



TO: John MAZURE
Assistant Deputy Minister
Gaming Policy and Enforcement Branch

FROM: Len MEILLEUR
Executive Director - Compliance Division
Gaming Policy and Enforcement Branch

DATE: 2017-04-06

RE: **Implementation of the Transaction Assessment Team (TAT)**
(Requires Sensitive Handling – CONFIDENTIAL)

Executive Summary

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. In 2011 a multi-phased AML Strategy was launched and focused on reducing the use of cash to minimize the opportunity for money laundering to take place through gaming facilities. This BCLC/GPEB shared responsibility focused the first two phases of the strategy on the development of cash alternatives and the promotion of their use by patrons to minimize the need to access cash outside of gaming facilities. This strategy includes:

- Patron Gaming Fund (PGF) accounts where casino patrons may transfer money from regulated banks and credit unions, or add funds to their account via certified cheques, bank drafts, internet transfers, or verified win cheques;
- Electronic transfers of funds to PGF accounts through Canadian, U.S. and, more recently, international banks;
- Customer convenience cheques issued for and marked as “return of funds that are not gaming winnings”; and
- Debit withdrawals at the cash cage and ATM withdrawals inside gaming facilities.

Phase 3 of the AML strategy centered on enforcement, regulatory guidance and additional measures for enhancing AML due diligence. As such, GPEB has shifted its focus to utilize its

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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.

Background

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.

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

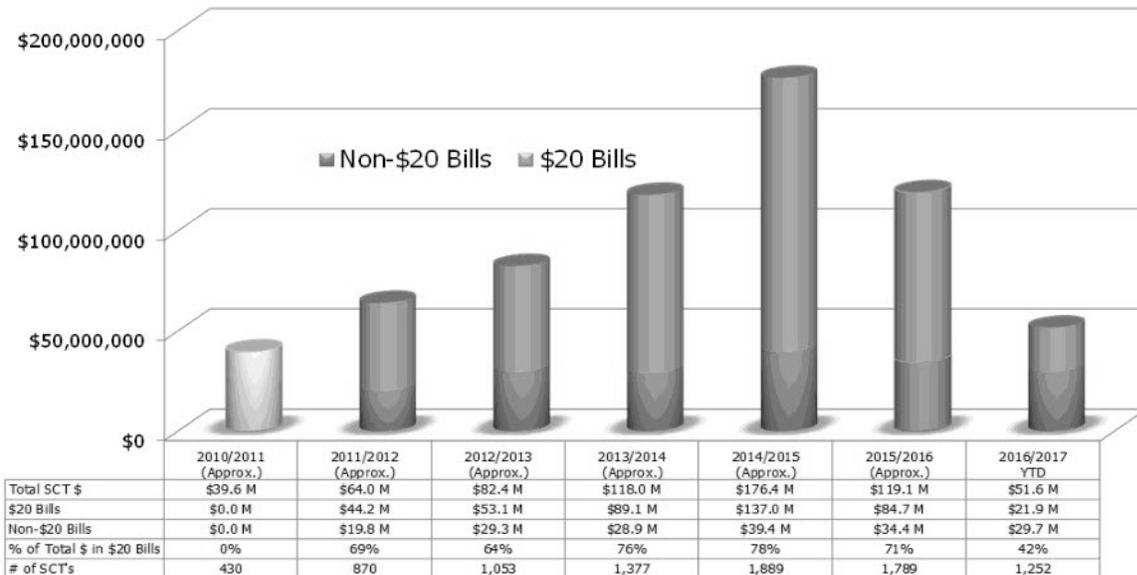
BCLC Initiatives

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

Based on data from section 86 reports, GPEB has noted a downward trend in the dollar value of SCTs in B.C. gambling facilities. From the peak of over \$20 million in July 2015, this amount declined to \$3.8 million in December 2016. There has also been a yearly downward trend in SCTs from over \$176 million in 2014/15 to \$52 million in 2016/17 (through Dec 31, 2016)).

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

Along with the reduction in SCTs, the number of STRs filed with FINTRAC by BCLC has reduced, particularly over the last half of 2016. BCLC advised that the reduction of STRs involving high value cash transactions (greater than \$50,000) coincides with increased capabilities to conduct ongoing monitoring and risk assessment of players and transactions flowing from its ISA with police; an increased use of buy-in conditions on some players based on risk; increased efforts by BCLC and its service providers to shift players to non-cash transactions such as bank drafts; and, actions taken by the Chinese government to reduce capital outflows from that country.

However 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.
- s.15

s.15

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

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

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

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s.15 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.

How implementation of the TAT is being proposed

When the idea for the TAT was first tabled, GPEB's Compliance Division leadership team focused on the development of a GPEB lead initiative. However, it was quickly realized that in order to optimize the success of this team a strong police partnership was key. Preliminary discussions were initiated with JIGIT management and they expressed a strong desire to take ownership and lead the initiative. A few proposals for team implementation were considered and with each proposal the chance of success and the legal premise to do the work were measured. The first proposal outlined below is the only proposal that can be supported with a level of comfort while mitigating any legal risk. The other proposals are outlined to demonstrate what was considered.

Proposal 1 – s.15

s.15

s.15

Proposal Number 2 – s.13

s.13

[This proposal was considered, however is less desirable than Proposal 1^{s.15,s.17}

s.13,s.15,s.17

Proposal Number 3 – Compliance Division leadership also considered another manner of conducting this initiative. Upon the request of GPEB,^{s.15,s.17}
s.13,s.15,s.17

Consultation with Legal Counsel

s.14

Outcomes when proposal is implemented

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.
- 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.

Conclusion

Money laundering is an integral element of organized criminal activity and is a proven method by which organized crime groups seek to transform the proceeds from illegal activities into perceived legitimate funds. The laundered proceeds of crime provide financial support to organized crime groups allowing them to foster their criminal activity and expand their criminal operations. In order to ensure gaming is conducted with the highest level of integrity in this province and to maintain our commitment to expand our AML efforts, more should be done to develop further intelligence regarding money laundering and the relationship between organized crime, illegitimate lending and casinos. Further, the highest level investigations should be conducted targeting the integration of proceeds of the crime into the economy through our casinos in order to protect the gaming industry and do our part to suppress organized crime activity in BC.

It is important to note that this initiative has been discussed s.15,s.16
s.15,s.16
supportive of the proposal and are keen to implement.

They are

With those thoughts in mind, I respectfully submit this proposal for your information. We are prepared to answer any questions but plan to move forward with engaging JIGIT and BCLC immediately.

Yours sincerely,

Len MEILLEUR
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Gaming Policy and Enforcement Branch

Concept Paper – Cash in Casinos

Issue/Subject:

Possible strategic enhancements to the current anti-money laundering regime in BC casinos.

Summary:

The government has a robust anti-money-laundering regime in place for B.C. gaming facilities. Concerted action has been taken over the past five years to enhance the anti-money laundering policies and practices in B.C. casinos with a focus on reducing cash transactions. Over this same period, the number of unusual or suspicious transactions reports has increased significantly year over year.

The increase in numbers of suspicious transactions reports has sparked repeated media attention and reports suggesting that this is evidence of criminal activity and that money laundering is occurring through B.C. casinos. The NDP MLA spokesperson for gaming in the province has also raised the issue of money laundering in B.C. casinos in the Legislative Assembly and in written communications to the Attorney General and Minister of Justice.

Some of the increase in suspicious transactions reporting may be accounted for through the implementation of initiatives to improve training, identification and reporting of unusual transactions. However, the significant increase in unusual transactions reporting requires further action aimed at strengthening practices to enhance the prevention of money laundering and building a better understanding of the extent and nature of money laundering in casinos.

The following strategies are proposed for consideration:

1. A Ministerial Directive to GPEB which directs that GPEB's General Manager take action including a directive to BCLC requiring further development and implementation of additional standards in their enhanced Customer Due Diligence Program. Those would be constructed around financial industry standards that include a robust Know Your Customer (KYC) policy and practices with a particular focus on source of funds assessment. A Ministerial Directive will align with the current Ministerial Mandate Letter to BCLC and will ossify the importance of GPEB's work in ensuring government's strategy of ensuring integrity in gaming
2. Development and implementation of additional cash alternatives to further transition from cash-based transactions to electronic and other forms of transactions and instruments
3. Enhanced coordinated and collaborative intelligence, analysis, audit, compliance and enforcement between BCLC and GPEB and other stakeholders
4. Public information and education Strategy.

This is a concept paper developed for discussion as informed by best practice research and input from stakeholders and the proposed options may or may not be implemented.

Background:

Regulatory Framework

The *Gaming Control Act* GPEB establishes the Gaming Policy and Enforcement Branch (GPEB) with the mandate, and overall oversight and authority for gaming in the Province. GPEB is responsible for horse racing, licensing and grants, registering all gaming services providers and gaming workers, auditing for compliance with provincial requirements, and investigating matters which are related to gaming pursuant to the *Gaming Control Act* and the *Criminal Code of Canada*. GPEB is also responsible for the regulation of the BC Lottery Corporation (BCLC).

