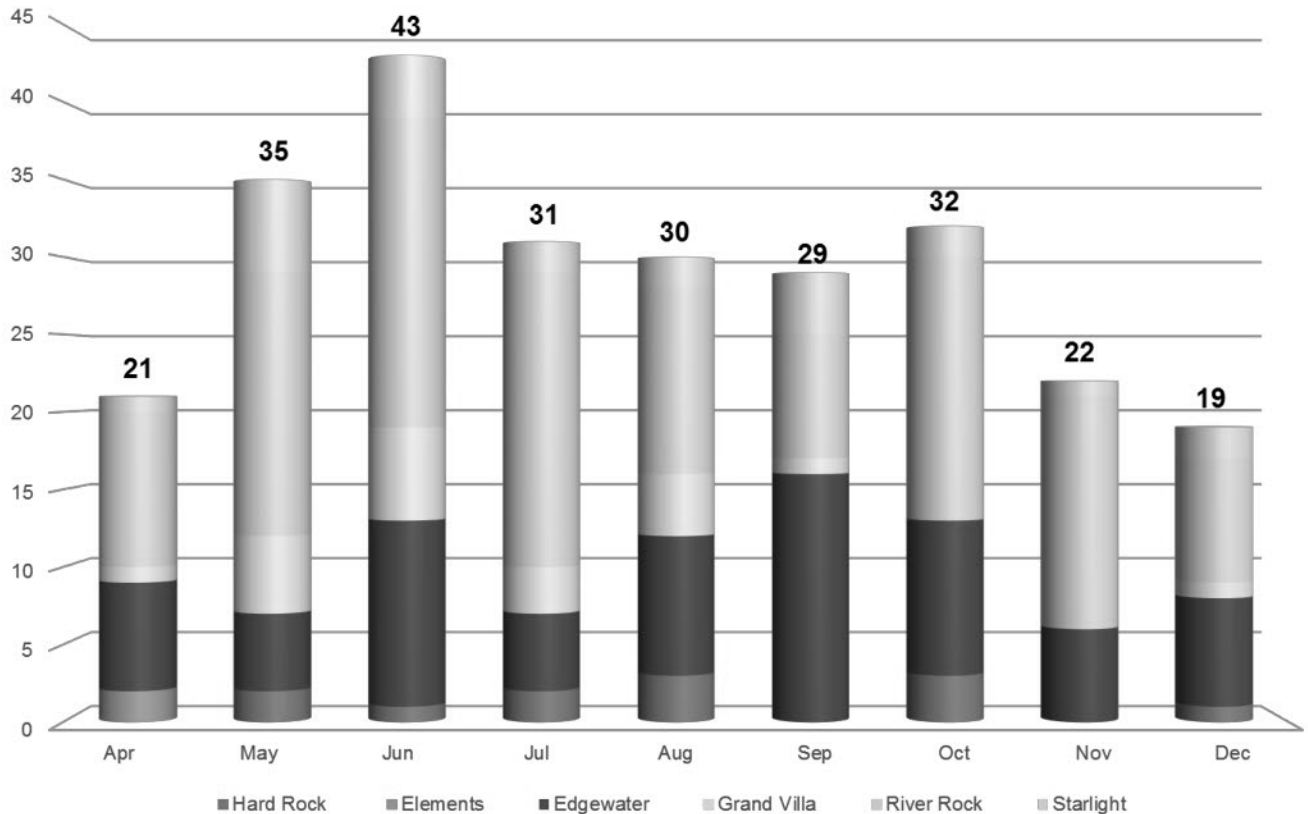


PGF Deposit Totals Fiscal Year 2016/17



- 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**



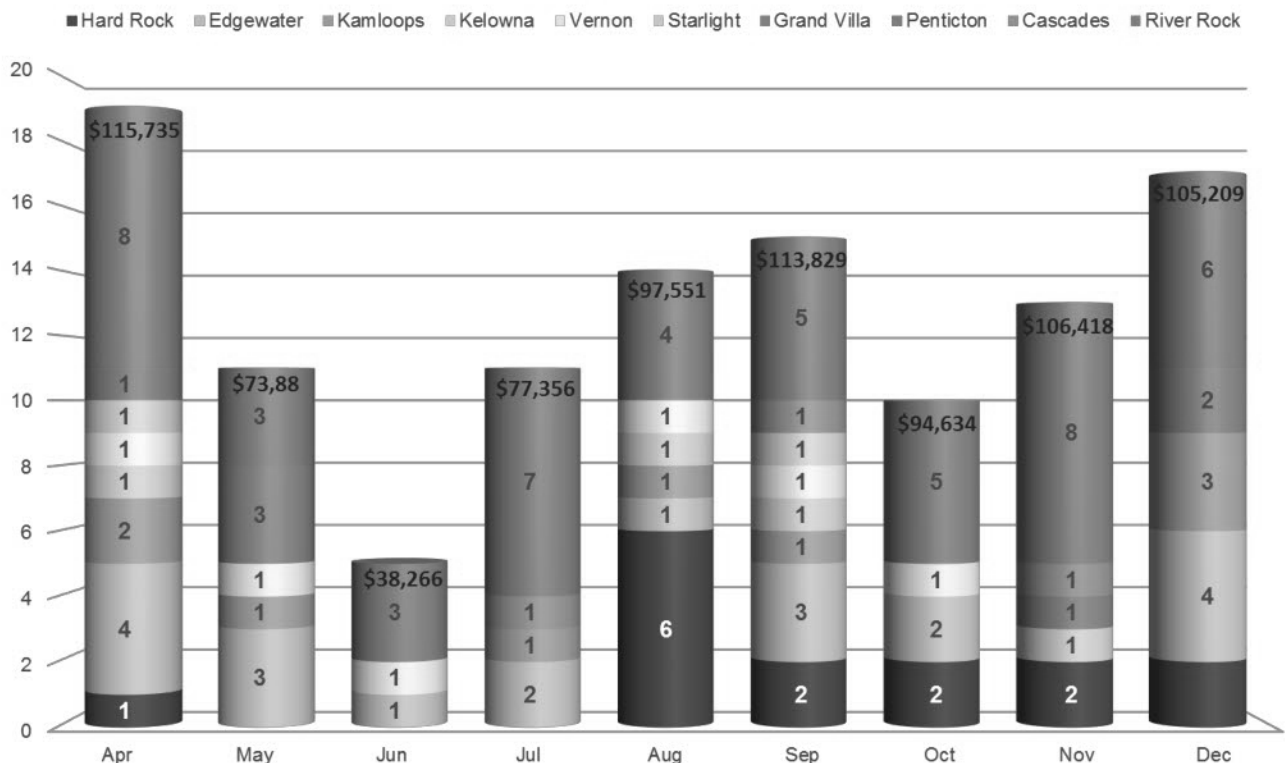
- New PGF accounts decreased by 19% this quarter over previous.
- Q1 Total = 99
- Q2 Total = 90
- Q3 Total = 73
- Third Quarter total previous fiscal year (2015/16) – 66 new accounts, a 10% increase over same quarter last fiscal.
- A possible explanation for the increase in PGF account openings from 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.

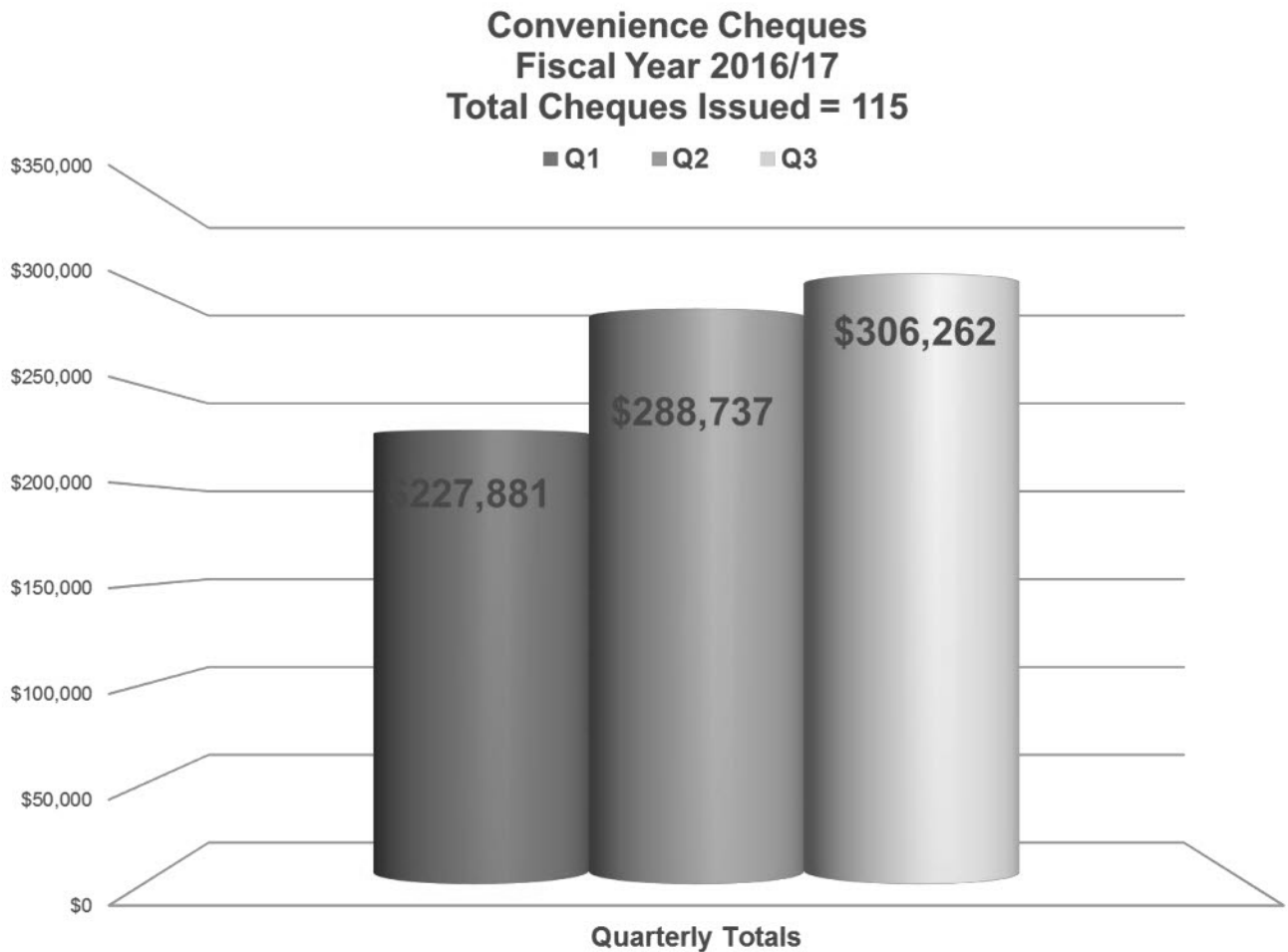
Convenience Cheques Issued Fiscal Year 2016/17 Total Dollar Value = \$822,880 Total Cheques Issued = 115



• s.15

- 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.

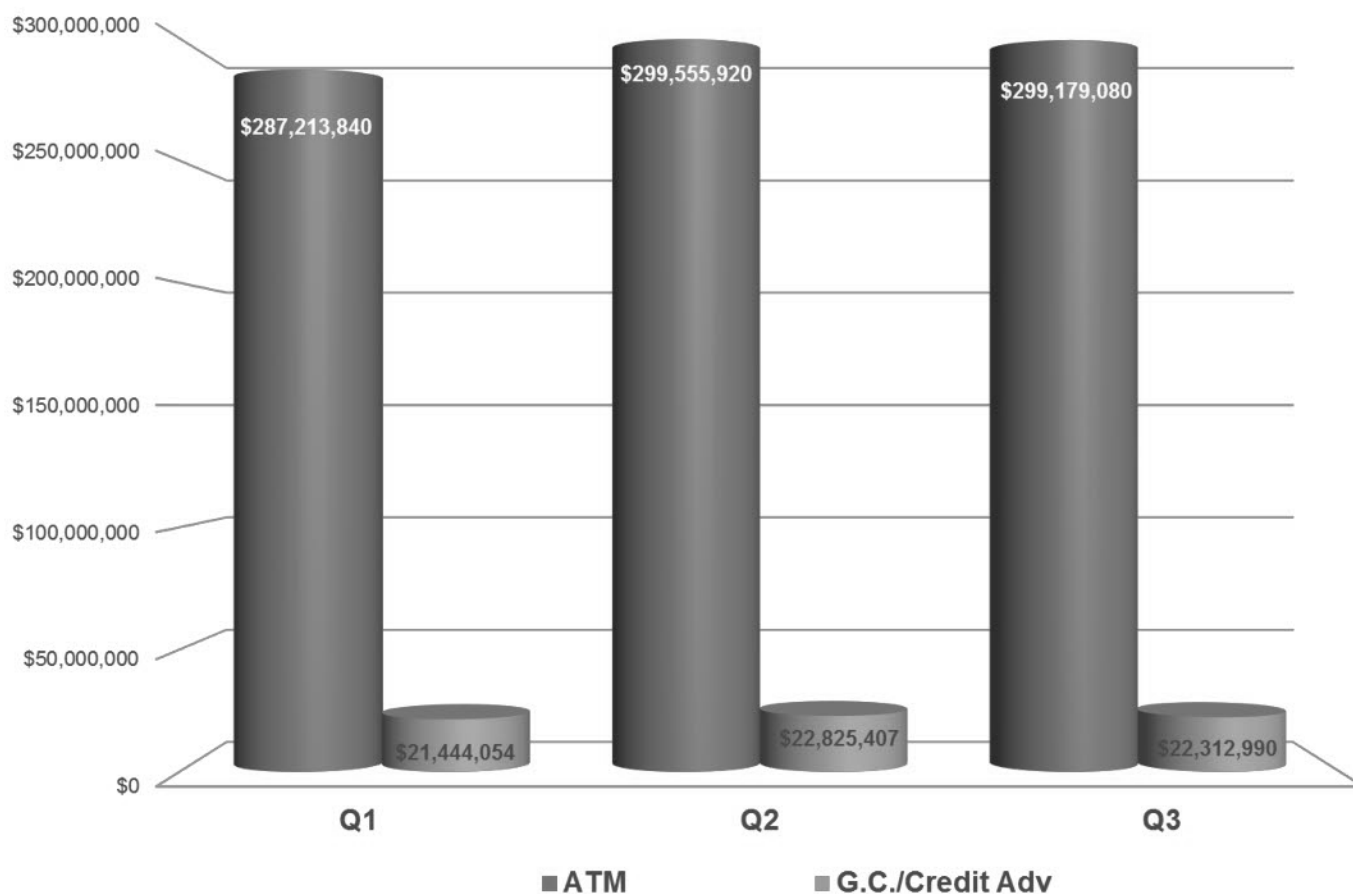


- A 6% increase has occurred over the previous quarterly total.
- Q3 total for previous fiscal year 2015/16 was \$207,084 an increase of 32% over same quarter last fiscal year

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	Current Fiscal	Current Fiscal	
	2016/17	2016/17	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