BCLC, a provincial Crown corporation, conducts, manages and operates all provincial gaming in the province, including commercial casinos, bingo halls, community gaming centres, lotteries and electronic gaming offered over the internet. BCLC contracts with private sector service providers, registered by GPEB, to operate gaming facilities.

BCLC is responsible for implementing and managing anti-money laundering strategies at gaming facilities. This includes responsibility for collecting and reviewing reports made by service providers (casinos) and reporting:

- incidents of money laundering, including suspicious currency transactions to GPEB under section 86 of the *Gaming Control Act*; and
- large financial transactions and suspicious transactions¹ to the Financial Transactions and Reporting Analysis Centre of Canada (FINTRAC), the federal body whose mandate is to facilitate the detection, prevention and deterrence of money laundering and the financing of terrorist activities, under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

GPEB monitors anti-money laundering strategies and other efforts to protect gaming from criminal activity and organized crime, primarily through its audit and investigative functions. It conducts regular audits of BCLC and casinos to ensure compliance with FINTRAC reporting and record keeping requirements. GPEB assesses each suspicious currency transaction report made to it under section 86 of the *Gaming Control Act* by examining the facts surrounding the report. On occasion GPB may gather further intelligence or information on suspected criminal activity related to the report and share its findings with law enforcement. Registration operations at GPEB also provide preventative and protective measures where it is determined that a registrant is associated to suspicious currency transactions

2011 Anti-Money Laundering Review and Strategy

In January 2011, the Minister responsible for gaming ordered a review of anti-money-laundering (AML) measures at B.C.'s gaming facilities to ensure existing anti-money-

¹ Businesses such as banks, life insurance companies, real estate companies and gambling facilities are required to report large financial transactions including all cash transactions and other disbursements over \$10,000, foreign exchanges over \$3,000 and all "suspicious" transactions to FINTRAC.

laundering policies, practices and strategies were appropriate, and to find ways to improve these wherever possible.

The review found “that BCLC and its operators, with oversight and guidance from GPEB, employ standard and appropriate anti-money laundering strategies”.² It also identified opportunities for further strengthening the AML regime.

In response to the review, GPEB and BCLC developed an “AML Strategy” with the following goal: *The gaming industry will prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. This shift will respect or enhance our responsible gaming practices and the health of the industry.*

Under the strategy, a three-phased approach was developed to support the achievement of the strategy:

- Phase 1: Development and implementation of cash alternatives, to obtain funds inside the facilities, for gaming.
- Phase 2: Operator intervention to more actively engage the use of the cash alternatives by patrons.
- Phase 3: Regulator intervention, involving research and consideration of potential direct intervention regarding customer due diligence of cash entering gaming facilities.

Two working groups were formed, one with stakeholder input to provide advice on the development of actions to address Phases 1 and 2 of the strategy, and an Internal GPEB working group to consider actions under Phase 3. Substantial progress has been made on Phases 1 and 2 and Phase 3 is underway, which includes the work outlined in this paper

AML Program

At the time of the 2011 AML Review, a number of anti-money-laundering strategies were being used by the BCLC and its operators. These measures included:

- Mandatory training for all staff delivering gaming services.
- Policies and procedures dealing with identifying and knowing a client.
- Tracking all play that falls within reporting requirements; where the FINTRAC reporting threshold is met, play is no longer anonymous and photo ID and other personal details are collected.
- Segregating and verifying gaming wins from the cash-out of funds brought into a gaming facility to buy-in.
- Policies prohibiting customers from exchanging small denomination bills for large denomination bills.

² Province of British Columbia, Summary Review – Anti-Money Laundering Measures at BC Gaming Facilities.

FINAL DRAFT

- Restricting the movement of gaming chips between players and gaming facilities.
- Issuing cheques only in relation to verified gaming wins.
- Reporting large or suspicious cash transactions.

Improvements made under the 2011 AML Strategy, designed to reduce cash transactions, create additional financial records and enhance patron security, include:

- Patron Gaming Fund (PGF) accounts where casino patrons may transfer money from regulated banks and credit unions, or add funds to their account via certified cheques, bank drafts, internet transfers or verified win cheques.
- The ability to electronically transfer money into PGF accounts through Canadian and U.S. chartered banks.
- Customer convenience cheques, which are more secure than cash and allow players to leave a casino with a cheque up to a maximum of \$10,000; any cheque issued is clearly marked as a “verified win” or as a “return of funds that are not gaming winnings”.
- A “cheque hold” system for high-volume players where players can secure play against a personal cheque from an approved bank that will not be processed by a casino until an agreed-upon period of time has passed, and any winnings or remaining funds are paid back to the player by a casino cheque.
- Debit withdrawals at the cash cage.
- Access to ATMs inside and in close proximity to gaming facilities.
- Casino chips may only be used at a single property. They cannot be redeemed at any facility other than where they were initially purchased.

BCLC also has a number of other operations and practices in place and initiatives underway to support its AML program including:

- Commitment to ongoing research and implementation of cash alternative options
- Formation of a specialized AML Unit within the Security Division to lead and support BCLC’s AML programs (with five staff, including a Director, Manager of Cash Alternatives and Special Projects, AML Specialist, Trend and Compliance Analyst and Business Intelligence Analyst)
- Customer Due diligence including client identification; customer segmentation, risk assessment and business relationships (with patrons with two or more reportable transactions or who hold a gaming account); access to on-line intelligence resources, Information sharing agreement with the RCMP and one under development with Canadian Border Services Agency
- Investment in new business intelligence software (S.A.S.) providing a scalable and auditable case management system that automatically monitors patrons by name, date of birth and business relationships against a variety of global watch lists and creates and sorts alerts by risk priority (first phase of roll out expected in late 2015)

- Mandatory AML training for all BCLC employees, and casino gaming workers
- Requirement that all front-line Security and Compliance staff be Certified Anti-Money Laundering Specialists (C.A.M.S. under Association of Certified Anti-Money Laundering Specialists training program)
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- Tri-weekly audits of all “unusual transaction reports” and “large cash transaction reports” by BCLC Internal Audit Services in order to ensure timeliness and completeness of reporting.

Findings of Phase 3 Research and Consultations

The focus of Phase 1 and 2 of the 2011 AML Strategy was the development of cash alternatives and the promotion of their use by patrons to minimize the opportunity for money laundering at gaming facilities. Further cash alternatives are being explored to enhance the Phase 1 and 2 strategies already in place. The focus of Phase 3 is regulator guidance around potential additional measures for enhancing AML due diligence in casinos.

Under Phase 3, the internal GPEB AML working group has undertaken research and consulted with stakeholders and individuals with expertise in AML practices about options for AML compliance, customer due diligence and regulatory intervention. This includes compilation and review of relevant reports and documents, commissioning of a paper on client due diligence standards and best practices used by financial institutions and other businesses accepting cash deposits³, and a workshop in June 2015 hosted jointly by GPEB and BCLC with stakeholders and experts in the field on anti-money laundering practices and compliance regimes.

Research on AML Best Practices

Over the years the requirements and standards applying to casinos respecting money laundering due diligence have increased. Until recently, the basic approach was to meet compliance with record keeping and reporting requirements with casinos not inclined to conduct intrusive investigations of their patrons due to concerns that such activity could

³ September 9, 2014 report to GPEB – AML Working Group, *Client Due Diligence in BC Casinos*, Malysch Associates Consulting Inc. (Investigative Forensic Accounting)

adversely impact their revenue stream. Current standards and requirements have raised the bar and casinos are now expected not only to control the funds coming in the door but also to evaluate the legitimacy of those funds.

Research indicates that effective due diligence for casinos and other businesses accepting cash deposits includes the following:

- Thorough and reliable client identification to ascertain the identity of the client (specific requirements for standard government issued documentation bearing the name and photograph of client and client records containing address, employment, occupation/business);
- Client Assessment and effective “Know Your Client” policies and procedures (gate-keeper and prevention role) including:
 - understanding of business relationships, affiliations,
 - identification and evaluation of source of wealth,
 - identification and evaluation of source of funds (some businesses accepting cash require a “Source of Funds” declaration);
- Risk based approach with established criteria and defined “triggers” (e.g., ease with which client information can be independently verified, buy-in thresholds, when something does not make sense or conform to original account/client intentions, behaviour and gaming circumstances) leading to enhanced due diligence and vetting of certain clients through additional evaluation and investigation;
- Ongoing monitoring of clients (based on transaction activity, behaviour) and possible re-evaluation and adjustment of the risk assessment;
- As an ultimate recourse, de-risking through a client exit program where the determination is made not to do business with a client assessed to be too high risk (many organizations have policies to exit a relationship once more than a defined number of STR have been filed against the client; for example, most deposit taking institutions will exit a client relationship if more than three Suspicious Transaction Reports are filed respecting that client).

Other AML best practices gleaned from the research include:

- Existence of a stand-alone compliance department, division or group responsible for client/patron due diligence and investigation and ongoing monitoring and auditing of compliance with AML policies, procedures and practices and record keeping and reporting requirements;
- Graduated level of AML training with AML compliance officers having specific qualifications, technical expertise and experience;
- A hierarchy of referral and information sharing capability from front-line staff to head office compliance.

Identified best practices specific to the gaming industry include:

- Instilling a compliance culture through all levels of casino staff;
- Cash alternatives to create traceable instruments and mitigate opportunities for money laundering, including Player funded accounts and credit options, and that cash-outs should mirror cash-in instruments;
- Information sharing with local law enforcement and other agencies, including identification of known criminal and other potentially suspect affiliations or patterns of activity or behaviour;
- Partnerships with law enforcement to assist with deterring criminal activities within the gaming industry including money laundering; in addition, casino risk assessment and evaluative information can support and for the basis for allocating and focusing regulatory and law enforcement resources [FATF report].

June 4, 2015 Stakeholder Workshop

The intent of the June 2015 workshop was to solicit input from industry professionals on existing AML practices in place in BC casinos, review their effectiveness, and consider possible measures to strengthen AML diligence and address the perception the casinos are vulnerable to large-scale money laundering and related criminal activities. Attended by representatives of GPEB, BCLC, major gaming service providers, the RCMP, financial services providers, FINTRAC, the Canadian Border Services Agency and the Canada Revenue Agency, the workshop was the first time that this group of stakeholders was brought together to have a dialogue specifically around AML due diligence in BC casinos.

The workshop participants considered the strengths of the current system and identified potential opportunities for enhancement broken down by following themes:

- Client Due Diligence* Strengths:
- Strong client identification and “Know Your Client” practices for major high value clients including an understanding of business relationships, associates and source of wealth
 - Undertake intelligence and conduct data based searches
 - Risk rate clients and undertake risk-based due diligence on identified clients and for unusual transactions

- Opportunities:
- “Source of funds” determination and evaluation as a part of client due diligence
 - Review of definition and interpretation of “suspicious or unusual” transactions and based on patron risk assessment.

- Cash Alternatives* Strengths:
- Significant, concerted effort on development and implementation of cash alternatives; progress being made on adoption of alternatives by patrons
- Opportunities:

- Additional cash alternatives to further mitigate opportunities for money laundering in casinos, including:
 - Eliminating limits on Customer convenience cheques;
 - Marking (through color coding) Convenience cheques to facilitate traceability
 - Ability to offer credit
 - Allowing international EFT.

Information Sharing

Strengths:

- Strong legal information sharing provisions
- Existing Information Sharing Agreement (ISA) with RCMP, ISA under development with CBSA

Opportunities:

- Streamlined, rationalized and enhanced information sharing between GPEB and BCLC to support more efficient and effective access to information, analytics and intelligence promoting due diligence and compliance activities
- Intelligence units used to identify trends, money facilitators and offenders in order to reduce risk.

Reporting

Strengths:

- Effectively meeting statutory record keeping and reporting requirements to FINTRAC and reporting to GPEB under section 86 of *Gaming Control Act*

Opportunities:

- Public and media information and education on AML reporting to FINTRAC, purpose and intent of reporting and what reports mean
- Coordination of consistent messaging between GPEB and BCLC and FINTRAC
- Quality assurance assessments to ensure that reporting is statutory reporting and is not done as a matter of convenience.

Compliance

Strengths:

- Robust investigations and audit and compliance program through stand-alone Compliance department
- All BCLC staff AML trained, C.A.M.S training for all investigations staff

Opportunities:

- Increased coordination of compliance function between GPEB and BCLC including data and information gathering, analysis and investigation to enhance intelligence capacity, streamline activities, reduce overlap and make most efficient and effective use of resources
- GPEB to expand its interaction and liaison capacity with law enforcement.

Technology and Tools

Strengths:

- Comprehensive robust AML business intelligence and analysis system under development
- Strong surveillance protocols and tools in place

Opportunities:

- Consideration of tying in with additional intelligence sources.
- GPEB access to I-Trac
- BCLC access to GOS
- BCLC/GPEB Intelligence Unit sharing resources and access to systems being put in place, i.e. SAS.

Discussion

There is a sound AML policy and practice framework in place in BC casinos. Research and consultations show that the regime has the features of an effective AML due diligence and compliance framework. BCLC’s AML program is a compliance-plus, principal-based model that is designed to be leading edge in understanding emerging issues and attempting to mitigate and address those developments through proactive practices.

Following the 2011 AML Review and implementation of the 2011 AML Strategy, concerted effort has been taken to further strengthen the AML regime for BC casinos focusing on the development and introduction of cash alternatives intended to lessen opportunities for money laundering.

However despite this, over this same period, the number of unusual or suspicious transactions reports has increased significantly year over year:

Year	# Suspicious Transactions Reports to FINTRAC
2010/11	491
2011/12	837
2012/13	939
2013/14	1254
2014/15	1737

The increase in numbers of suspicious transactions reports has sparked repeated media attention, interest from government’s opposition, and reports suggesting that this is evidence of criminal activity and that money laundering is occurring through B.C. casinos.

Some of the increase in suspicious transactions reporting can be accounted for through the implementation of initiatives to improve training and the identification and reporting of unusual transactions. However, the significant increase in unusual transactions reporting and the perception that this is an indicator of money laundering bears further attention, and additional scrutiny as to possible areas for enhancement.

Due Diligence

Although BCLC’s due diligence framework contains most of the identified elements of an effective framework – fulsome and standardized client identification and risk based assessment and investigation undertaken by experienced and qualified investigations staff supported by intelligence and analytical tools – a gap, as identified through best practice research and consultations, is the current exclusion of the determination of source of funds.

Identification of source of funds could enhance BCLC’s responsibility around KYC and help ensure that it is meeting FINTRAC’s expanded “Know Your Customer” monitoring standards released in February 2014 requiring transactions thought to be related to proceeds of crime or money laundering to be subject to additional collection of data, increased monitoring, client risk analysis and further examination of client’s business relationships. A residual compliance measure would be where a client is found to be untruthful in their source of funds declaration, hence banning from gaming facilities should this occur. Source of funds information or declaration would also provide a record for any subsequent investigation. As well, assessing the legitimacy of funds could be an important determinant in identifying a suspicious transaction and potentially have an impact on the overall number of suspicious transaction reports made. Simply put there is no analysis being done on the source of the funds being reported as suspicious currency. This creates a gap that promotes the media’s ongoing speculation that it must be money laundering.

Cash Alternatives

Alternatives to cash buy-ins are a recognized best practice method for mitigating opportunities for money laundering in casinos and BC has made significant progress in introducing cash alternatives over the past few years.

However, although non-cash buy-in methods have increased significantly, cash remains the financial instrument of choice (in 2012/13 of total table and slot buy-ins of about \$6.29 billion 81 percent were in cash; in 2014/15, of total table and slot buy-ins of about \$7.70 billion 72 percent were in cash).

Use of Certain Cash Alternatives 2012/13 to 2014/15:

	2012/13	2013/14	2014/15
Debit Card Transactions at Cash Cage:	\$5,584,752 (May 1, 2012 to Mar 31, 2013)	\$29,203,675	\$41,026,273
PGF Account:			
• Deposits	\$122,977,325	\$484,719,071	\$558,749,084
• Withdrawals	\$121,097,073	\$434,594,816	\$553,048,366
• Opened/ Reopened	111	227	270
Convenience Cheques:			
• issued	76	105	108
• \$ Amount	\$320,305	\$577,448.46	\$574,554

BCLC has indicated that it has a commitment to ongoing research and implementation of cash alternative options. It also has a responsibility, as outlined in its 2015/16 Government Mandate Letter which establishes specific accountabilities for BCLC, to further develop and promote the use of cash alternatives for gaming facility patrons. Further development of cash alternative options and enhanced promotion to increase take-up by patrons is required to truly take advantage of this best practice for reducing money laundering opportunities in casinos.

Perception of Money Laundering

At present there are no accurate statistics on the extent to which money laundering occurs in BC casinos or the amount of money involved. Casinos are required to report suspicious and large cash transactions to BCLC, which in turn is responsible for forwarding reports to GPEB and FINTRAC. These reports are then widely used by various entities as evidence of the extent of money laundering in casinos.