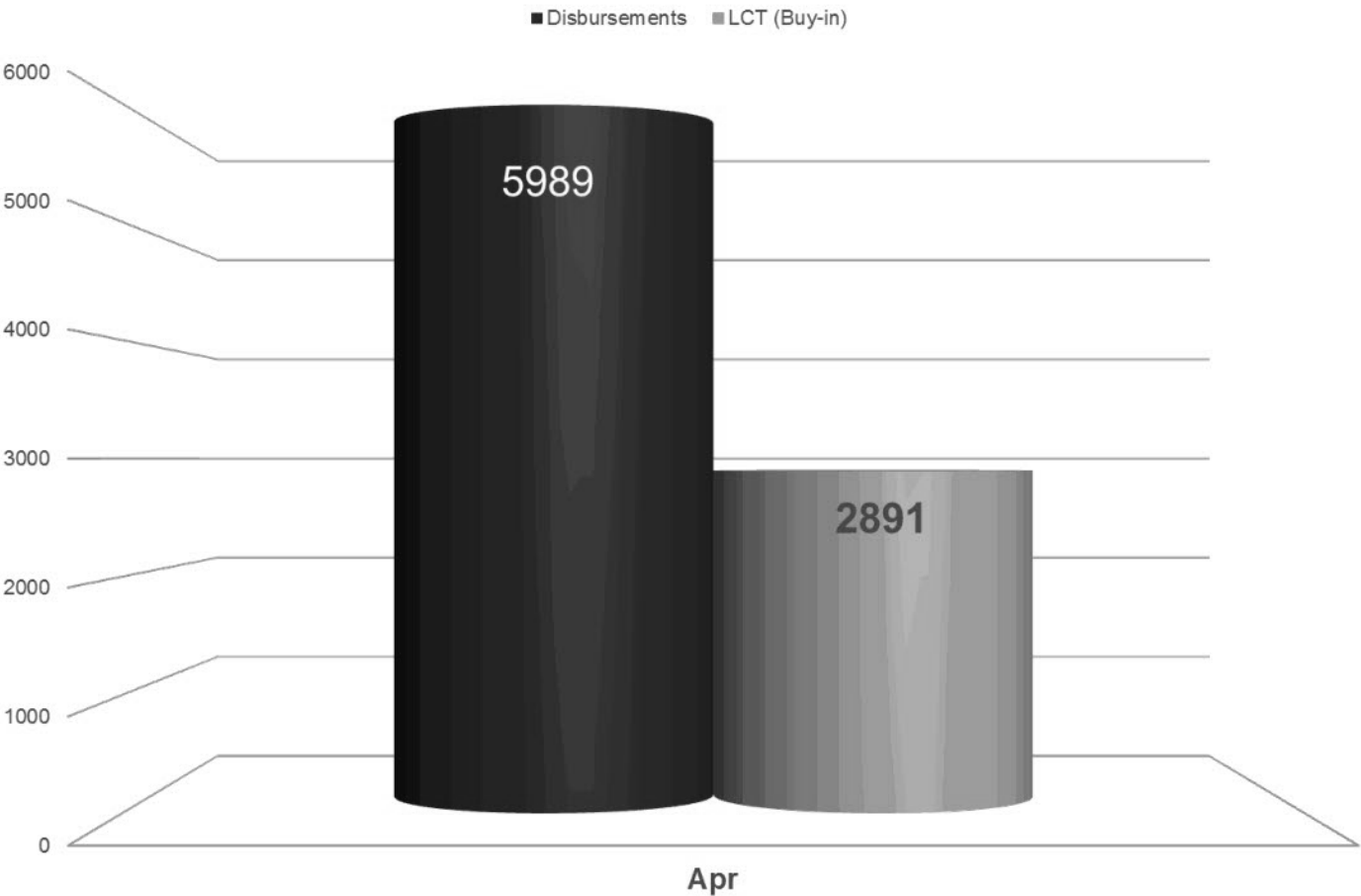
PGF Accounts = \$465,408,405

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

BCLC Corporate Security & Compliance

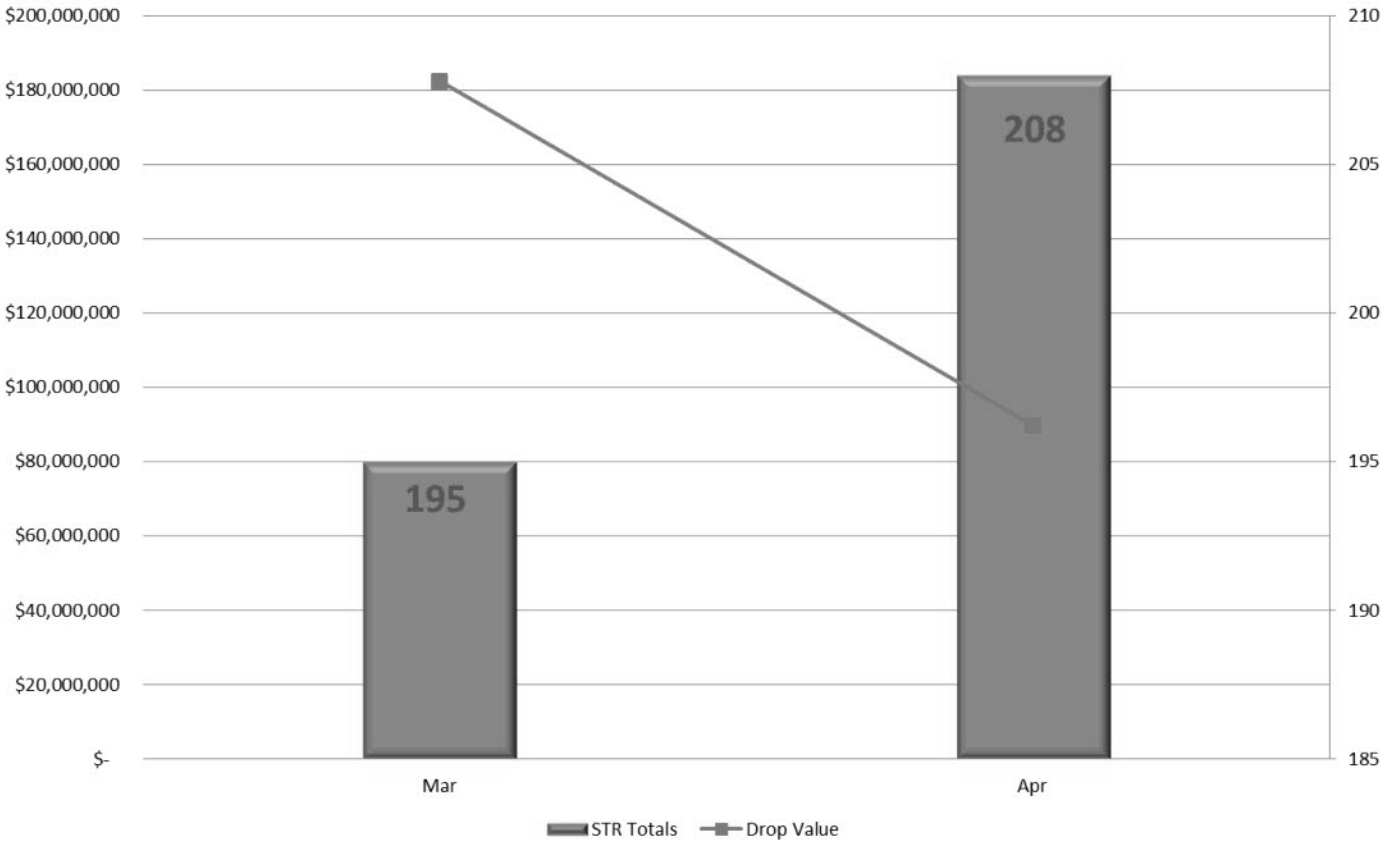
Monthly Dashboard Apr 2016

Monthly Submissions to FINTRAC
Fiscal Year 2016/17



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

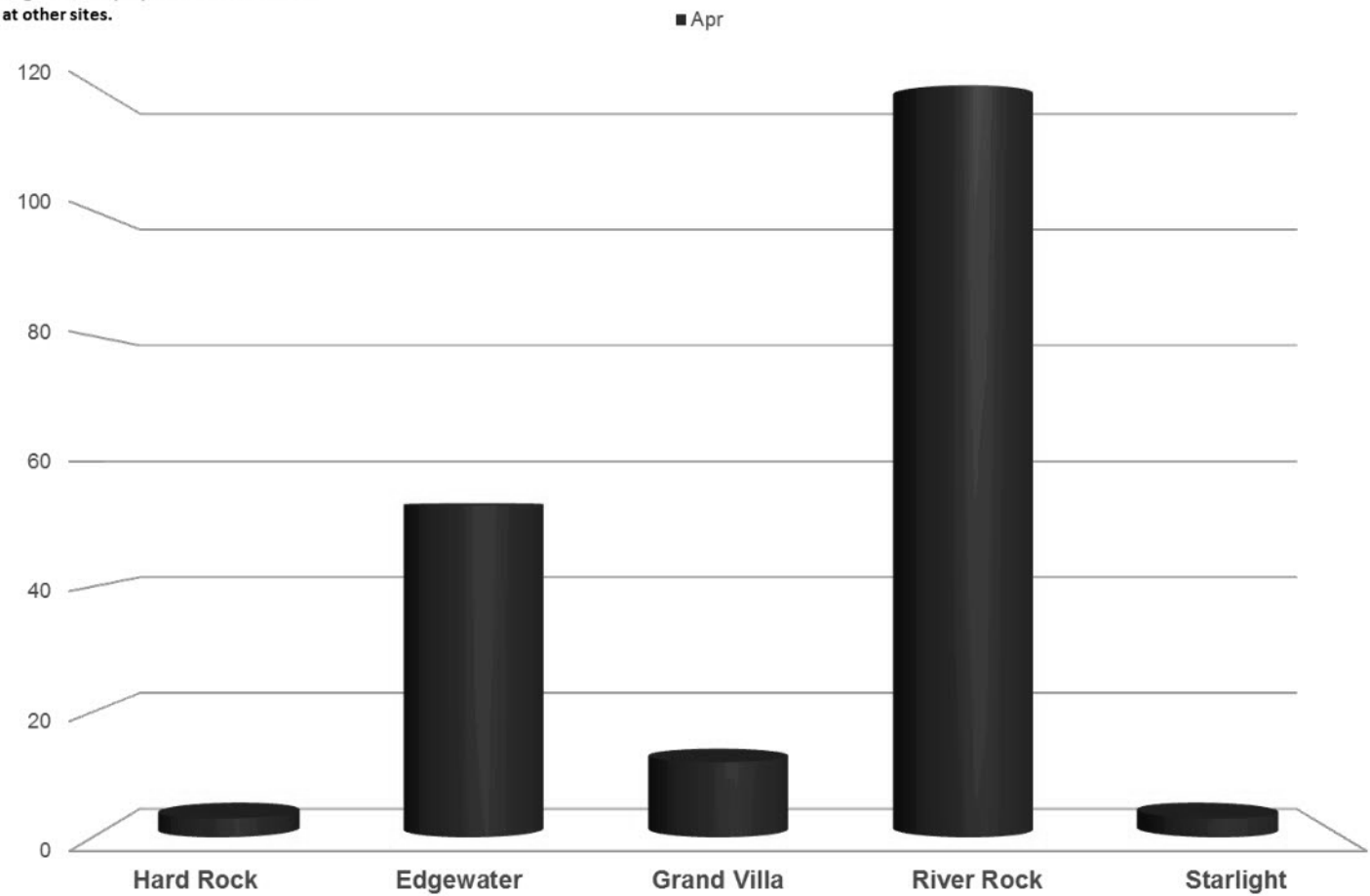
Note: monthly totals may be adjusted as STRs may be filed within 30 days of occurring



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

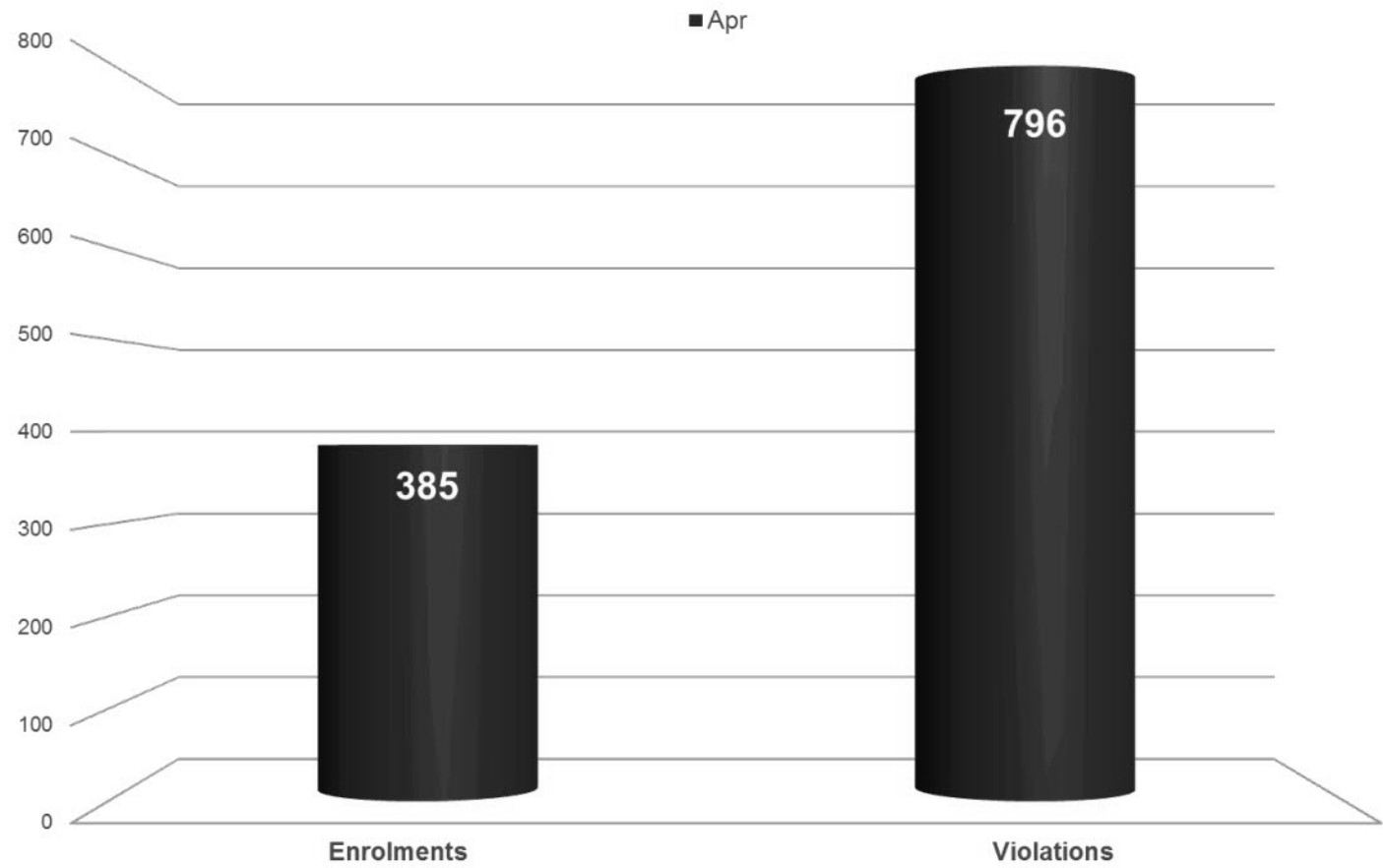
Suspicious Transaction Reports filed by Site Fiscal Year 2016/17

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

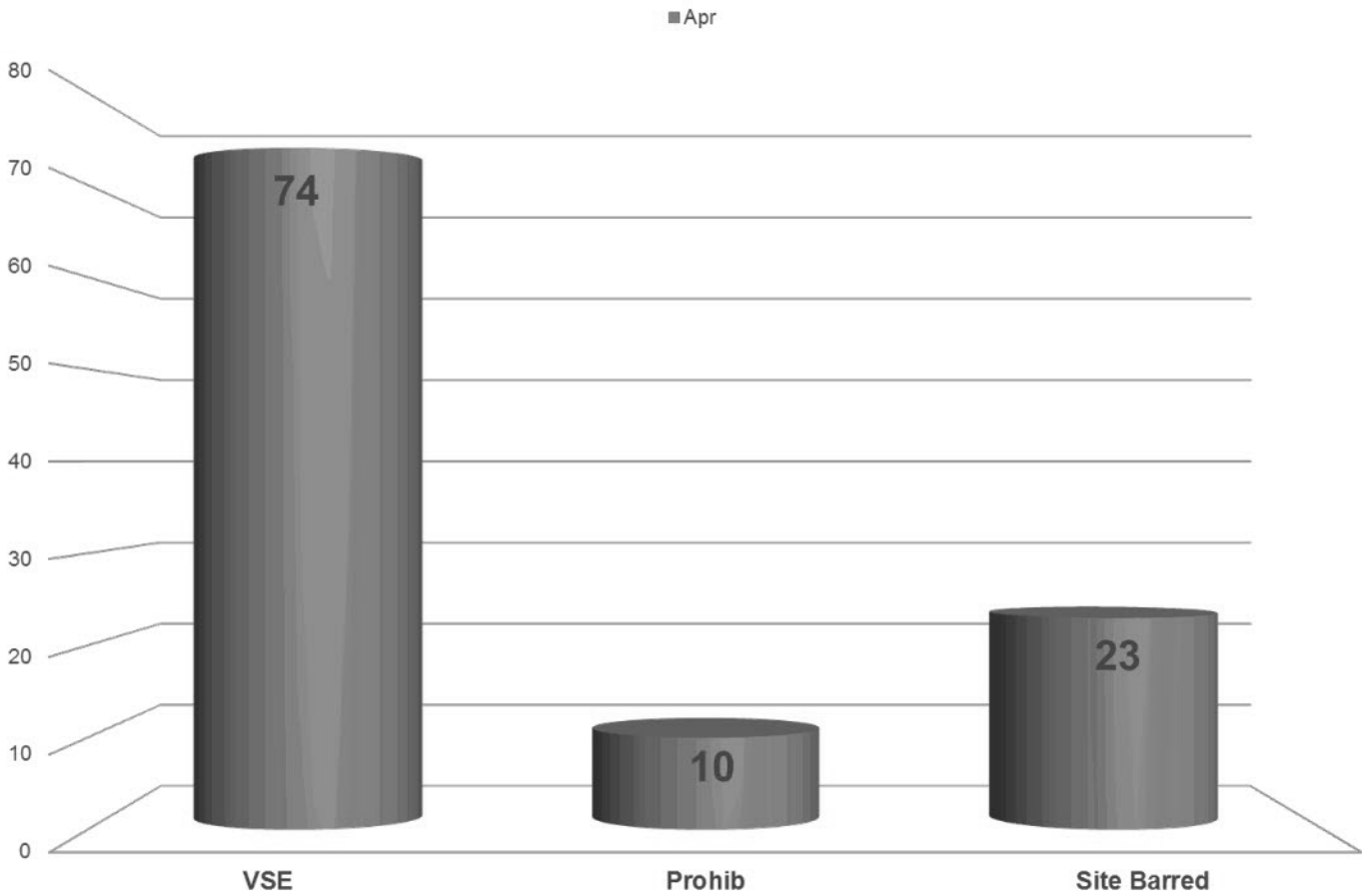


Monthly Report on VSE Enrolments & Violations Fiscal Year 2016/17

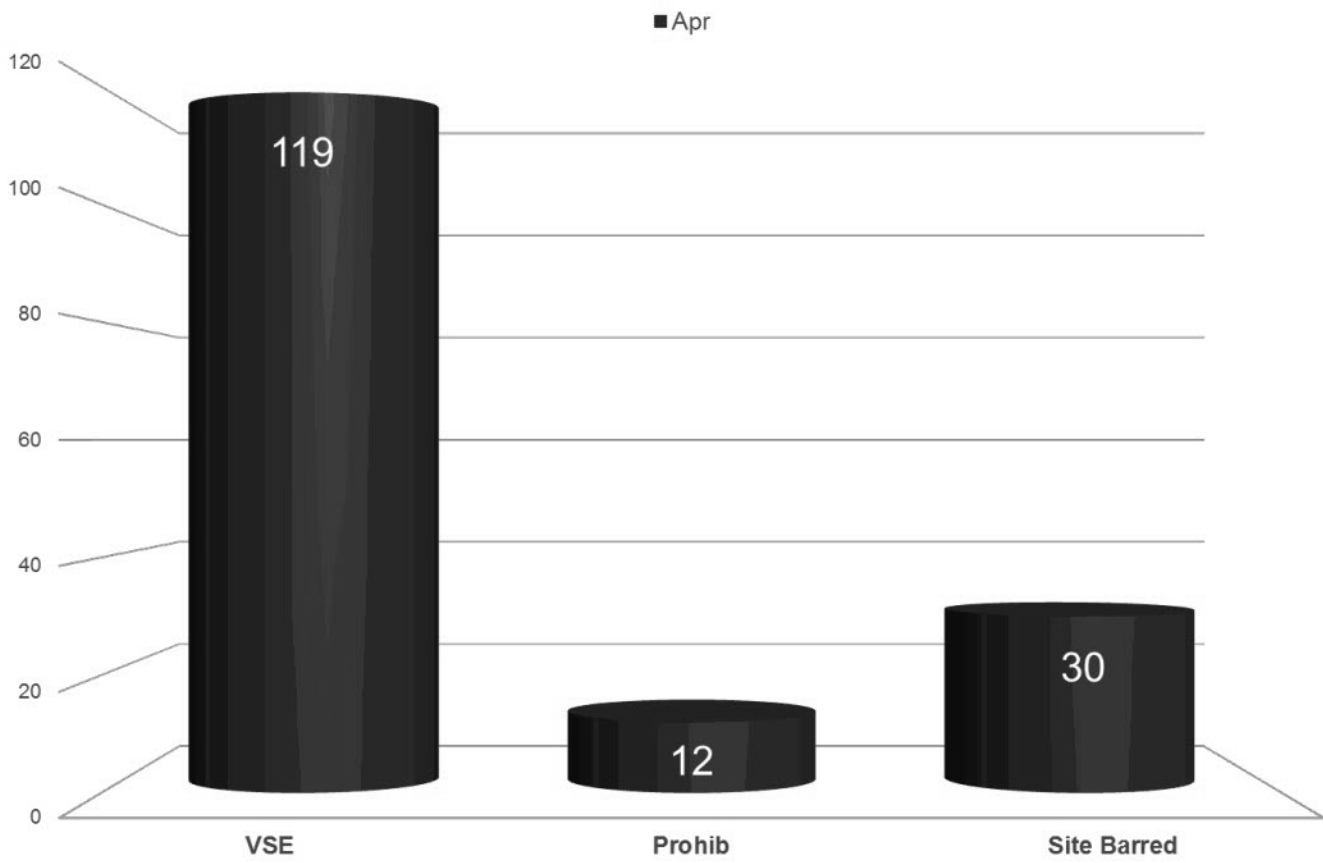
Note: violations include staff, LPR, ID Scanner and Ineligible Win detections