Indicators of money laundering (i.e., suspicious transactions reports) are, however, not in and of themselves evidence of money laundering. It is not the responsibility of a business to prove money laundering; the responsibility of the business is to ensure that there is a robust compliance regime in place that includes customer identification, customer due diligence and recording and reporting of prescribed and suspicious transactions in order to deter money laundering and to provide the necessary paper trail for further investigation and enforcement. It is the role and responsibility of law enforcement supported by regulatory authorities such as FINTRAC and GPEB to examine the matter further and determine the link or risks attributed to potential money laundering.

Enhanced data, intelligence and analytics is needed to gain a better understanding of money laundering in BC casinos, to inform BCLC'S AML due diligence and to focus further investigation and enforcement activities. Both best practices and stakeholder consultations suggest that enhancement to the overall AML compliance and enforcement framework can be achieved through greater information sharing, coordination of action and collaboration between all parties at all levels.

Clarity on roles and responsibilities is also a matter for attention in BCLC'S 2015/16 Mandate Letter that requires the development of key principles to inform the respective roles of GPEB and BCLC. As well, the BCLC Crown Review suggested that improvements could be made to reduce duplication and enhance coordination between GPEB and BCLC investigation and audit activities including that, where appropriate, GPEB should consider relying on the controls and audit work of BCLC to make the most of limited resources. Hence, the integration of GPEB and BCLC resources and tools in addressing the AML issue is logical and sensible.

Clear communication of roles and responsibilities, of the nature of the transactions reporting required by casinos and of investigation and enforcement and what it means in terms of money laundering in casinos is also needed to clarify public perception.

BCLC has a mandate to sustain revenue; it also has a mandate to develop and implement AML solutions. There is a balance to be achieved by BCLC in promoting business and ensuring revenue generation while establishing enhanced compliance to prevent money laundering. The implementation of a more robust KYC program will have an impact as clients may choose to go elsewhere to avoid questioning about their source of wealth and source of funds.

It is appreciated that a relatively few high value patrons account for a significant portion of BCLC revenue and a corresponding number of suspicious transaction reports. It is also understood that these clients have a preference for cash.

The impact on high value patrons will need to be taken into consideration in the development of any additional measures to enhance the AML due diligence regime.

Top 45 Patrons by Deposit – 2013 calendar year

- 91% male; 9% female
- Ethnicity – Asian = 100%; Chinese based wealth = 55%
- 31% work in real estate
- 64% utilized a PGF but still predominantly rely on cash

Account for:

- 17% of casino net win
- 13% casino net buy-in
- 18% large-cash transactions
- 27 % suspicious transactions
- Average buy in – 11% under \$50,000; 42% - \$50,00 to 99,999; 31% - \$100,000 to \$200,000; 16% - \$200,000+

Options for Enhancement:

Following are options for proposed additional measures that could be taken to strengthen AML due diligence and compliance and to address public perception about money laundering BC casinos. The goal of these proposals is to build understanding through enhanced intelligence and analytics and develop and deploy targeted initiatives and take coordinated action aimed at identifying, addressing and deterring money laundering.

1. Enhanced Client Due Diligence

Under this option, through a Ministerial Directive to GPEB supported by a General Manager's Directive to BCLC, government would place expectations on both entities to enhance due diligence.

The Minister responsible for GPEB would issue a Directive under section 26 of the *Gaming Control Act* outlining AML due diligence expectations and the requirement for rigorous client due diligence and KYC procedures and practices that identify both sources of wealth and sources of funds as an integral component to client risk assessment. GPEB's General Manager would then issue a Directive to BCLC that would state expectations and timelines. Directives must be published in the Gazette and posted on the GPEB website providing notice and information to the public on Client Due Diligence in casinos to detect and deter opportunities for money laundering.

It is noted that BCLC already employs a robust client due diligence process with customer segmentation, identification of high risk/high profile clients requiring enhanced due

diligence assessment and possible “deep” investigation through background checks and face to face interview and development of a business relationship which is monitored and assessed on an ongoing basis. This existing framework, and the cascading series of client due diligence protocols and practices would be reviewed for enhancement. The Directives would be focused on ensuring enhanced KYC through the study and assessment and introduction of further policies and practices to strengthen source of wealth and source of funds assessment. Consideration would be given to existing best practices and approaches, including use of a source of funds declaration or questionnaire as part of a comprehensive client assessment.

As a general principle, a business relationship should only be entered into or maintained with a customer if BCLC or a service provider is satisfied that the information it has gathered demonstrates that they know the customer – that the customer has disclosed his or her true identity and has a legitimate purpose for entering or maintaining a business relationship with BCLC and the service and that due diligence has been taken on the legitimacy of funds. Where there are doubts, or where unusual or suspect activity is observed through ongoing monitoring, consideration should be given to not proceeding with the business relationship, refusal of the transaction, or existing from the relationship.

This option should consider staged implementation as a pilot in order to assess and adjust to impact on business. As the vast amount of suspicious currency transactions reporting is limited to a few gaming facilities, the focus for the best results should be made on those. The risk of a limited implementation of a pilot is that clients may migrate to venues that have not implemented the policy.

Implications:

- Source of Funds assessment is a best practice for AML due diligence and it is a common process in institutions that accept and report on cash
- Provides another source of information to support client assessment
- BCLC has invested millions of dollars into intelligence software; source of funds information and ongoing transactions monitoring augments data collection providing another source of business and tactical intelligence and a data point for metrics that identify risk and possible need for patron intervention
- Source of Funds assessment is amenable to inclusion in the customer segmentation process that cascades into a series of client due diligence protocols including an interview that could be used to market non-cash alternatives and other aspects of the business relationship
- Where there is an assessment that the source of funds is legitimate, eliminates the need to file a suspicious transaction report (that no reasonable ground to suspect that the transaction is related to the commission of a money laundering offence or a terrorist financial offence) which may in turn have an impact on possible over-reporting of suspicious transactions
- Strengthens traceability and the audit trail.

2. Additional Cash Alternatives

In recognition of the importance of cash alternatives as a way to mitigate opportunities for money laundering and consistent with its 2015/16 Mandate Letter, BCLC will undertake concerted effort to explore and develop additional cash alternatives and ways to promote use of cash alternatives by high value patrons.

This will include development of a business case for enhancing non-cash alternatives such as offering credit and unlimited convenience cheques. The business case for offering credit would need to outline the structure, roles and responsibilities of BCLC versus service providers, the approval process and accounts payable and collective processes. Public perception and the reputational risk including as relates it to responsible gaming would need to be taken into account, as well as current risk information taken from the audits and assessments of current offerings.

Implications:

- Development and promotion of cash alternatives is a best practice supporting AML compliance in casinos
- Cash alternatives reduce opportunities for money laundering
- Cash alternatives enhance public safety
- Increased use of cash alternatives may reduce number of suspicious transaction reports combined with Source of Funds determination and due diligence at the point of first transaction
- Offering credit would allow patrons to access funds on a 24 hour basis reducing use of cash buy-ins outside of business hours
- Cash alternatives create traceable instruments, strengthening the audit trail.

3. Enhanced Coordination and Collaboration

Under this option, GPEB and BCLC would work together to develop a coordinated intelligence and investigations, audit, compliance and enforcement responsibility.

The direct working relationship between GPEB Compliance Division and BCLC Corporate Security in the area of AML would increase. GPEB and BCLC would share information, rely on control and audit work of the other party, and GPEB staff would have access to BCLC tools including I-Trac and its business intelligence software. The current GPEB and BCLC investigation and audit process would be assessed for streamlining and rationalization and a coordinated GPBE and BCLC response approach would be developed to ensure there is no duplication of effort and process.

GPEB's dialogue with RCMP senior management about a possible shared intelligence responsibility and work on a tactical intelligence report on gaming in British Columbia would continue. Preliminary discussions will also be initiated between GPEB and the appropriate

authorities, including Ministry of Justice, to assess the need for a joint interdiction team as a final stage and a last resort in a fulsome AML compliance program for BC casinos.

In addition, to ensure the ongoing effectiveness the AML due diligence and compliance regime in casinos, the stakeholders group formed to provide advice in the June 2015 AML workshop could be retained as an advisory body to GPEB and BCLC with periodic meetings held to review developments and emerging best practices and to provide advice on initiatives (including enhanced due diligence and additional non-cash alternatives). BCLC may also want to consider the option of employing an external expert body to undertake an independent compliance evaluation of BCLC's AML regime.

Finally, BCLC should consider implementation of a Board AML Oversight Committee that would perform a function of providing direction to BCLC to remove the perception of bias in the area of revenue versus compliance.

Implications:

- This option responds to the direction in BCLC's 2015/16 Mandate letter to develop principles to clarify the respective roles of GPEB and BCLC and the suggestions in the BCLC Crown Review to reduce duplication and enhance coordination between GPEB and BCLC investigation and audit activities
- Coordinated intelligence and investigations, audit and enforcement enhances effectiveness of AML compliance regime in casinos and ensure most efficient use of resources
- AML compliance regime for BC casinos stays current and top of developments through Intelligence and analytics capacity and advice of external stakeholders and experts in the field
- Positive impact on public perception that joint compliance, audit and investigation is being undertaken.

4. Public Education and Awareness

Under this option, GPEB and BCLC would jointly develop a public information and education strategy to counter negative public perception about the increasing number of suspicious transactions reports and to clarify the AML framework for BC casinos.

The strategy would outline the responsibility of casinos to record and report prescribed and suspicious transactions, the AML compliance framework in place and enhancements underway, and the role of other parties in investigating and enforcing money laundering. The goal of the strategy would be to proactively frame the issue of one of increased capacity to detect and report.

The strategy would explore a role for FINTRAC and other parties including possibly law enforcement, in explaining and articulating their role and perspective on AML compliance in casinos and their perspective on suspicious transactions reporting.

Implications:

- Opportunity to clarify current misconceptions and build understanding of anti-money laundering responsibilities for casinos
- Opportunity for openness and transparency
- Involvement of partners who have offered their participation in coordination of messaging to build an understanding of overall AML framework and roles and responsibilities of the various parties.

Provincial AML Strategy Update

John Mazure
ADM and General Manager, GPEB

Provincial AML History

- 2011 – Minister of PSSG ordered a review of AML strategies at B.C. gaming facilities
- Resulted in *Summary Review: Anti-Money Laundering Measures at BC Gaming Facilities*.
- Found appropriate AML strategies employed, but made recommendations to BCLC and GPEB.
- GPEB responded to the review with an Action Plan.

Provincial AML Strategy

Development of cash alternatives:

- Convenience cheques
- PGF Accounts
- EFTs
- Debit withdrawals

Promotion and expansion of cash alternatives:

- De-limiting convenience cheques
- International EFTs

Regulatory guidance

- Minister's letters
- GM letters

Due diligence enhancements

- GPEB Compliance / Enforcement shift to risk-based
- GPEB Intelligence Unit formed
- JIGIT formed
- BCLC initiatives

**Ongoing
sustained
effort**

2011

2015

2016

2017 and on

Provincial Direction to BCLC

- Oct 2015
- 2016/17 Mandate Letter

“...evaluating the source of wealth and source of funds prior to cash acceptance...”

Minister of Finance to BCLC
Board Chair

- Aug 2015
- Jan 2016
- July 2016

***...establish source of funds**
prior to cash acceptance.*

GPEB GM to BCLC CEO

BCLC Response

BCLC is Meeting FINTRAC reporting requirements

BCLC also advised of changes made in 2016:

1. Increased AML staffing
2. Enhanced customer monitoring
3. Updated and enhanced ISA with RCMP
4. Increased source of wealth / funds inquiries

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



	2010/2011 (Approx.)	2011/2012 (Approx.)	2012/2013 (Approx.)	2013/2014 (Approx.)	2014/2015 (Approx.)	2015/2016 (Approx.)	2016/2017 YTD
Total SCT \$	\$39.6 M	\$64.0 M	\$82.4 M	\$118.0 M	\$176.4 M	\$119.1 M	\$51.6 M
\$20 Bills	\$0.0 M	\$44.2 M	\$53.1 M	\$89.1 M	\$137.0 M	\$84.7 M	\$21.9 M
Non-\$20 Bills	\$0.0 M	\$19.8 M	\$29.3 M	\$28.9 M	\$39.4 M	\$34.4 M	\$29.7 M
% of Total \$ in \$20 Bills	0%	69%	64%	76%	78%	71%	42%
# of SCT's	430	870	1,053	1,377	1,889	1,789	1,252

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

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

PGF Accounts

- New money” deposits up **34%** in 6 months ending Dec 2016 (\$102.1 million) from same period in 2015 (\$76.2 million).
- Increase use of PGF Accounts generally positive, **but:**
 1. Majority of deposits are bank drafts accepted without knowing whether the funds are coming from the PGF account holder’s own bank account
 2. CDD being conducted for some high-activity account holders may not be sufficient
 3. JIGIT file

J.I.G.I.T.

MANDATE - To address organized crime involvement in illegal gambling and prevent criminals from using B.C. gambling facilities to legalize the proceeds of crime.

AREAS OF FOCUS:

- Illegal gambling
- Money laundering in casinos
- Public education

Next Steps

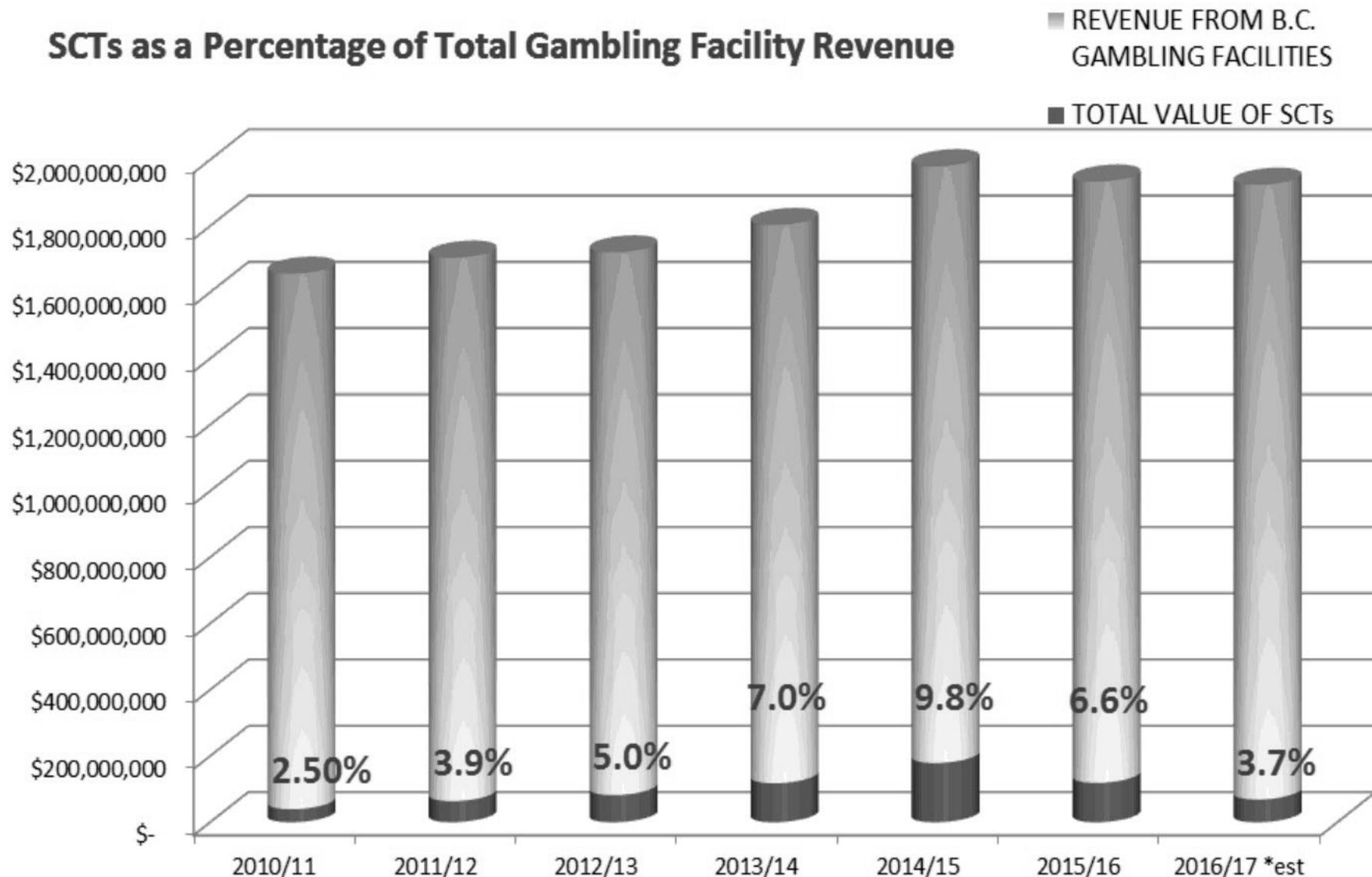
J.I.G.I.T.

- First charges Feb 2017
- Investigations in BC casinos ongoing
- More info in JIGIT briefing

GPEB

- Source of funds (PGF Accounts and suspicious cash)

SCTs as a Percentage of Total Gambling Facility Revenue



Provincial AML Strategy Update

John Mazure
ADM and General Manager, GPEB

Phases of Provincial AML Strategy

PHASE 1

Development of cash alternatives:

- Convenience cheques
- PGF Accounts
- EFTs
- Debit withdrawals

PHASE 2

Promotion and expansion of cash alternatives:

- De-limiting convenience cheques
- International EFTs

PHASE 3

- Regulatory guidance and additional AML due diligence enhancements
- Creation of JIGIT

Provincial Direction to BCLC

Oct 2015

Aug 2015
Jan 2016
July 2016

“...implementation of AML compliance best practices including processes for evaluating the source of wealth and source of funds prior to cash acceptance.”