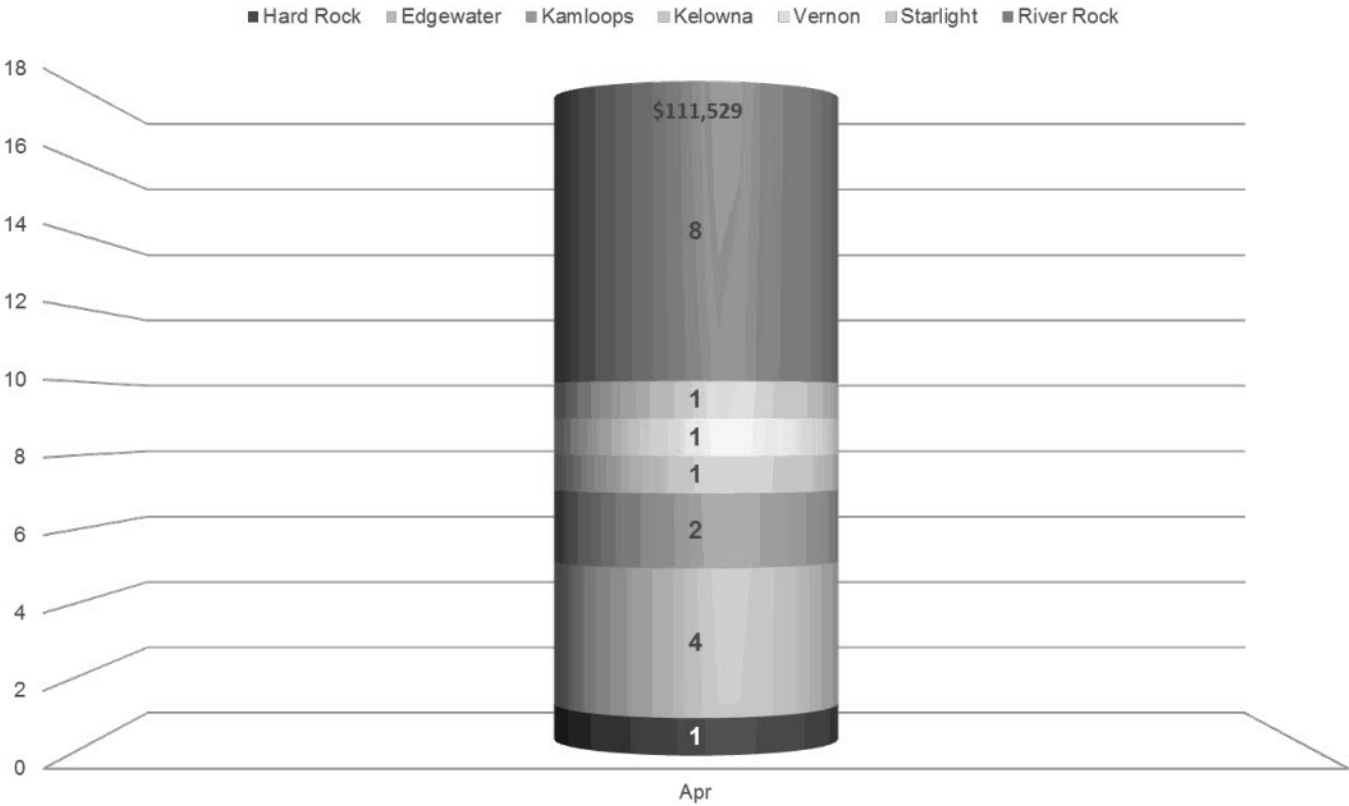
ID Scanner Captures Monthly Report
Fiscal Year 2016/17



LPR Captures Monthly Report
Fiscal Year 2016/17

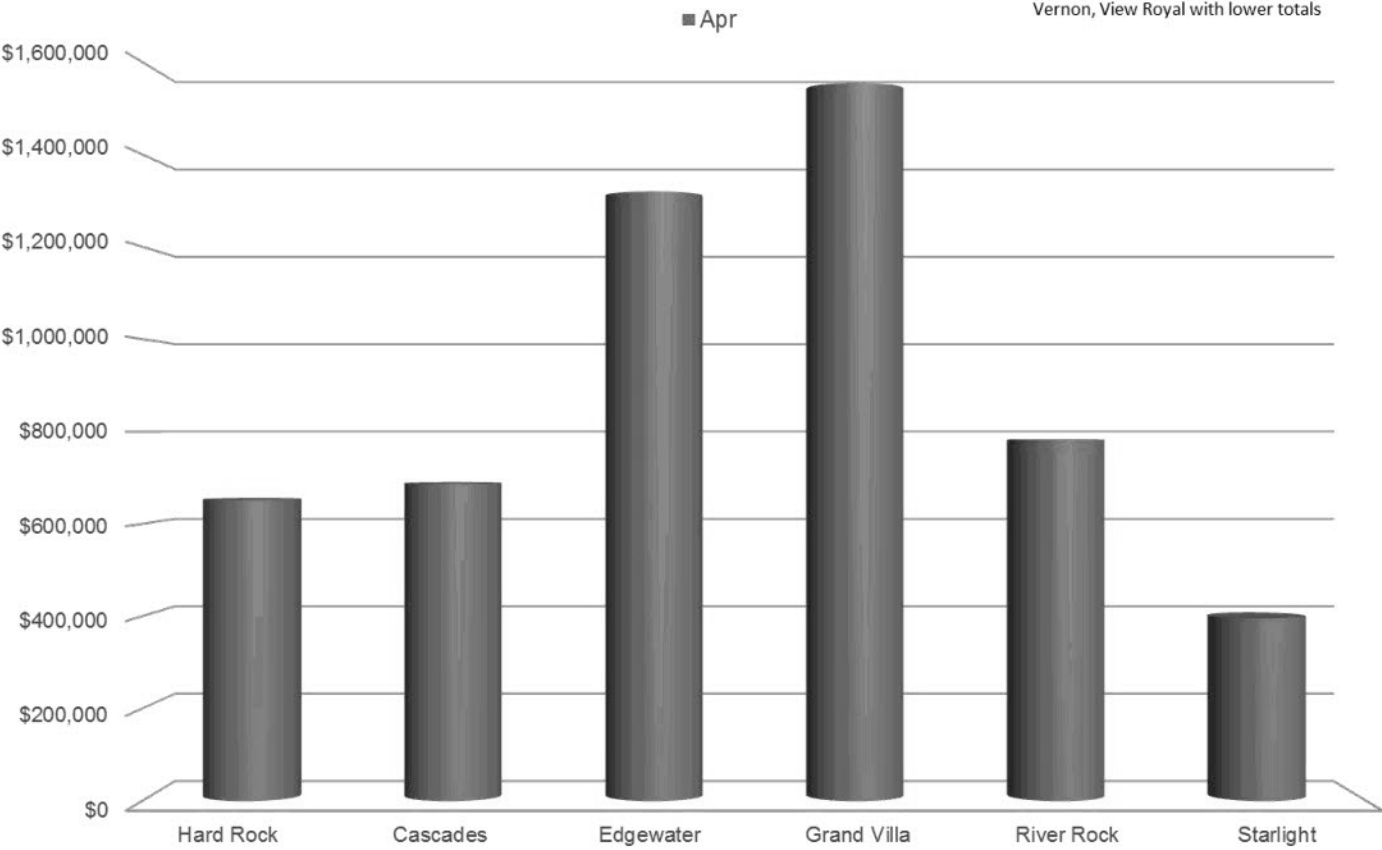


Convenience Cheques Issued Fiscal Year 2016/17 Total Dollar Value = \$111,529 Total Cheques Issued = 18

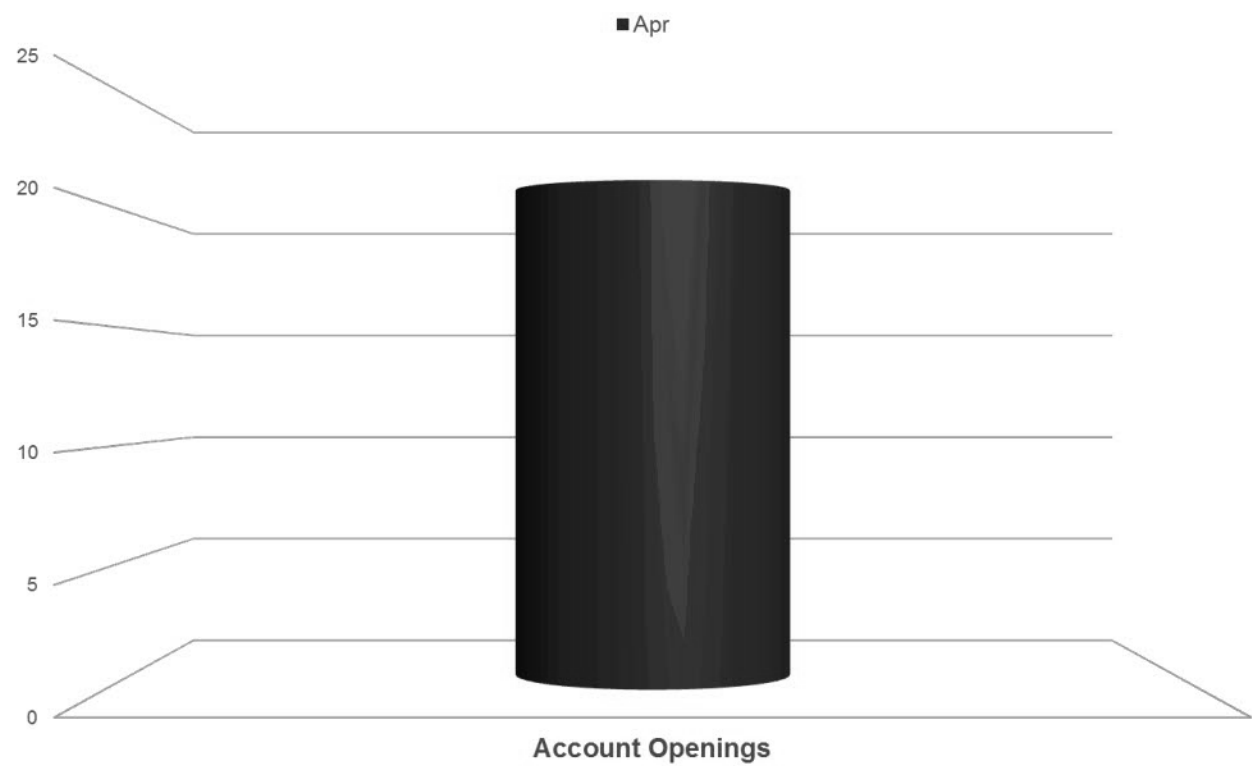


Debit Card use at Cash Cage Monthly Totals by Property Fiscal Year 2016/17

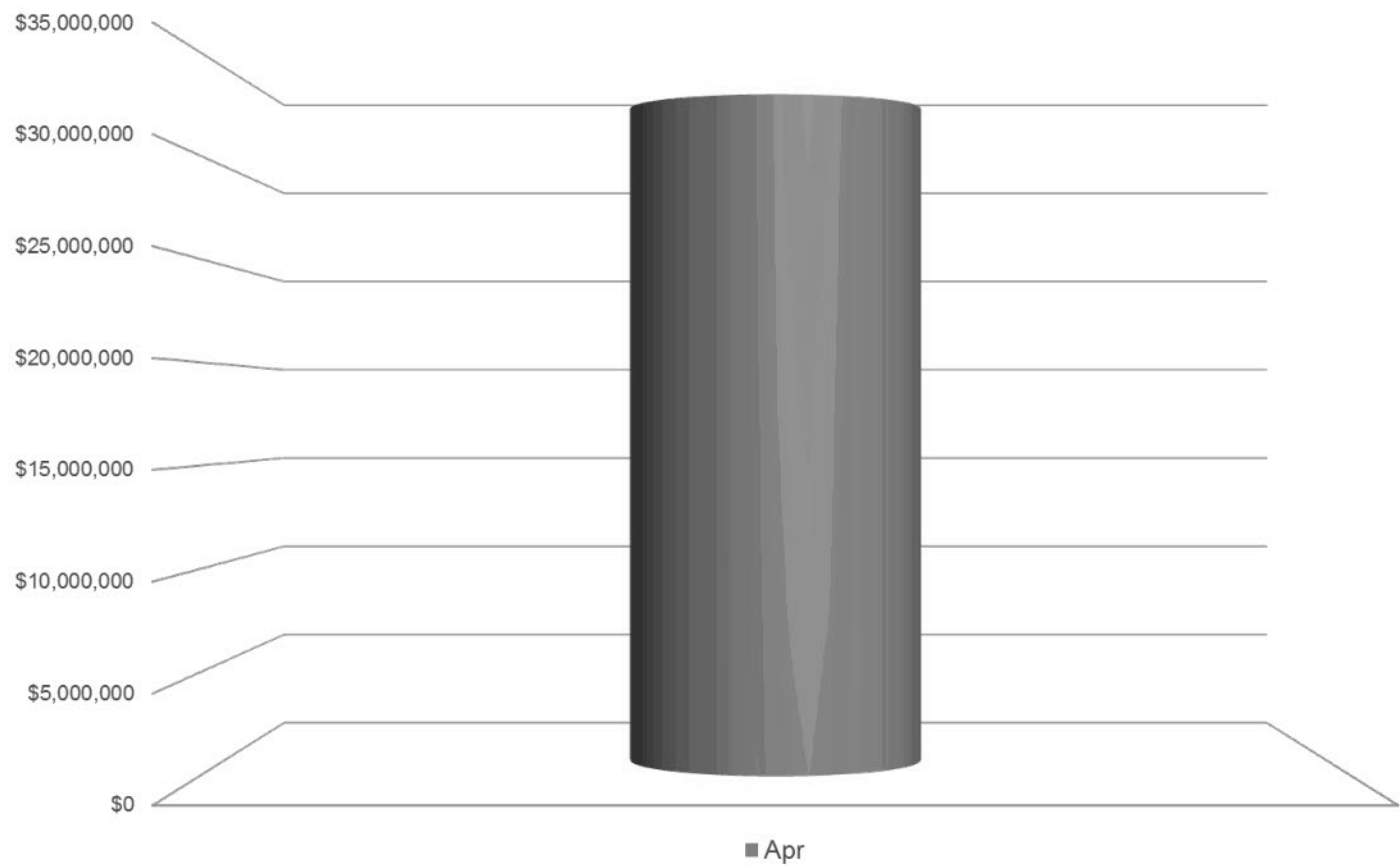
Note: also in use at CGCs Abbotsford, Campell River, Chilliwack, Courtenay, Cowichan, Dawson Creek, Kelowna, Maple Ridge, Playtime Gaming Langley and casinos Elements, Hastings, Kelowna, Hastings, Penticton, Treasure Cove, Vernon, View Royal with lower totals



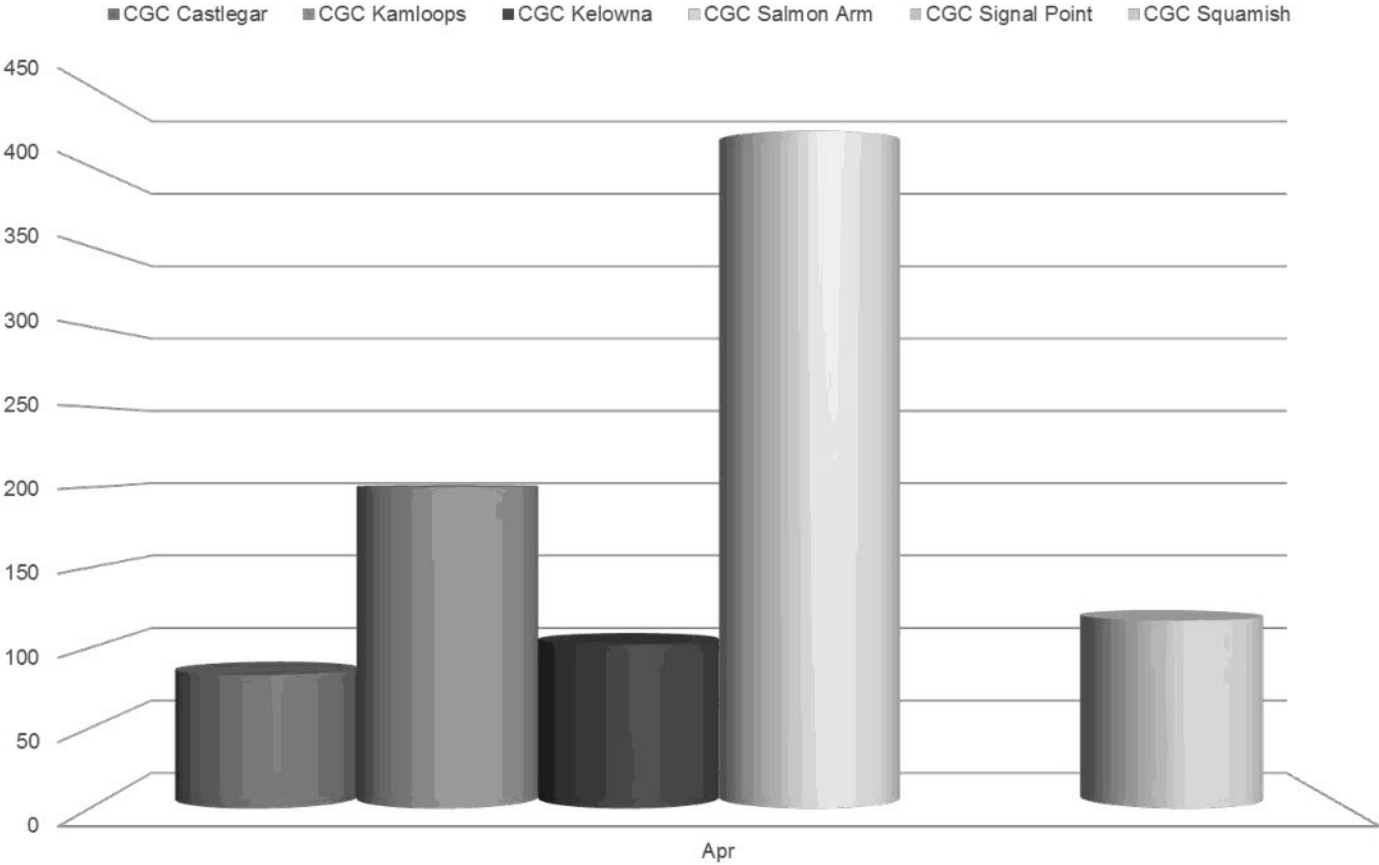
Monthly PGF Account Openings
 Fiscal Year 2016/17
 Accounts Opened/Reopened since April 1, 2016 = 21



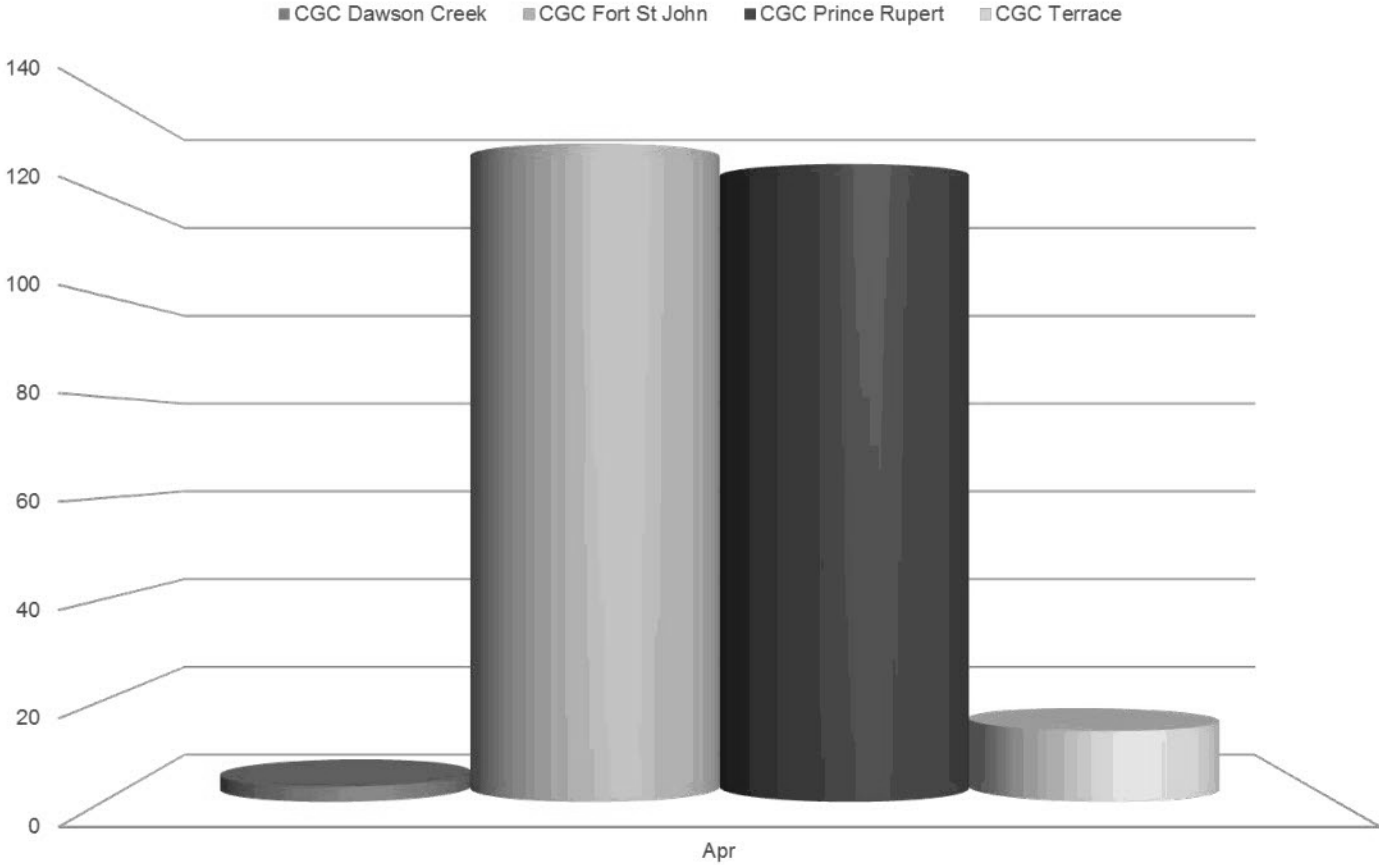
PGF Account Use
 Fiscal Year 2016/17
 Deposits = \$32,938,251



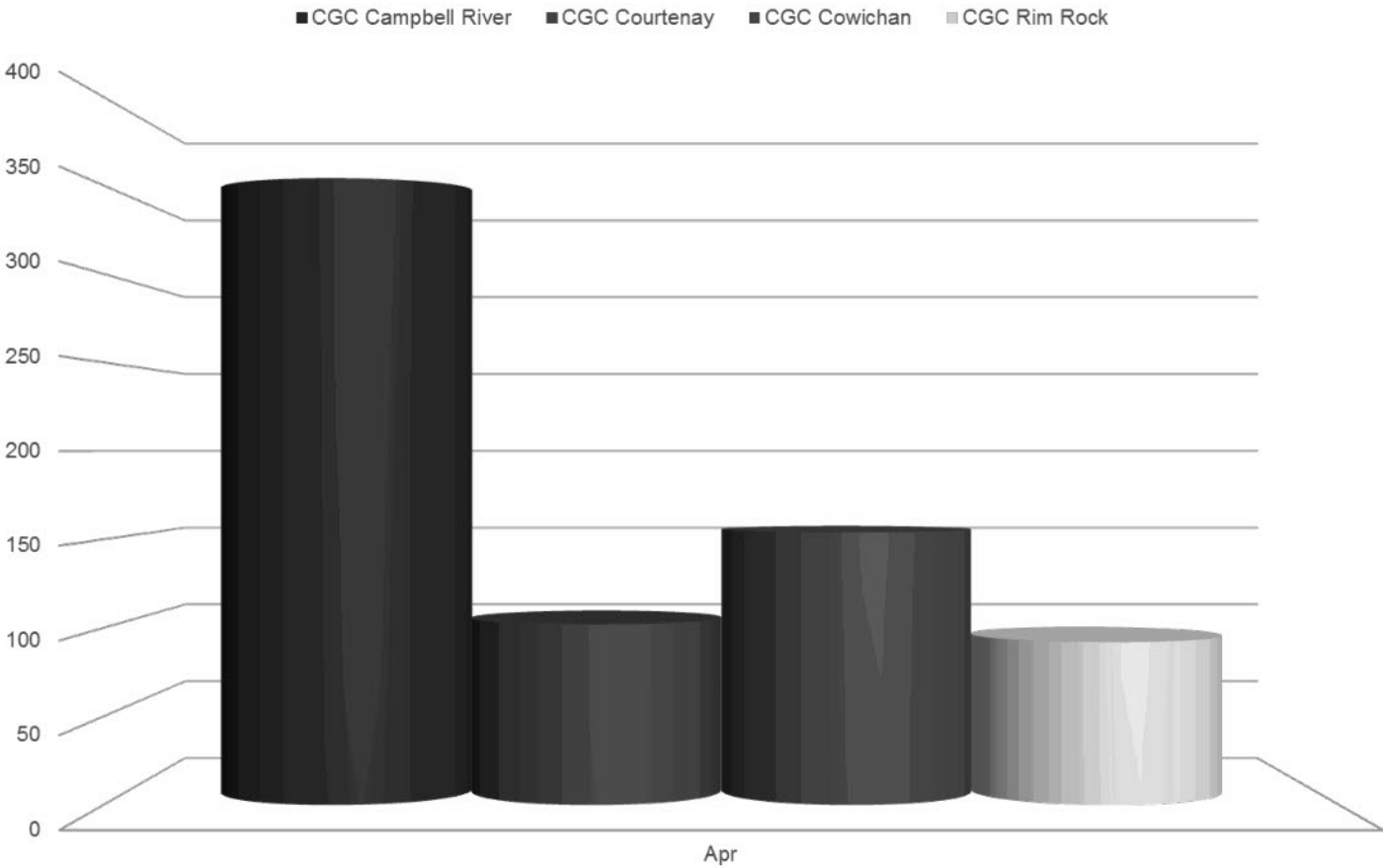
iKiosk Scans per Site Interior CGCs Fiscal Year 2016/17



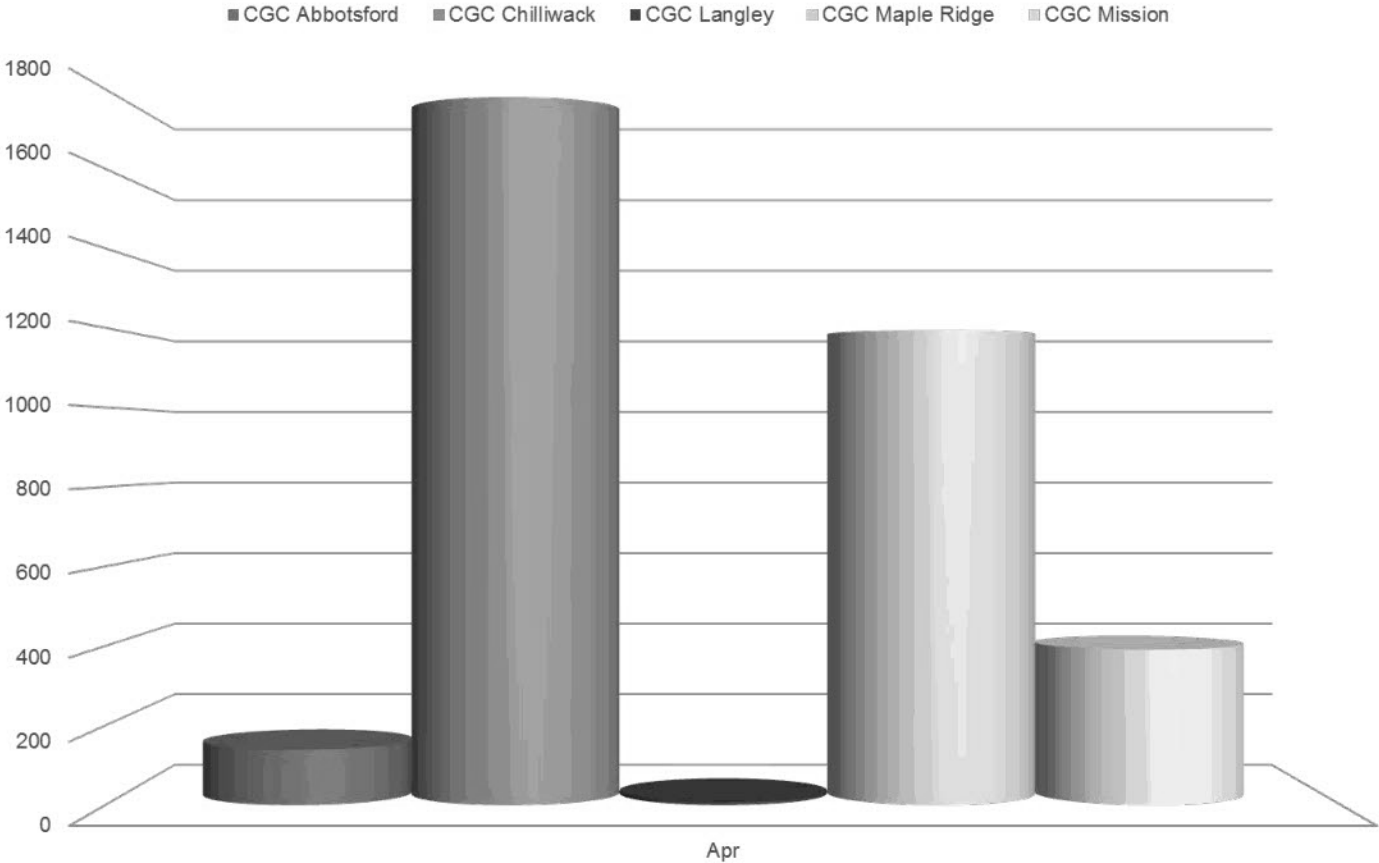
iKiosk Scans per Site Northern CGCs Fiscal Year 2016/17



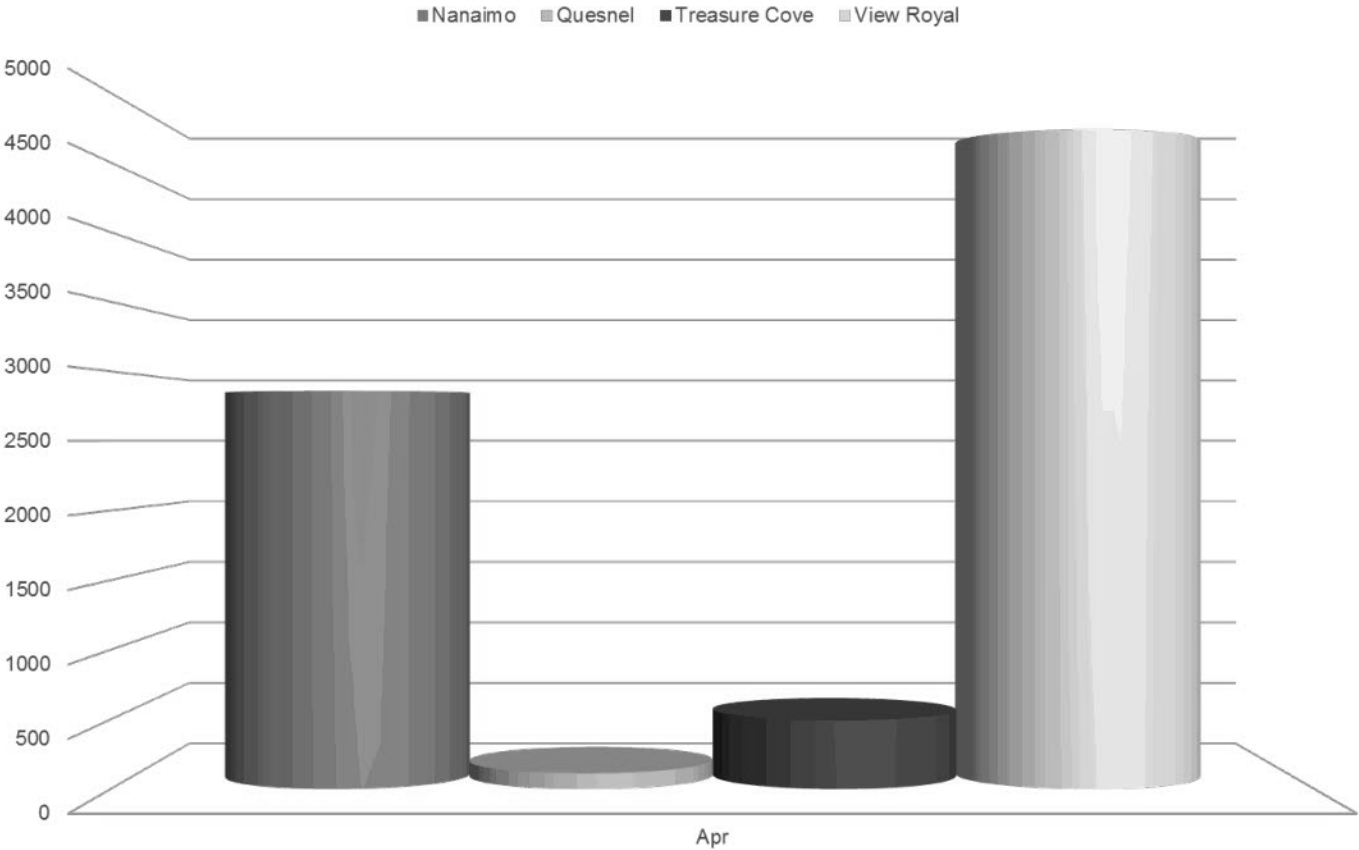
iKiosk Scans per Site Island CGCs Fiscal Year 2016/17



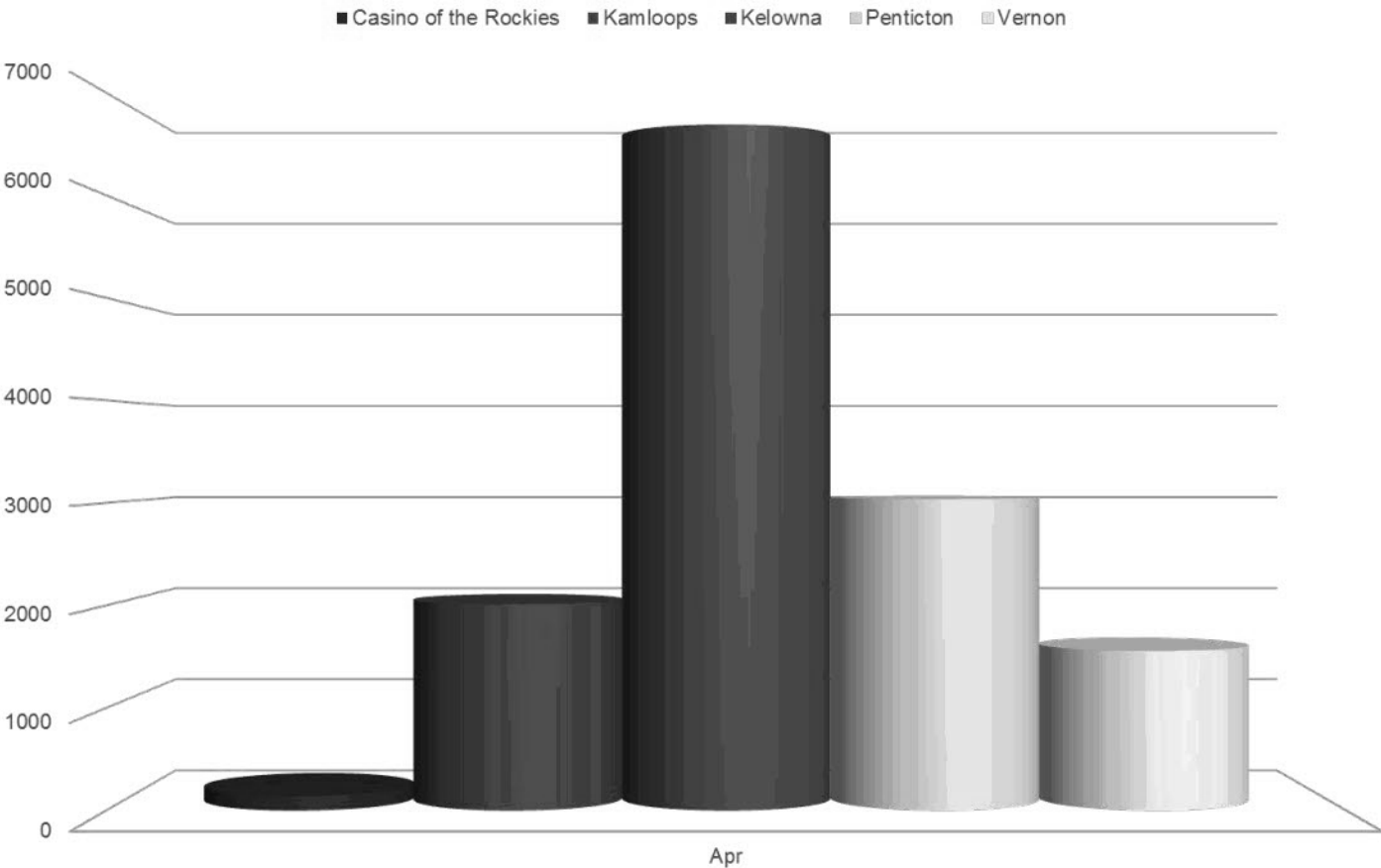
iKiosk Scans per Site Lower Mainland CGCs Fiscal Year 2016/17