Minister of Finance to BCLC
Board Chair

...establish source of funds prior to cash acceptance.

GPEB GM to BCLC CEO

BCLC Initiatives

BCLC advised following changes made in 2016:

JIGIT Funding

1

Int EFTs to PGF
accounts

2

Increase AML
staffing

3

4

Enhanced
customer
monitoring

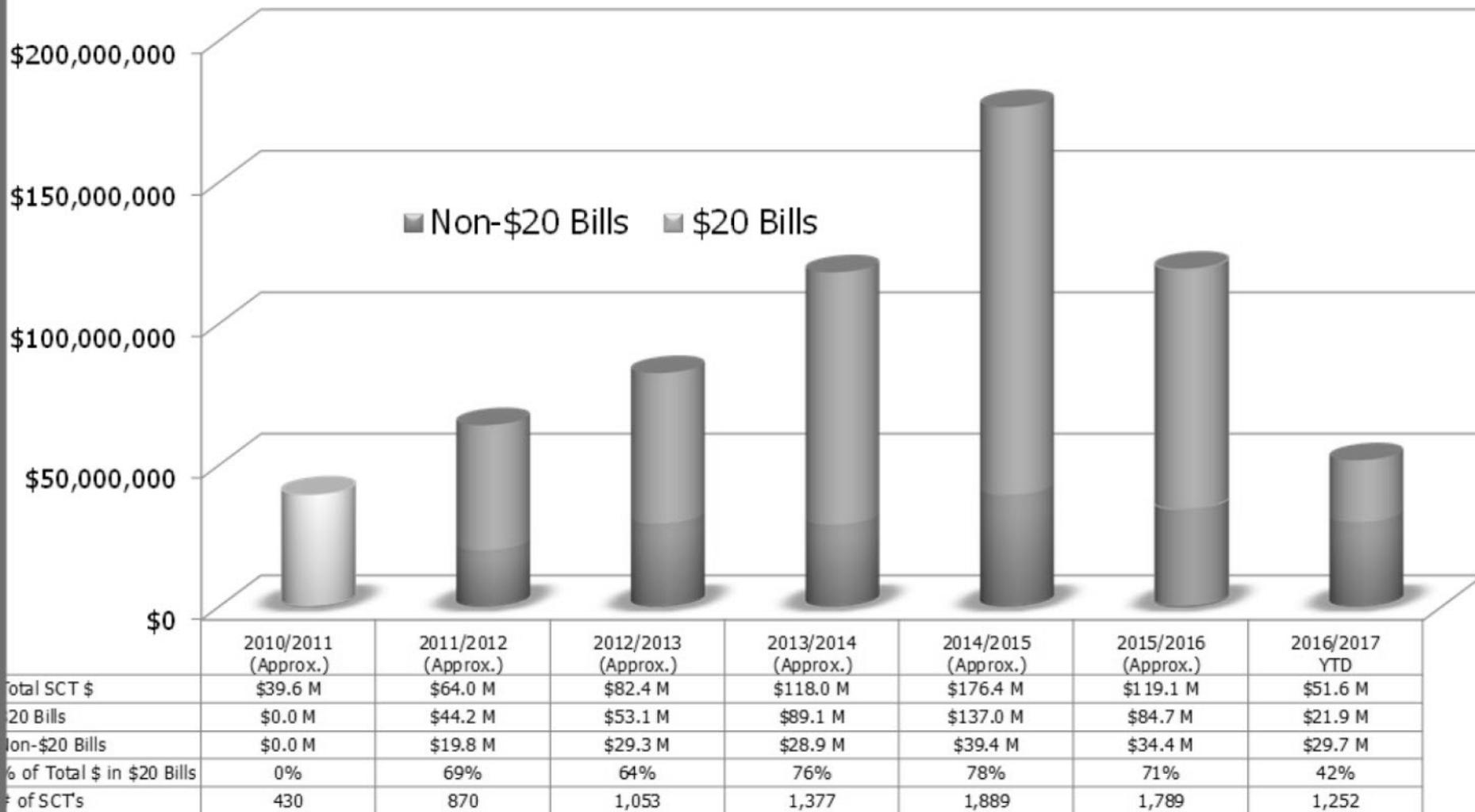
5

Updated and
enhanced ISA
with RCMP

6

Increased source or
wealth / funds
inquiries

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

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J.I.G.I.T.

MANDATE - To address organized crime involvement in illegal gambling and prevent criminals from using B.C. gambling facilities to legalize the proceeds of crime.



NEXT STEPS

- First charges Feb 2017
- Investigations in BC casinos ongoing
- More info in JIGIT briefing

NEXT STEPS

- Work with BCLC:
 - PGF Accounts
 - Suspicious cash

The logo for AML Strategy features the words "AML" and "Strategy" stacked vertically in a bold, black, sans-serif font. The text is centered within a diamond-shaped graphic composed of several concentric, semi-transparent diamond outlines that create a sense of depth and focus.