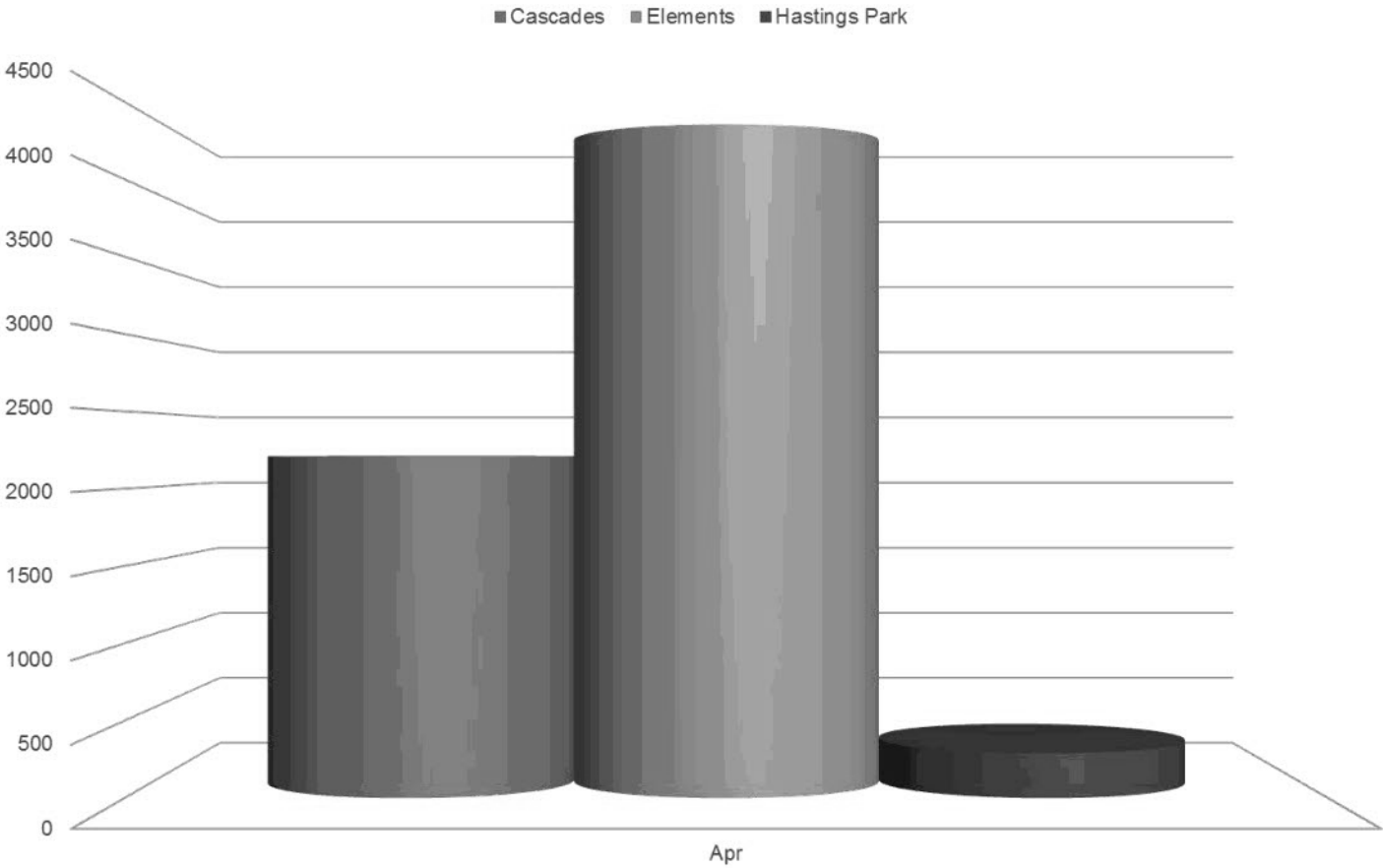
iKiosk Scans per Site Island and Northern Casinos Fiscal Year 2016/17



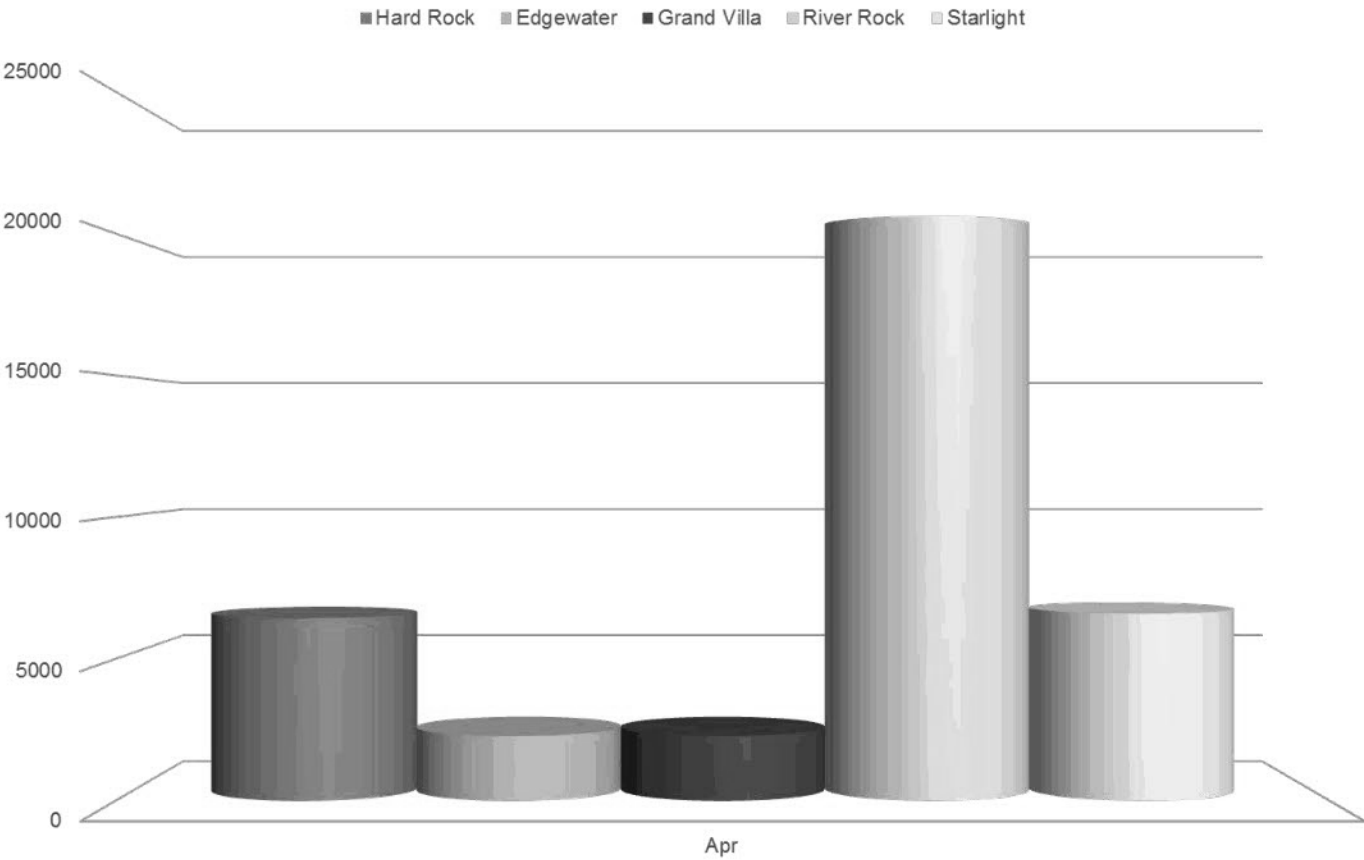
iKiosk Scans per Site Interior Casinos Fiscal Year 2016/17



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



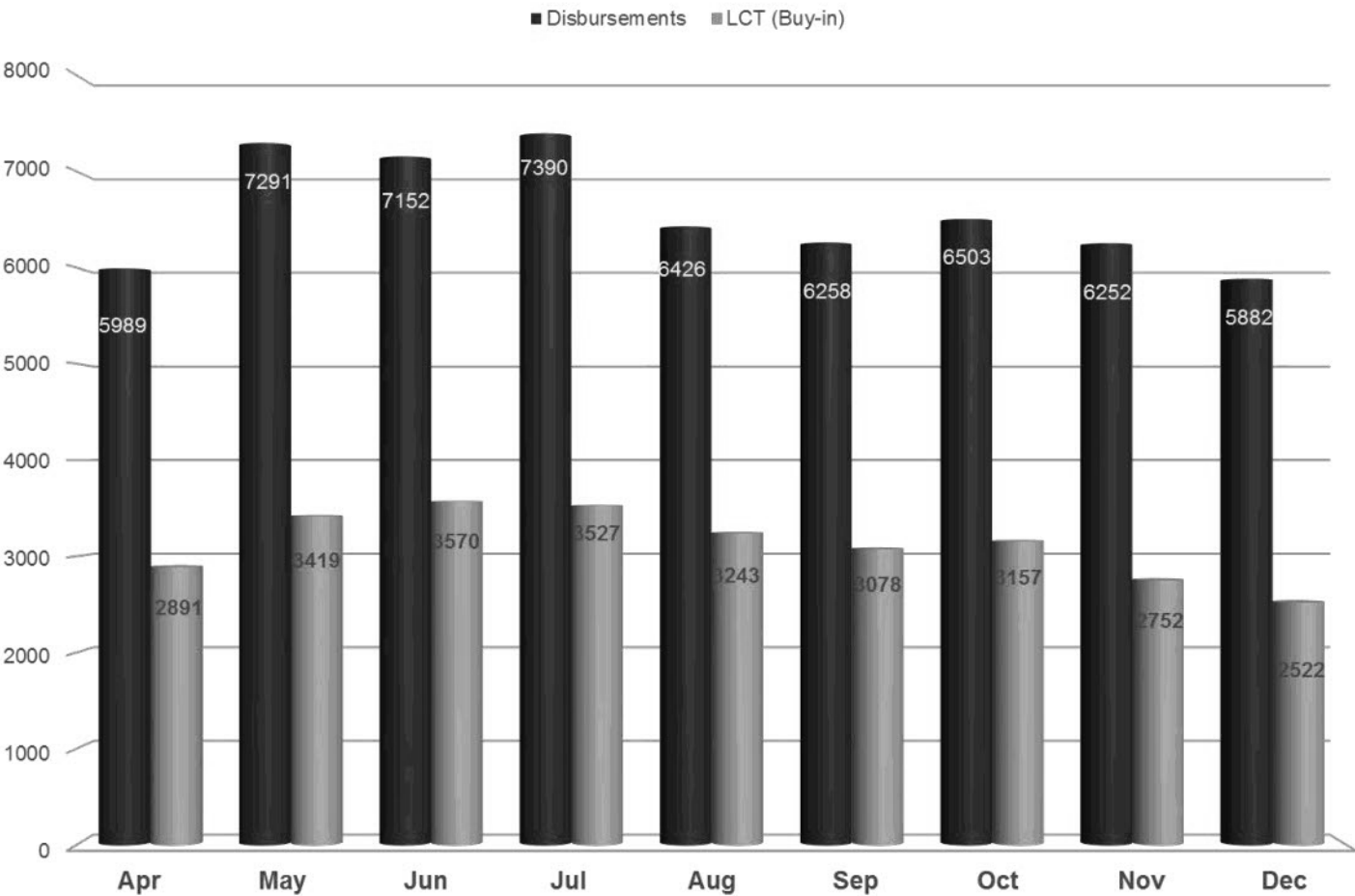
iKiosk Scans per Site Large Lower Mainland Casinos Fiscal Year 2016/17



BCLC Corporate Security & Compliance

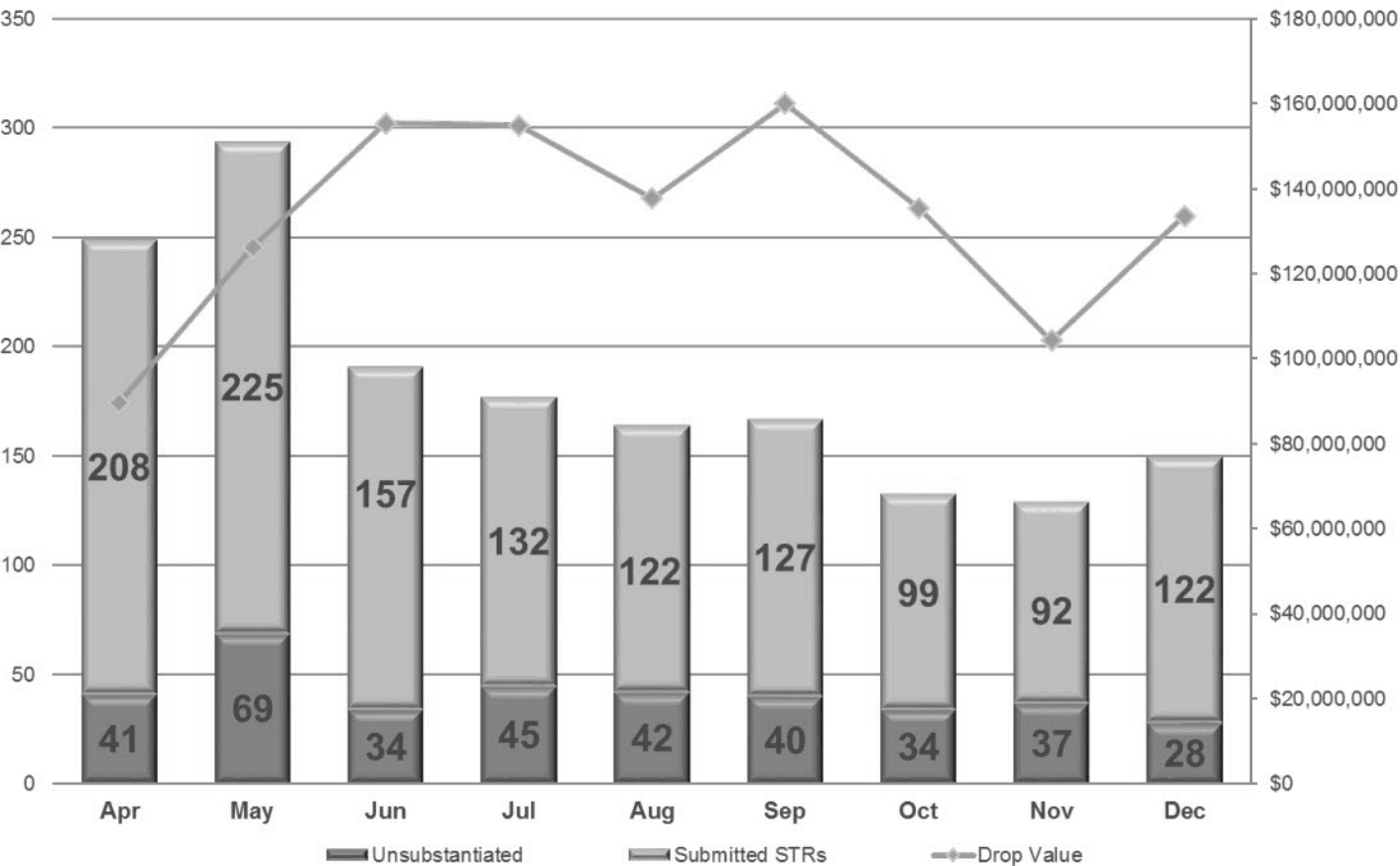
Monthly Dashboard December 2016

Monthly Submissions to FINTRAC Fiscal Year 2016/17



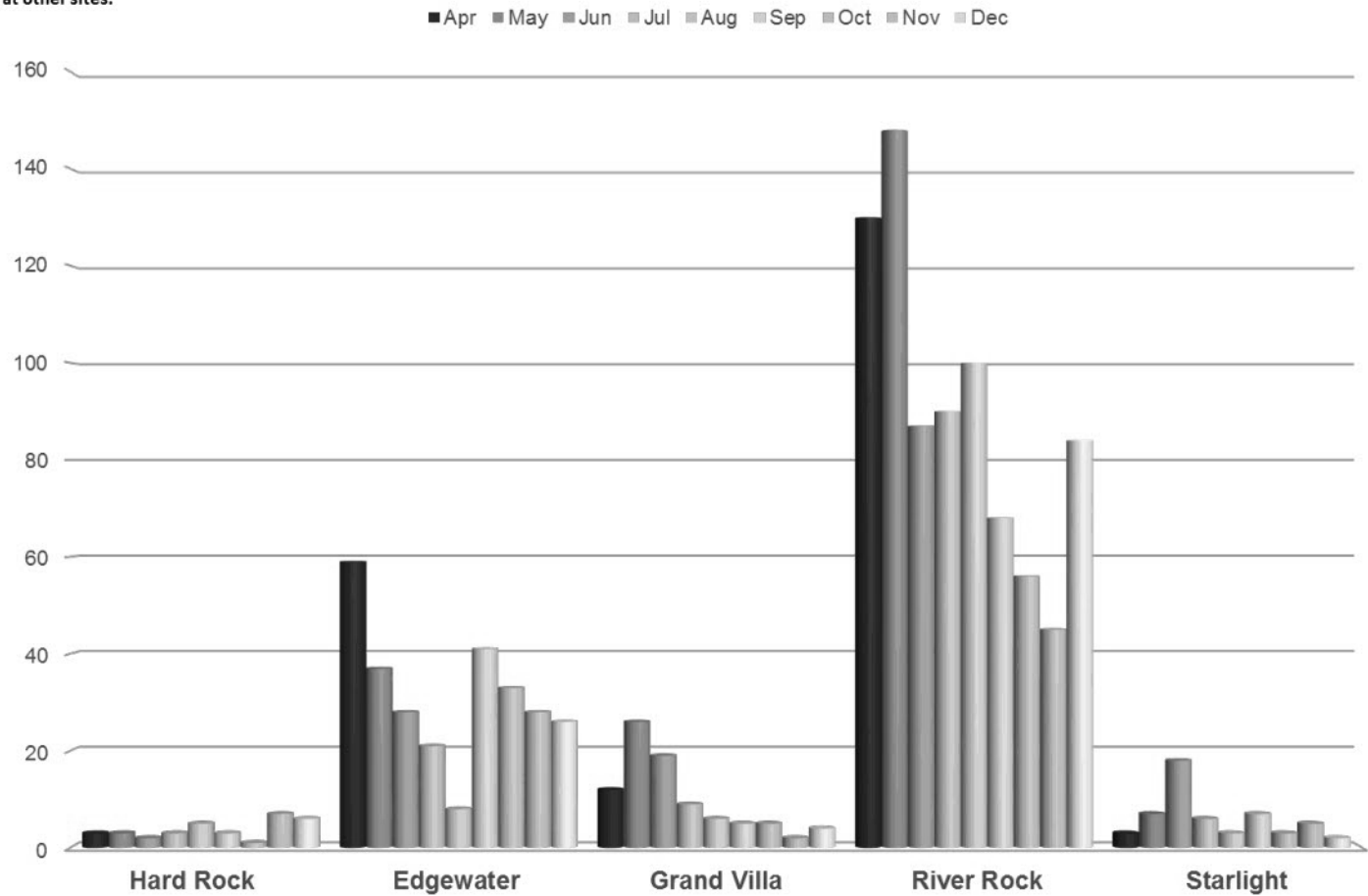
Monthly Suspicious Transaction Reports vs Monthly High Limit Table Drop Values Fiscal Year 2016/17

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



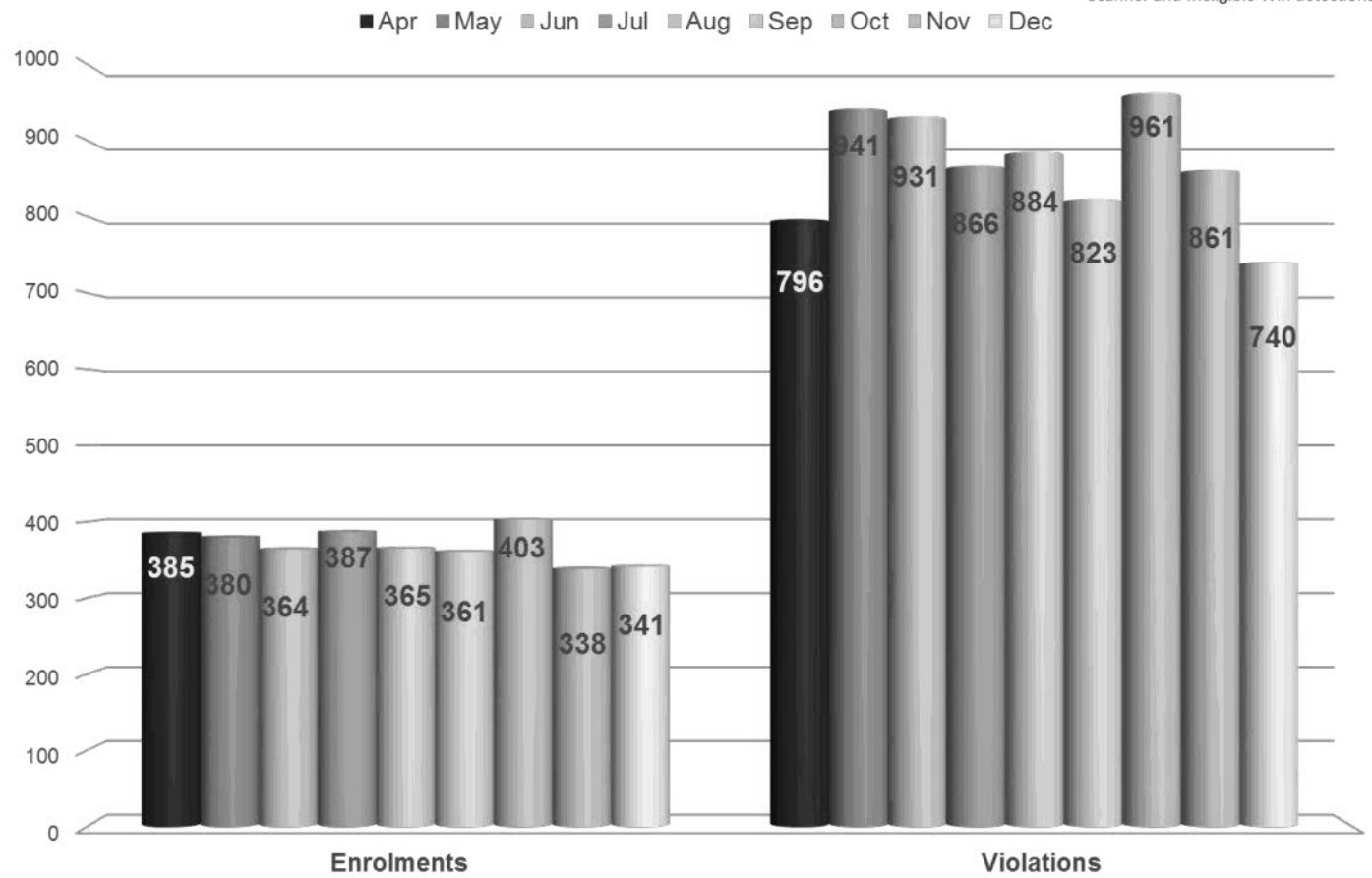
Suspicious Transaction Reports filed by Site Fiscal Year 2016/17

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

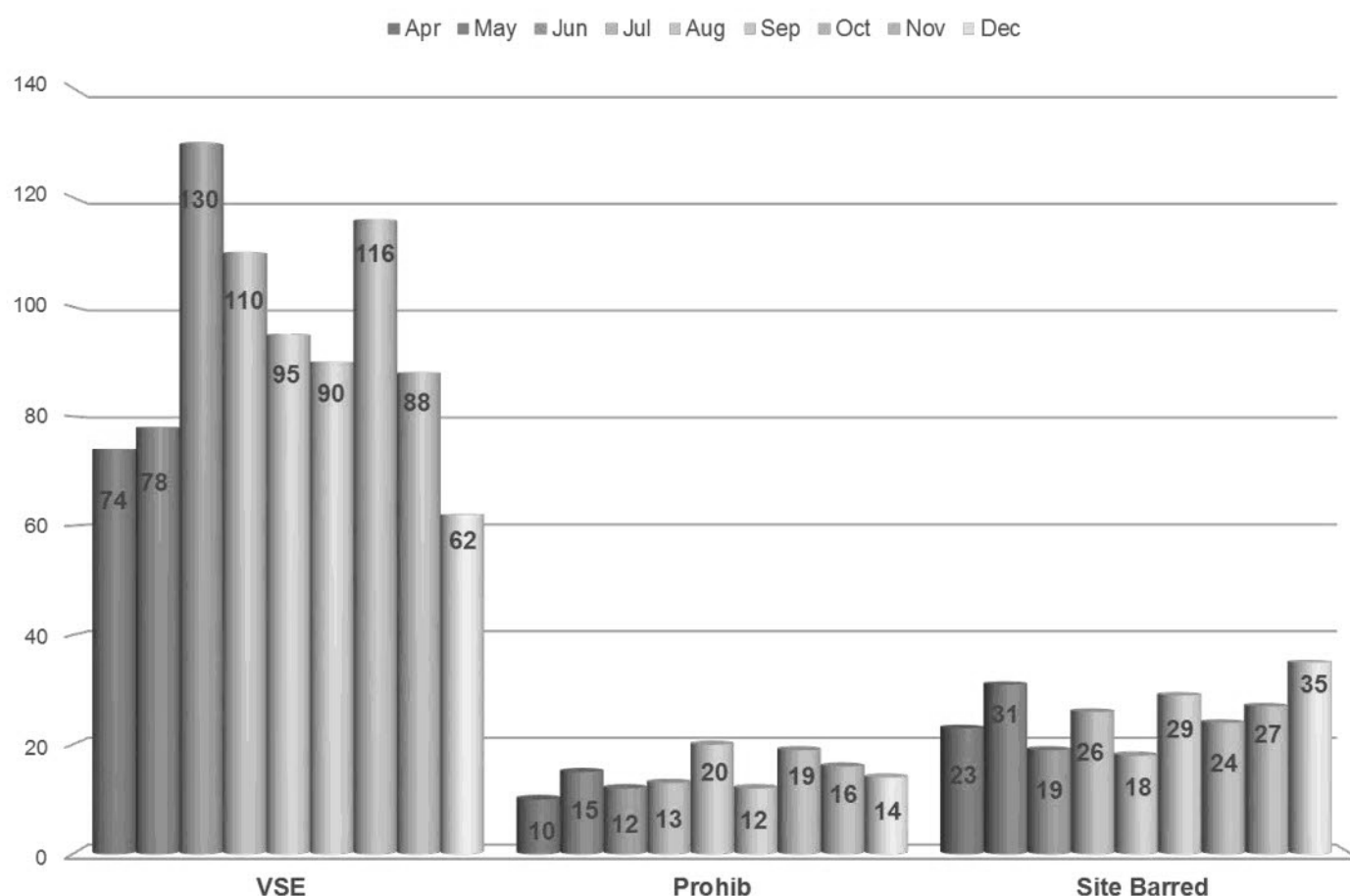


Monthly Report on VSE Enrolments & Violations Fiscal Year 2016/17

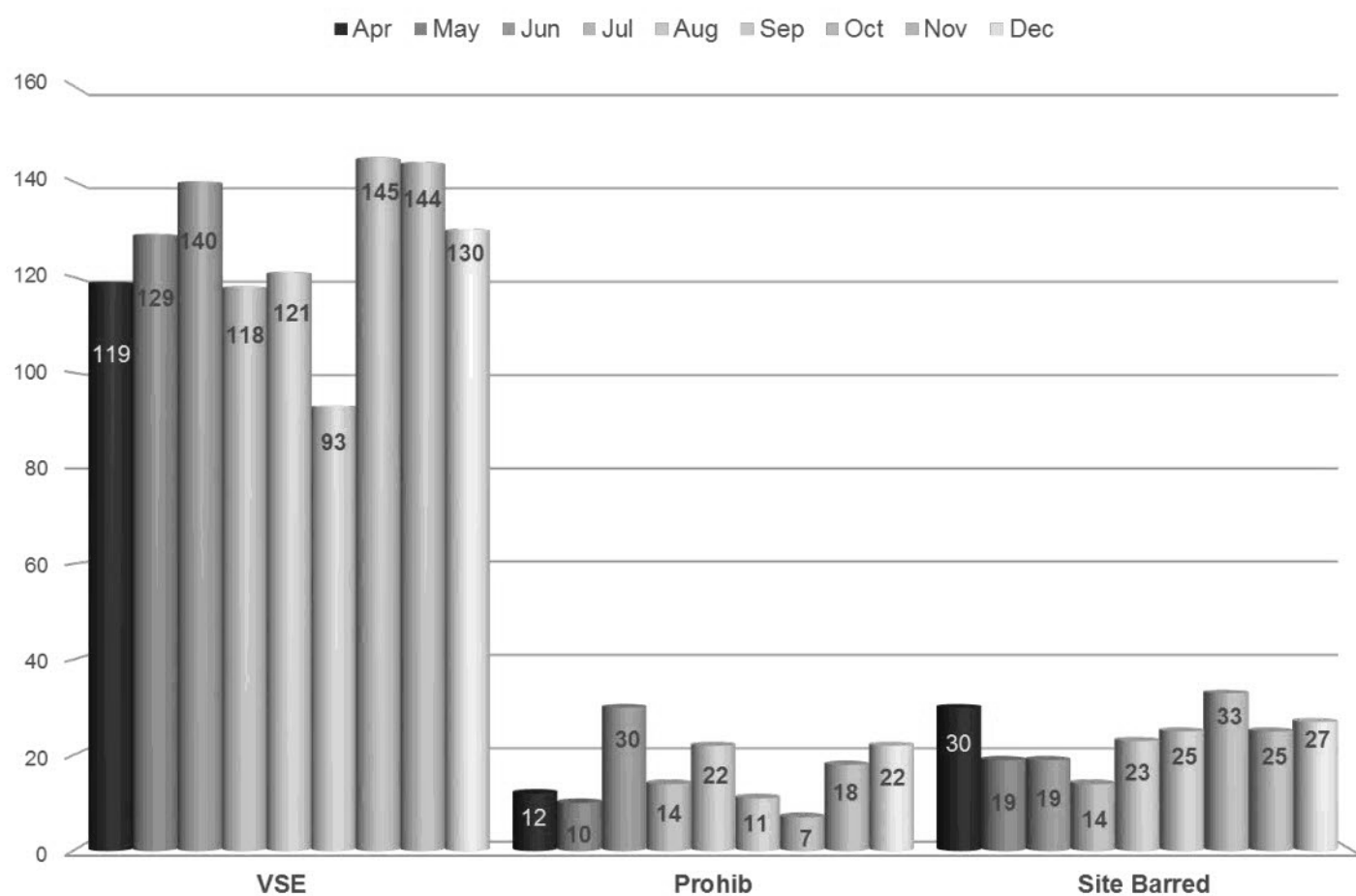
Note: violations include staff, LPR, ID Scanner and Ineligible Win detections



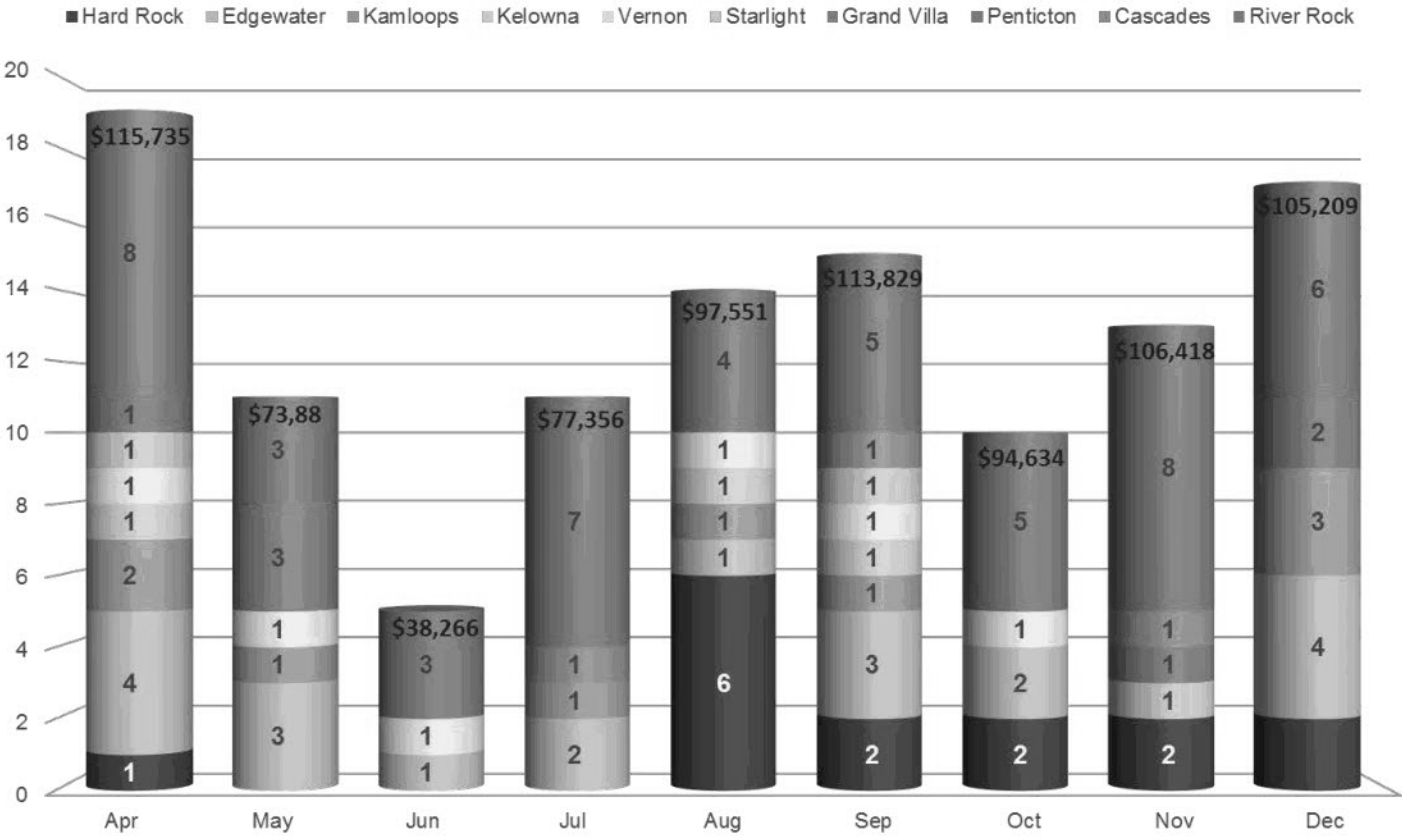
ID Scanner Captures Monthly Report Fiscal Year 2016/17



LPR Captures Monthly Report Fiscal Year 2016/17

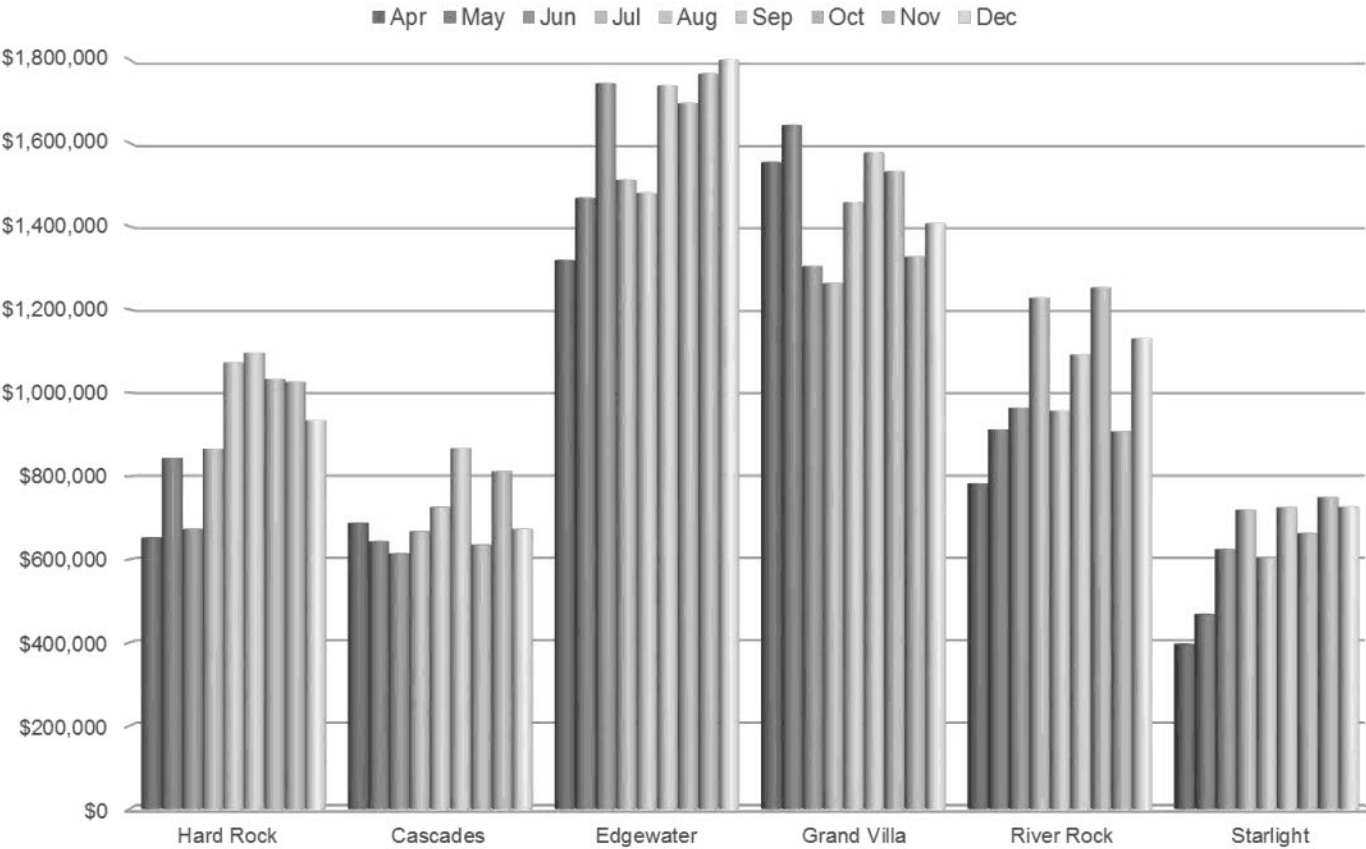


Convenience Cheques Issued Fiscal Year 2016/17 Total Dollar Value = \$822,880 Total Cheques Issued = 115