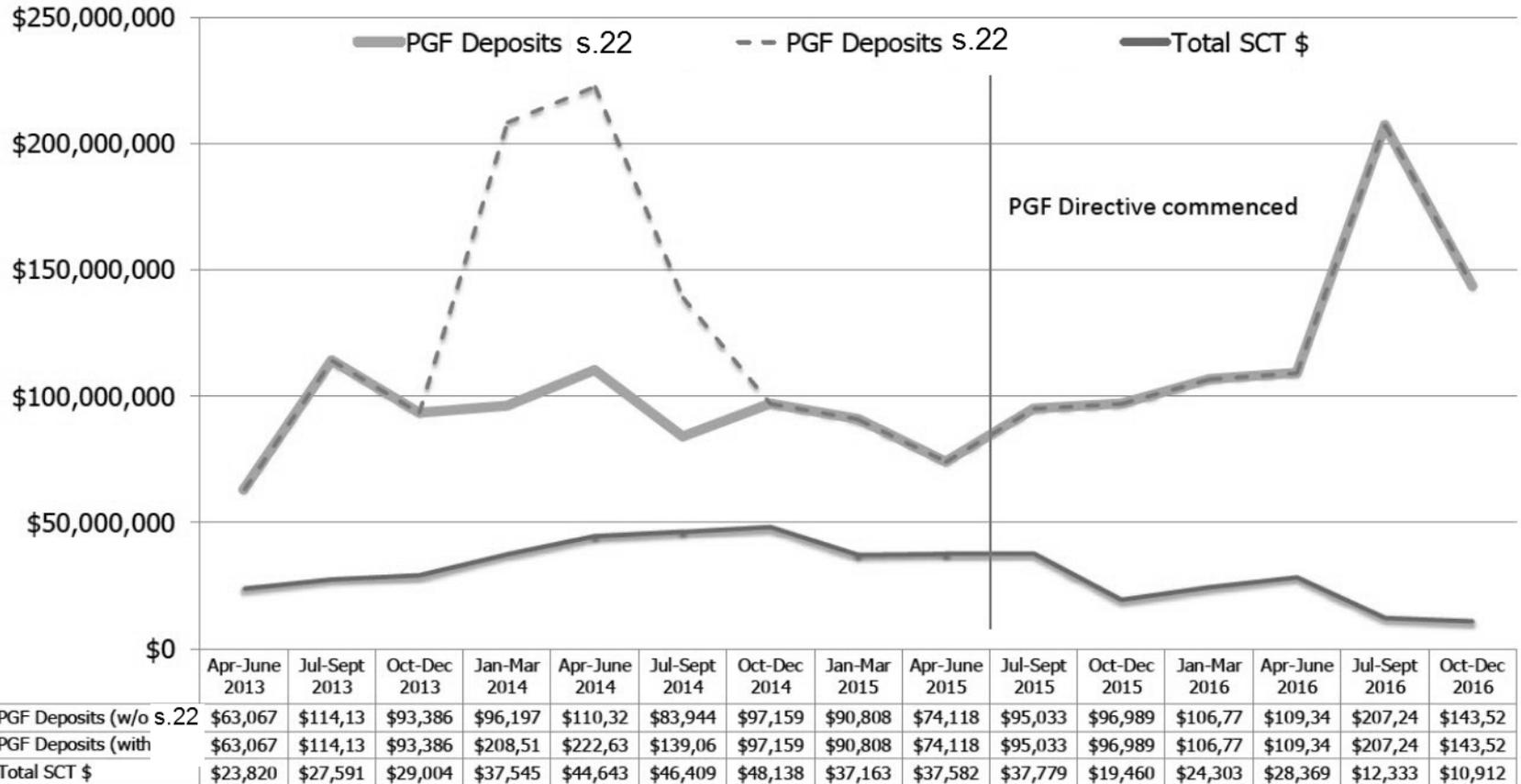
**AML
Strategy**

Page 044

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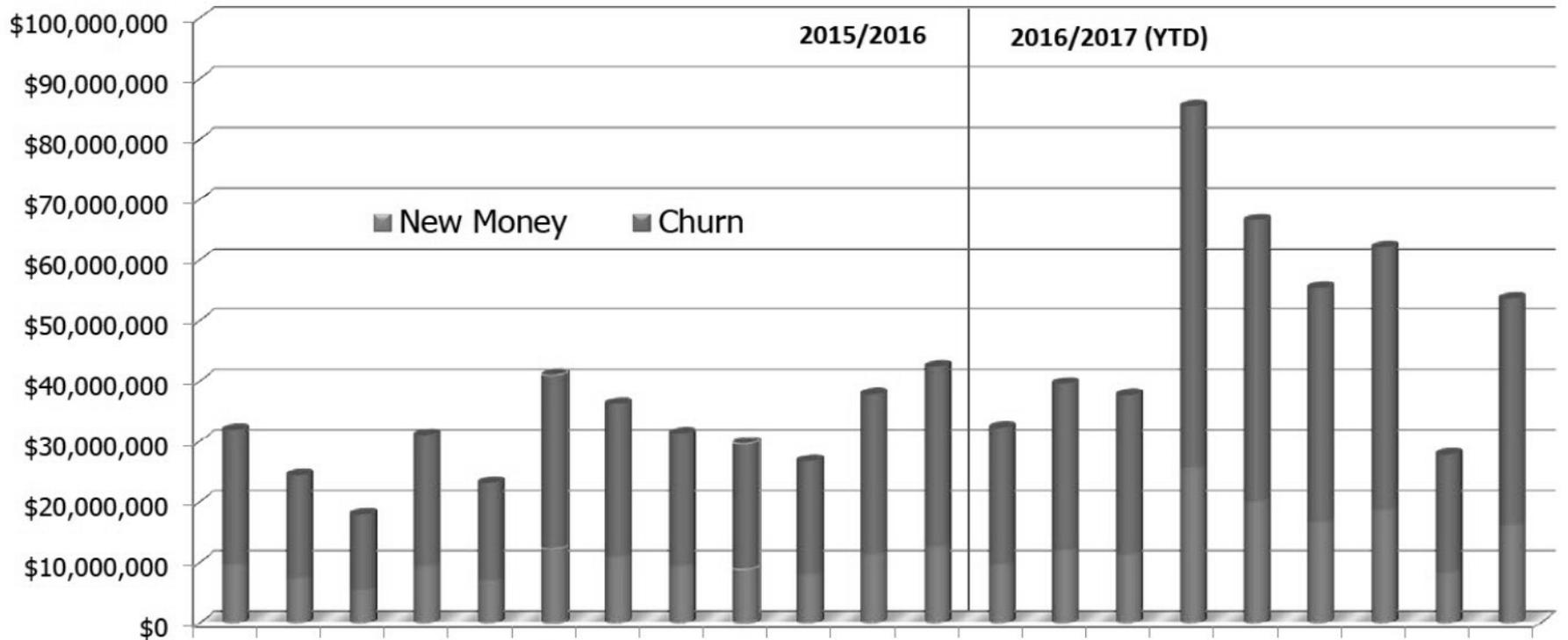
s.15

Quarterly SCT vs. PGF Deposits 2012/2013 to 2016/2017 (YTD)



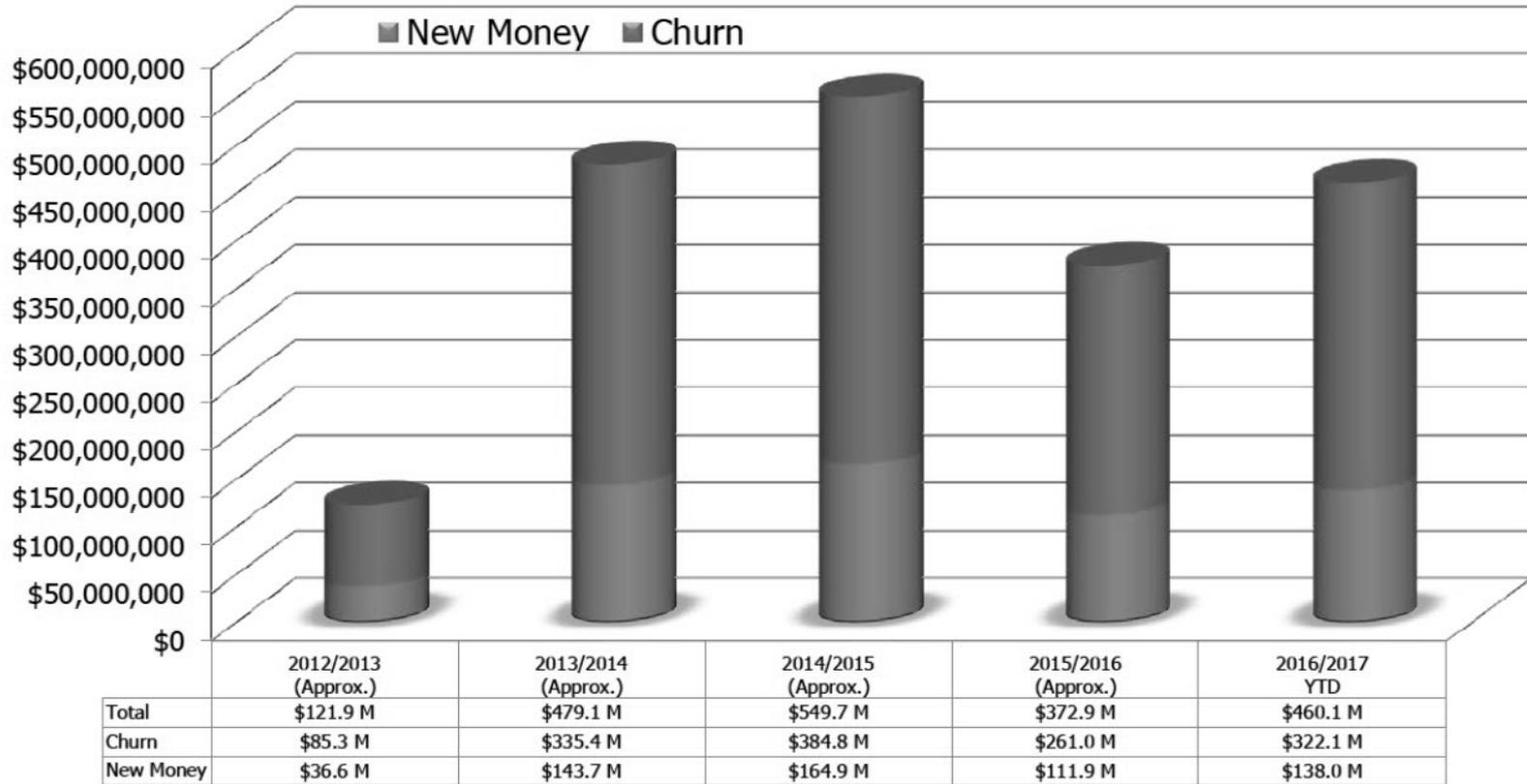
PREPARED BY: GPEB Compliance Division
CONFIDENTIAL - Updated: January 27, 2017

Monthly PGF Deposits for Fiscal 2015/2016 and 2016/2017 (YTD)