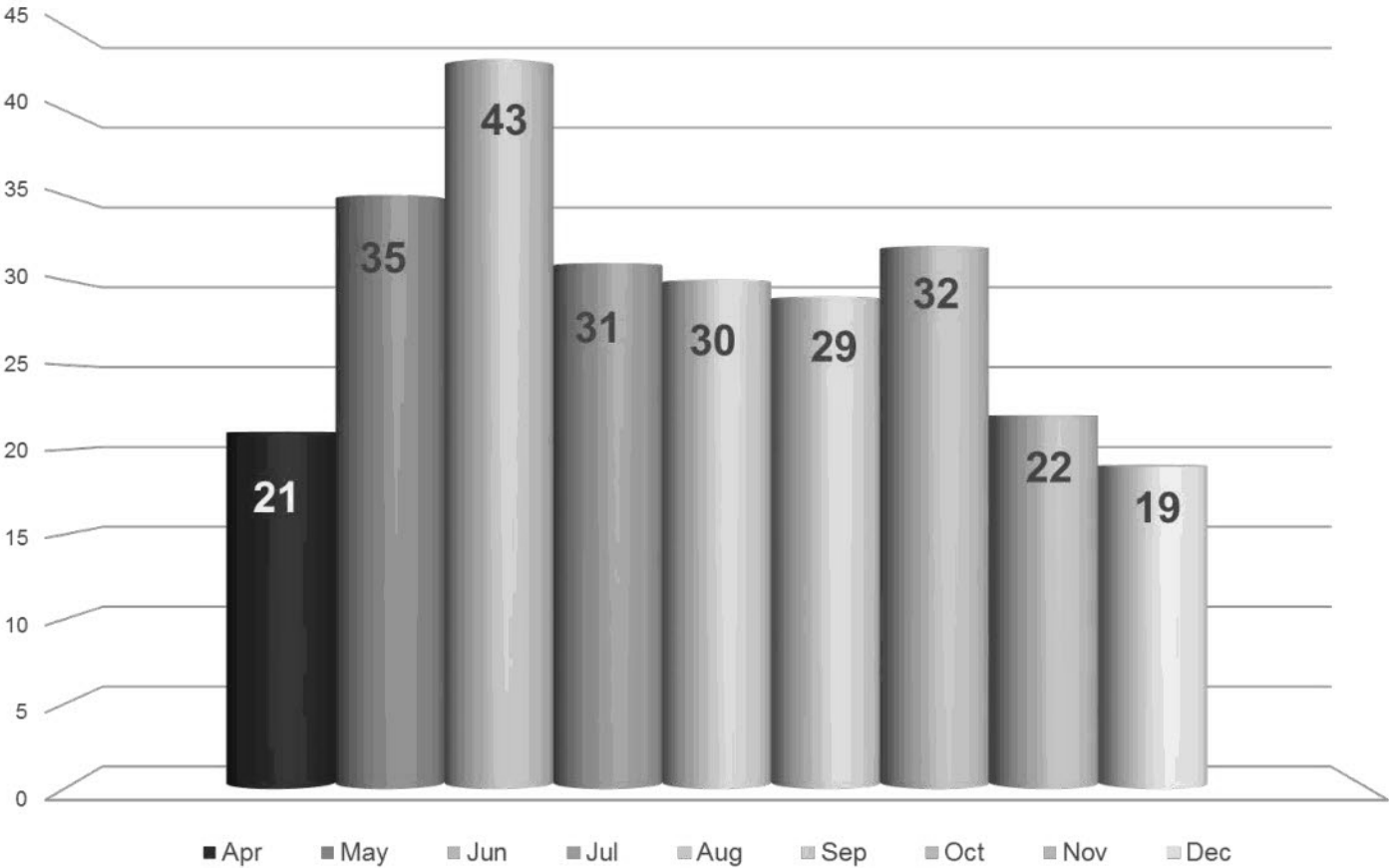


Debit Card use at Cash Cage Monthly Totals by Property Fiscal Year 2016/17

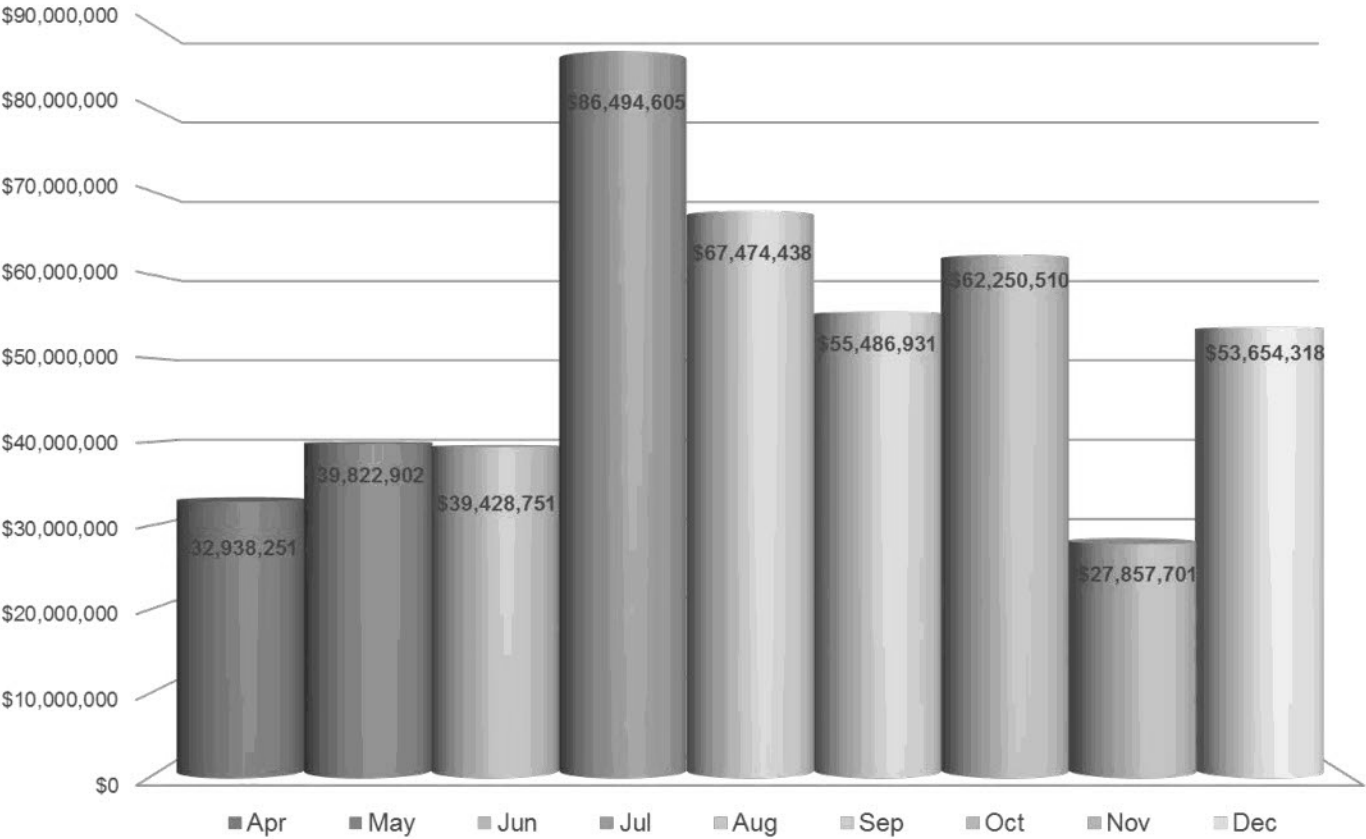
Note: also in use at CGCs Abbotsford, Campell River, Chilliwack, Courtenay, Cowichan, Dawson Creek, Kelowna, Maple Ridge and casinos Elements, Hastings, Kamloops, Kelowna, Hastings, Penticton, Treasure Cove, Vernon, View Royal with lower totals



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

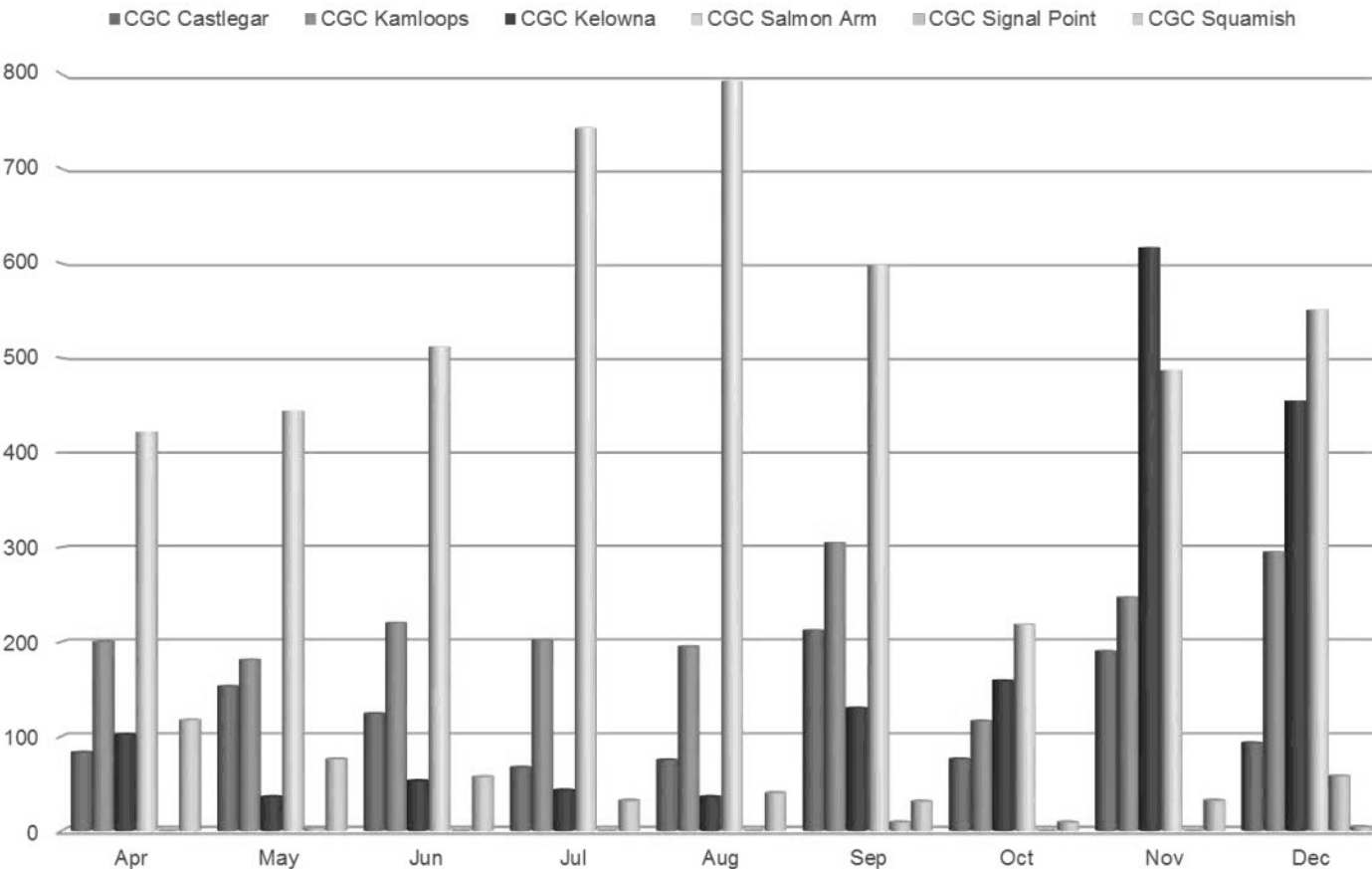


PGF Account Use
Deposits = \$465,408,405
Fiscal Year 2016/17

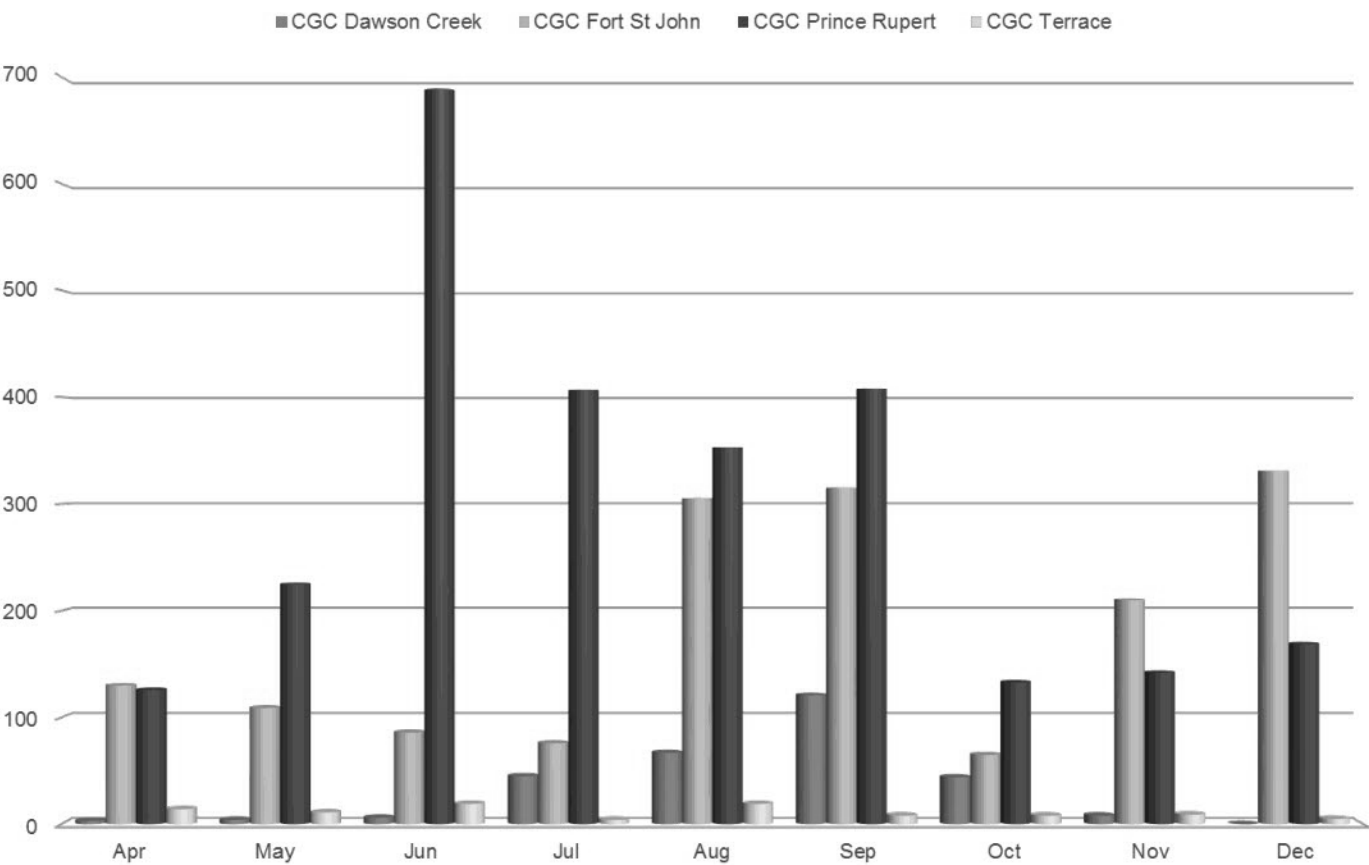


Note: iKiosk stats for month of October for all sites displays only half a month of data due to technical issue.

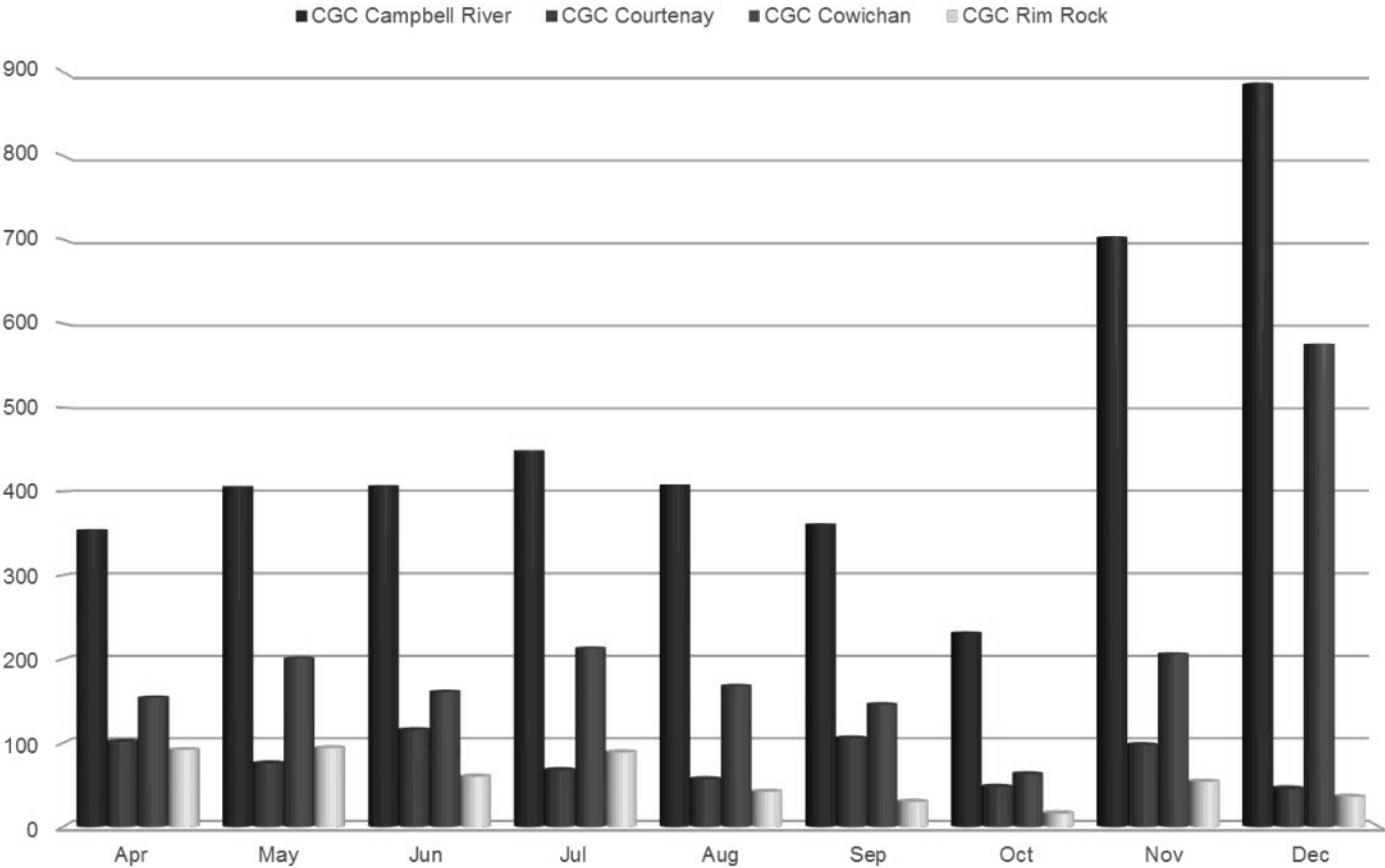
iKiosk Scans per Site
Interior CGCs
Fiscal Year 2016/17



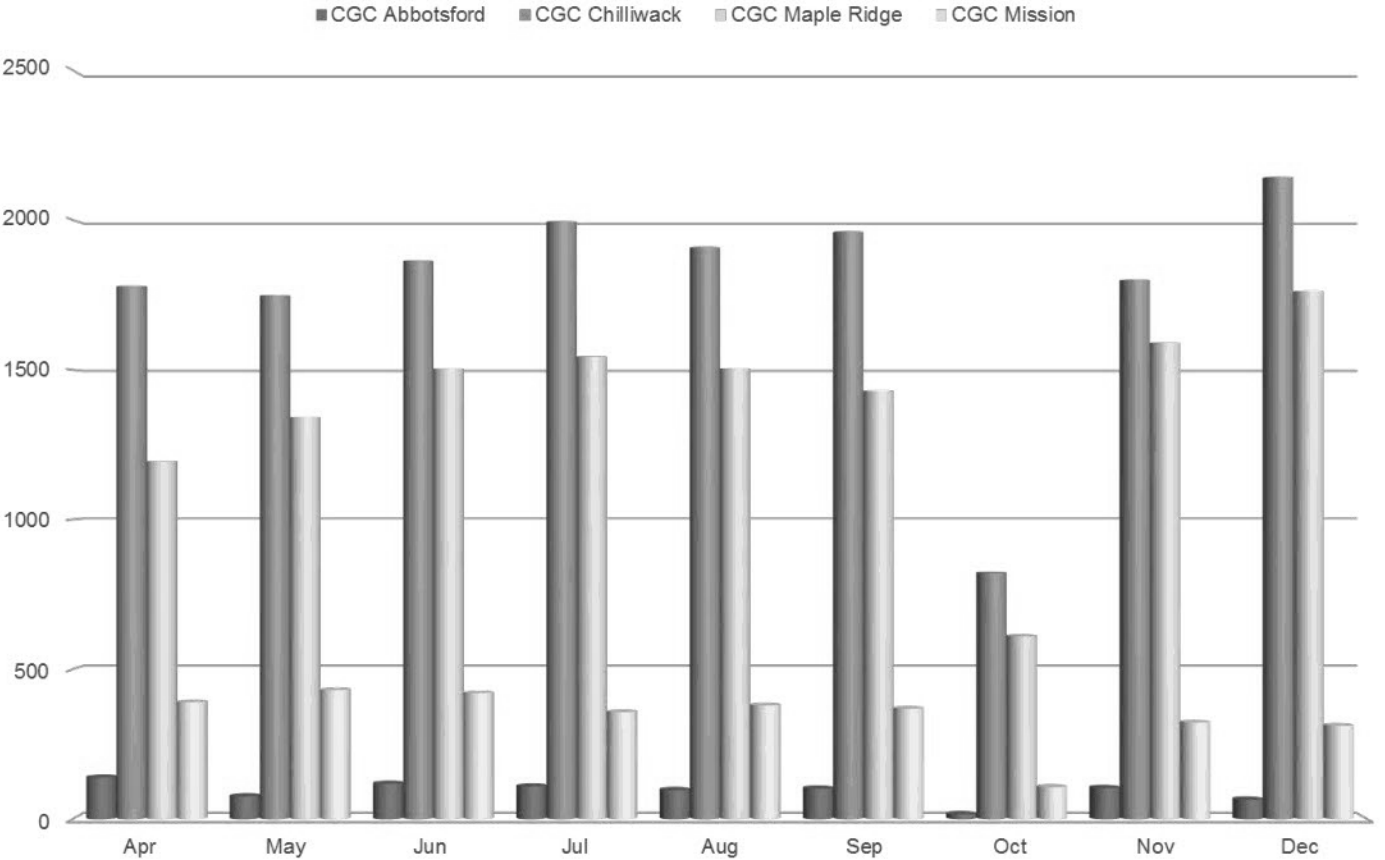
iKiosk Scans per Site
Northern CGCs
Fiscal Year 2016/17



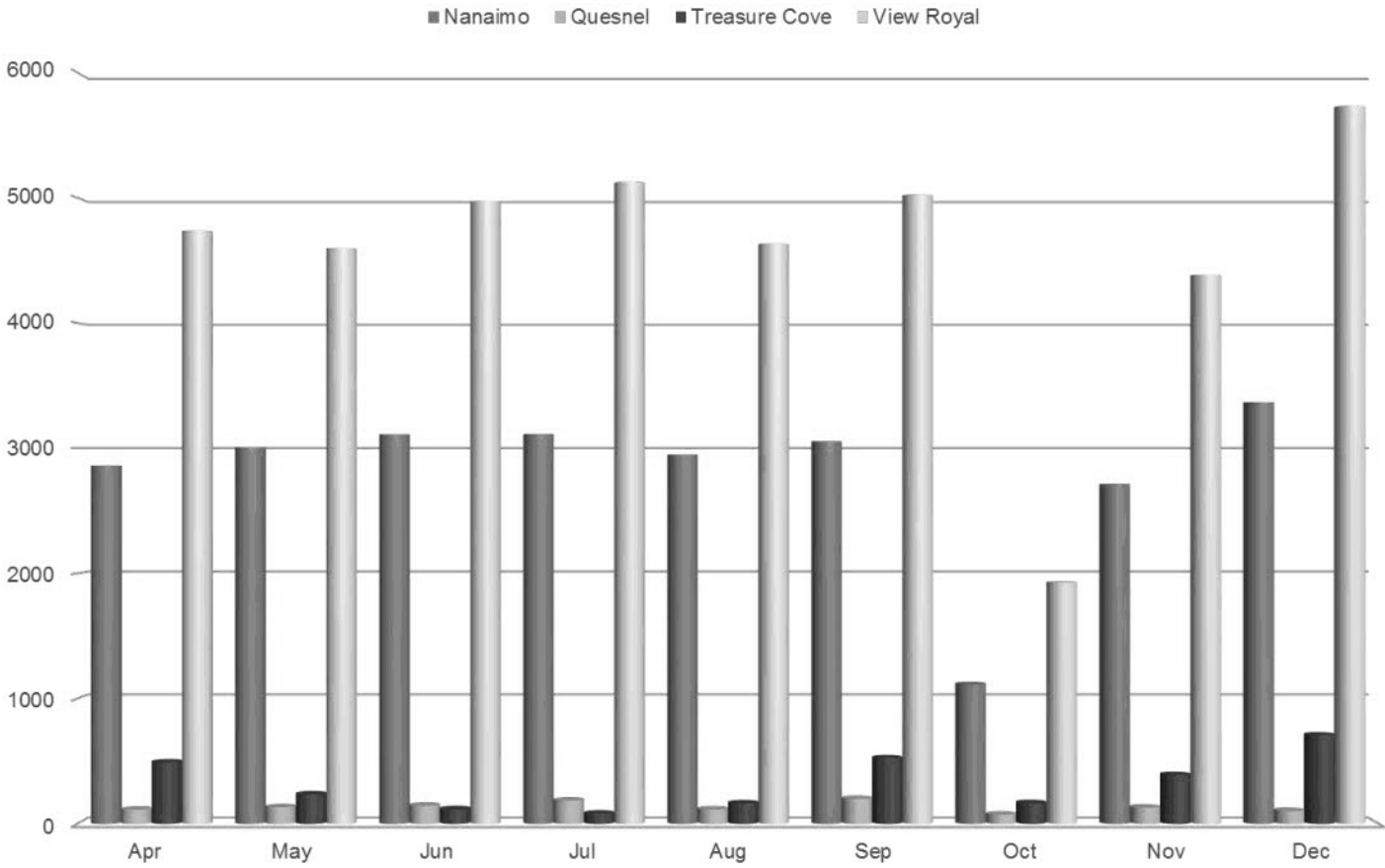
iKiosk Scans per Site Island CGCs Fiscal Year 2016/17



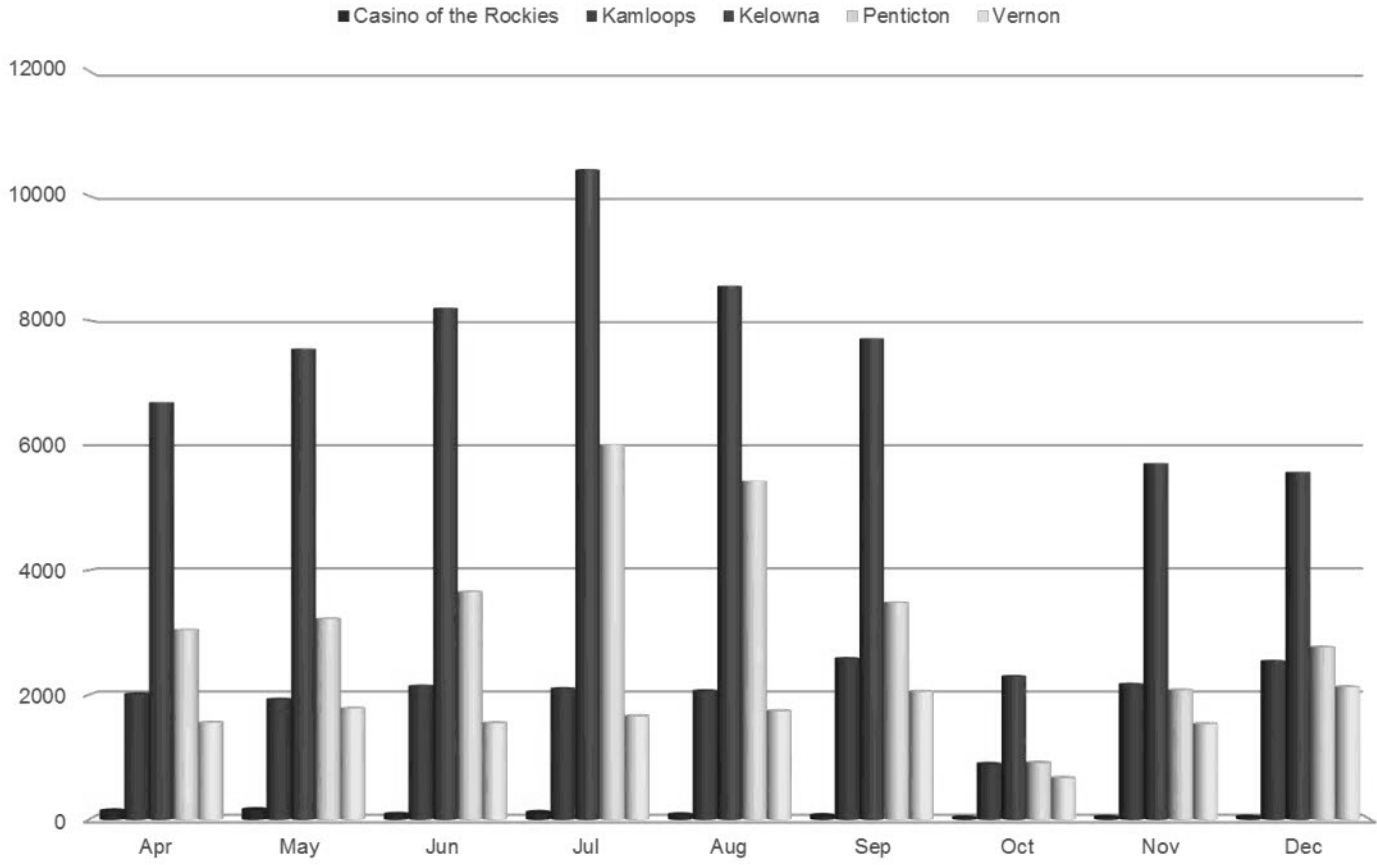
iKiosk Scans per Site Lower Mainland CGCs Fiscal Year 2016/17



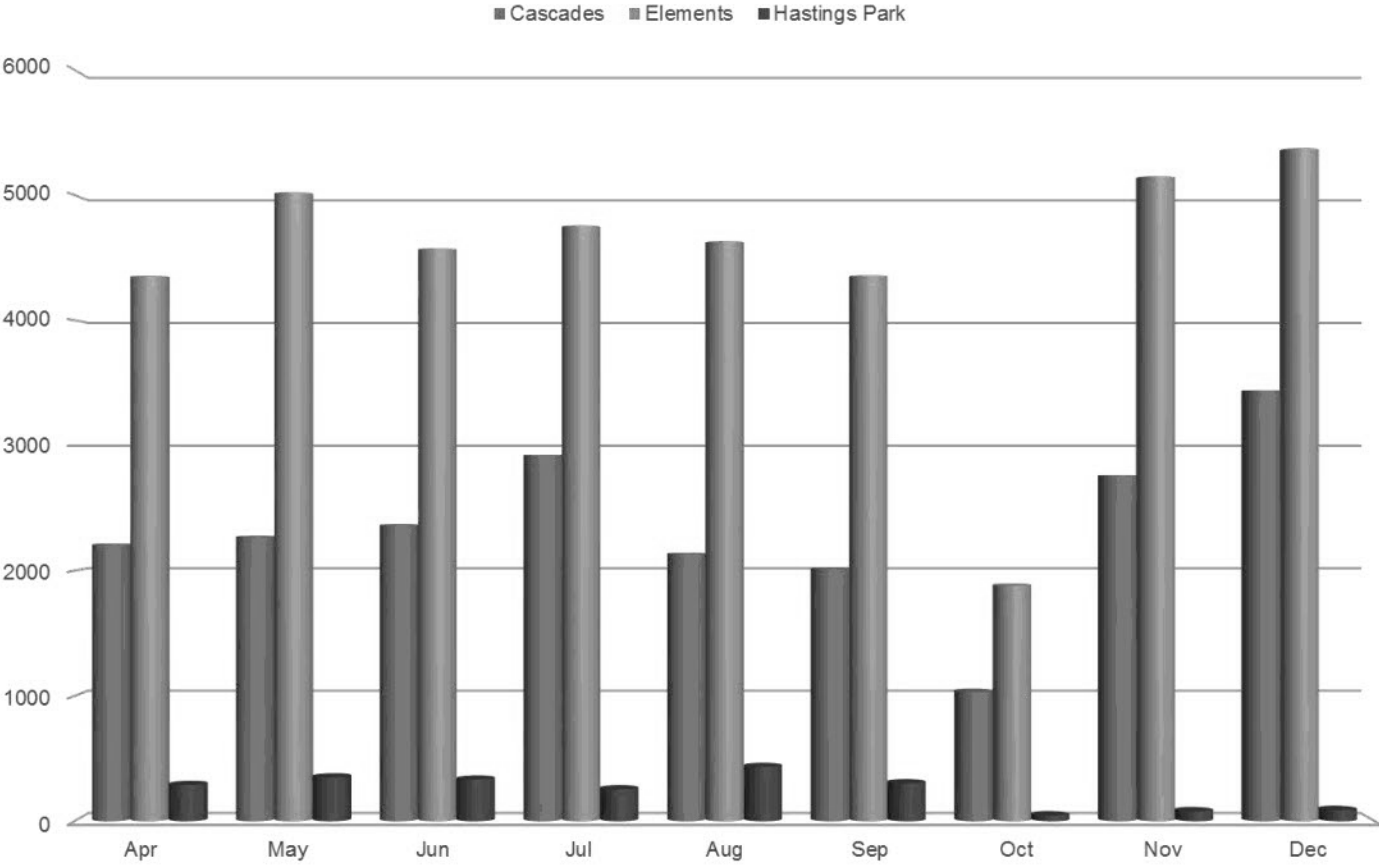
iKiosk Scans per Site Island and Northern Casinos Fiscal Year 2016/17



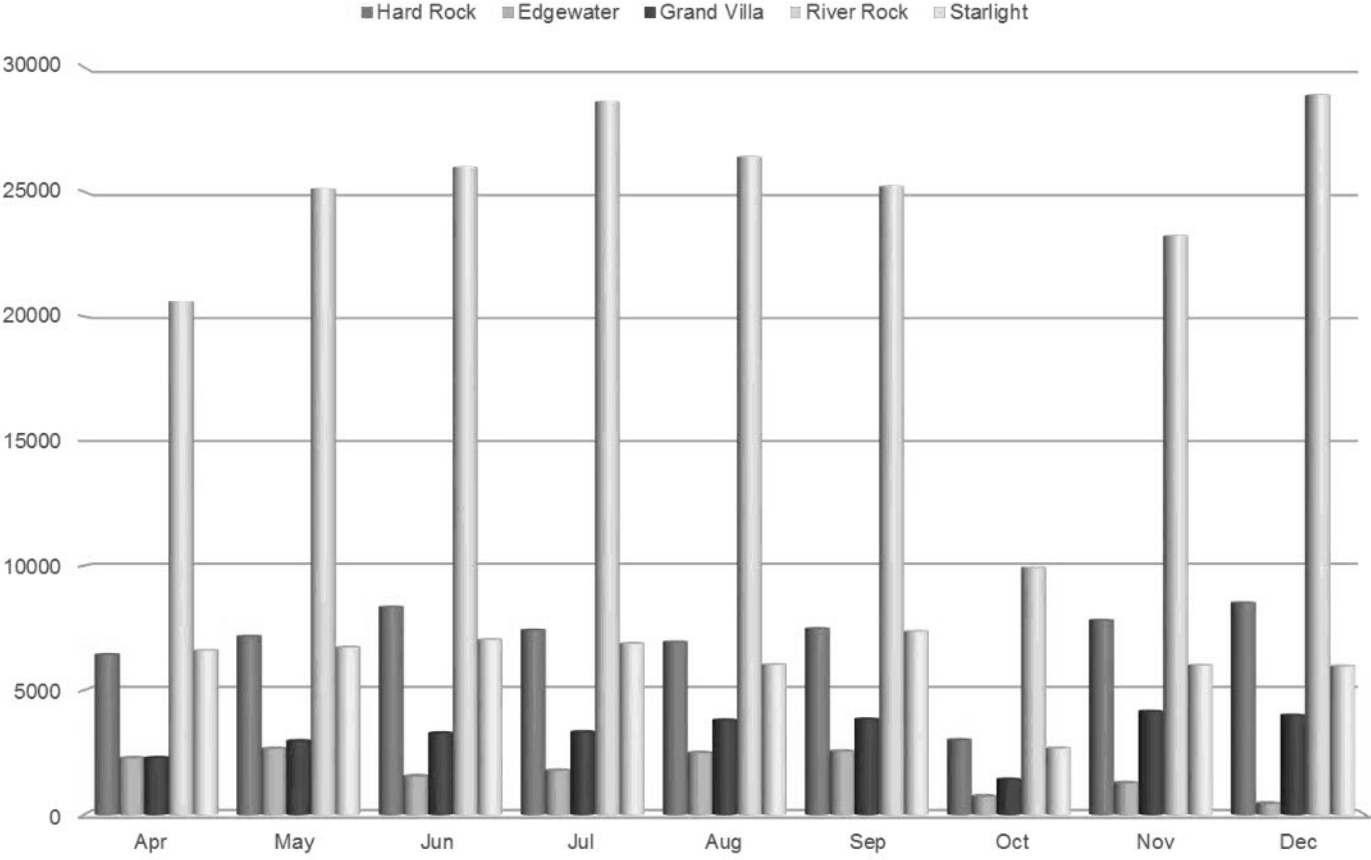
iKiosk Scans per Site Interior Casinos Fiscal Year 2016/17



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



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



Page 133 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.

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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.

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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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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.