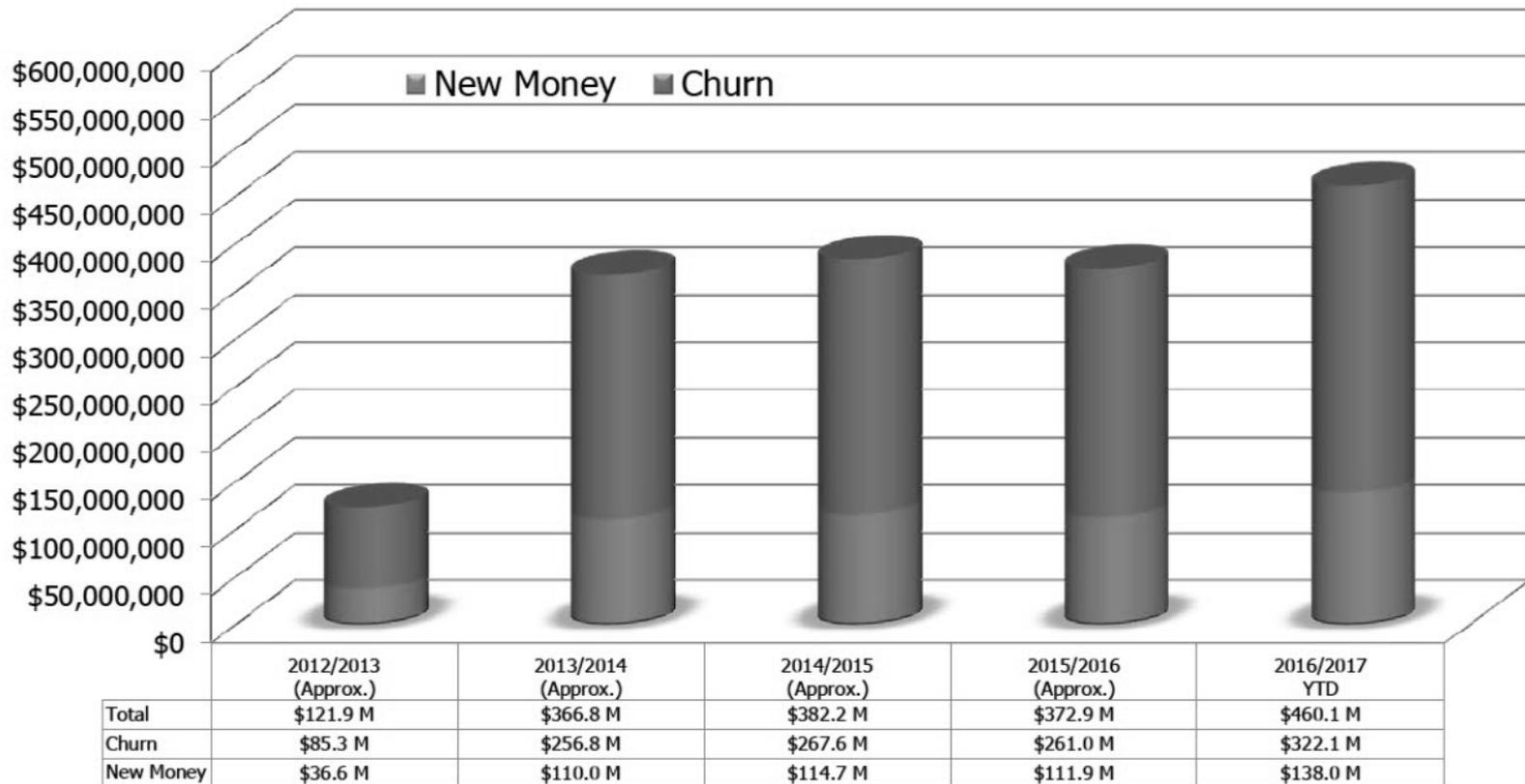


	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Total	\$31.9 M	\$24.3 M	\$17.9 M	\$31.0 M	\$23.1 M	\$40.9 M	\$36.2 M	\$31.3 M	\$29.5 M	\$26.8 M	\$37.7 M	\$42.3 M	\$32.2 M	\$39.6 M	\$37.6 M	\$85.4 M	\$66.5 M	\$55.3 M	\$62.1 M	\$27.8 M	\$53.6 M
Churn	\$22.3 M	\$17.0 M	\$12.5 M	\$21.7 M	\$16.2 M	\$28.6 M	\$25.3 M	\$21.9 M	\$20.7 M	\$18.7 M	\$26.4 M	\$29.6 M	\$22.5 M	\$27.7 M	\$26.3 M	\$59.8 M	\$46.6 M	\$38.7 M	\$43.5 M	\$19.5 M	\$37.5 M
New Money	\$9.6 M	\$7.3 M	\$5.4 M	\$9.3 M	\$6.9 M	\$12.3 M	\$10.9 M	\$9.4 M	\$8.9 M	\$8.0 M	\$11.3 M	\$12.7 M	\$9.7 M	\$11.9 M	\$11.3 M	\$25.6 M	\$20.0 M	\$16.6 M	\$18.6 M	\$8.3 M	\$16.1 M

Annual PGF Deposits (with s.2) 2012/2013 to 2016/2017 (YTD)



Annual PGF Deposits (without ^{s.22}) 2012/2013 to 2016/2017 (YTD)



PGF Program - Emerging Concerns (Page 1 of 2)

1) s.15

2) **Know Your Customer (KYC):** BCLC places reliance on the due diligence processes put in place by the financial institutions.

3) Policy Concerns:

- 1) Cash Deposits - BCLC policy does not detail the time frame to which cash can be sourced. 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. During a recent audit a large deposit to one patron's PGF account s.22
s.22
- 2) International EFT's – A new policy revision allows EFT's from International financial institutions.

4) **Dependence on Small # of Patrons:** The PGF program is highly dependent on a small number of patrons to generate majority of the dollar volume activity. For instance, from Jan-July 2016, of the total 387 PGF account holders with activity during the period, 10 PGF account holders deposited 47% of the total \$301 million into the accounts. From past analysis the top 10 patrons generate anywhere from 45 to 50% of deposits.

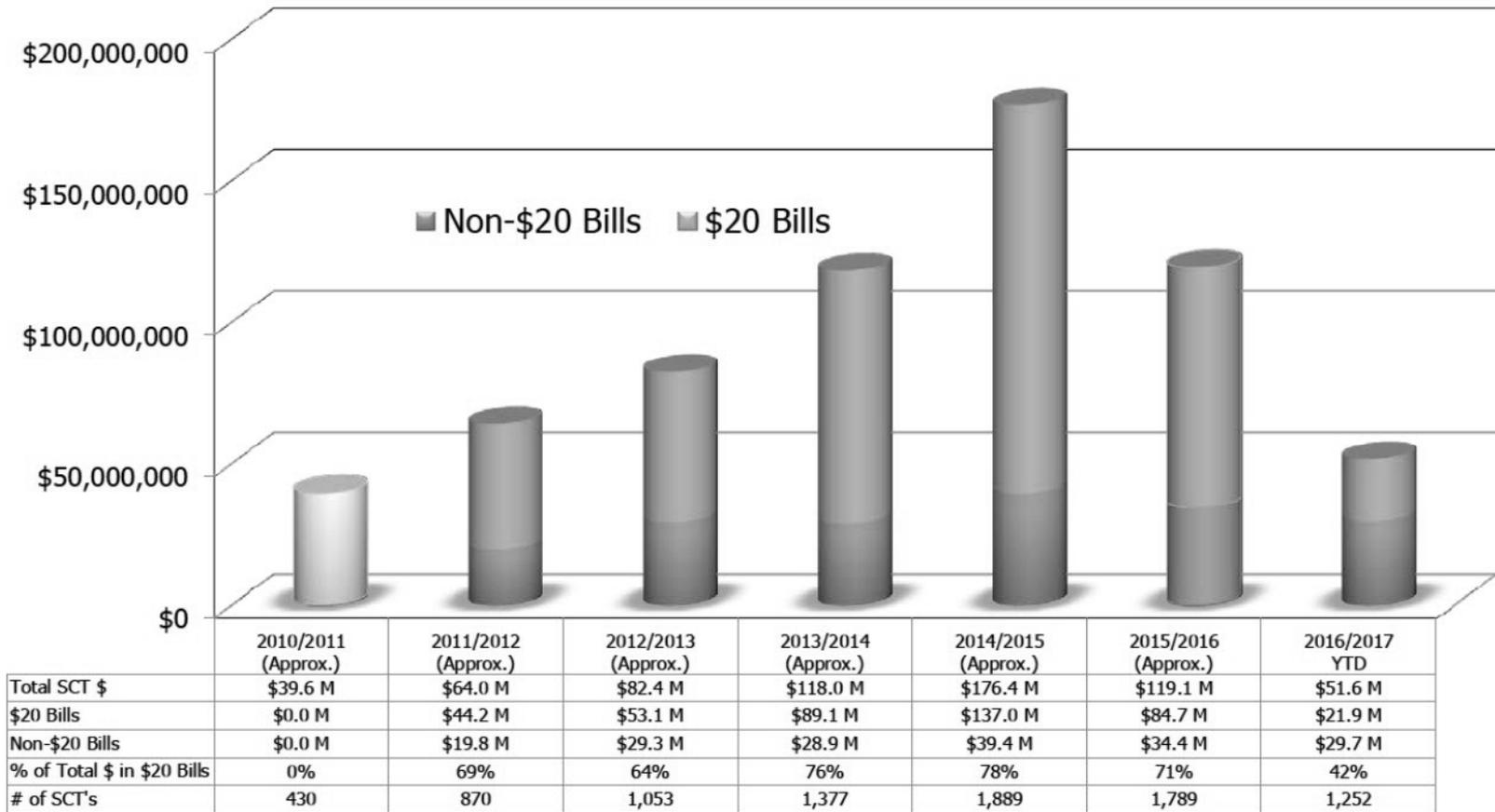
5) **Dependence on Bank Drafts:** Primarily all new money deposits into PGF accounts are with bank drafts. There has been no uptake on other forms of authorized deposits by patrons (wire transfer, EFT, certified cheque, debit at the cage).

PGF Program - Emerging Concerns (Page 2 of 2)

s.15

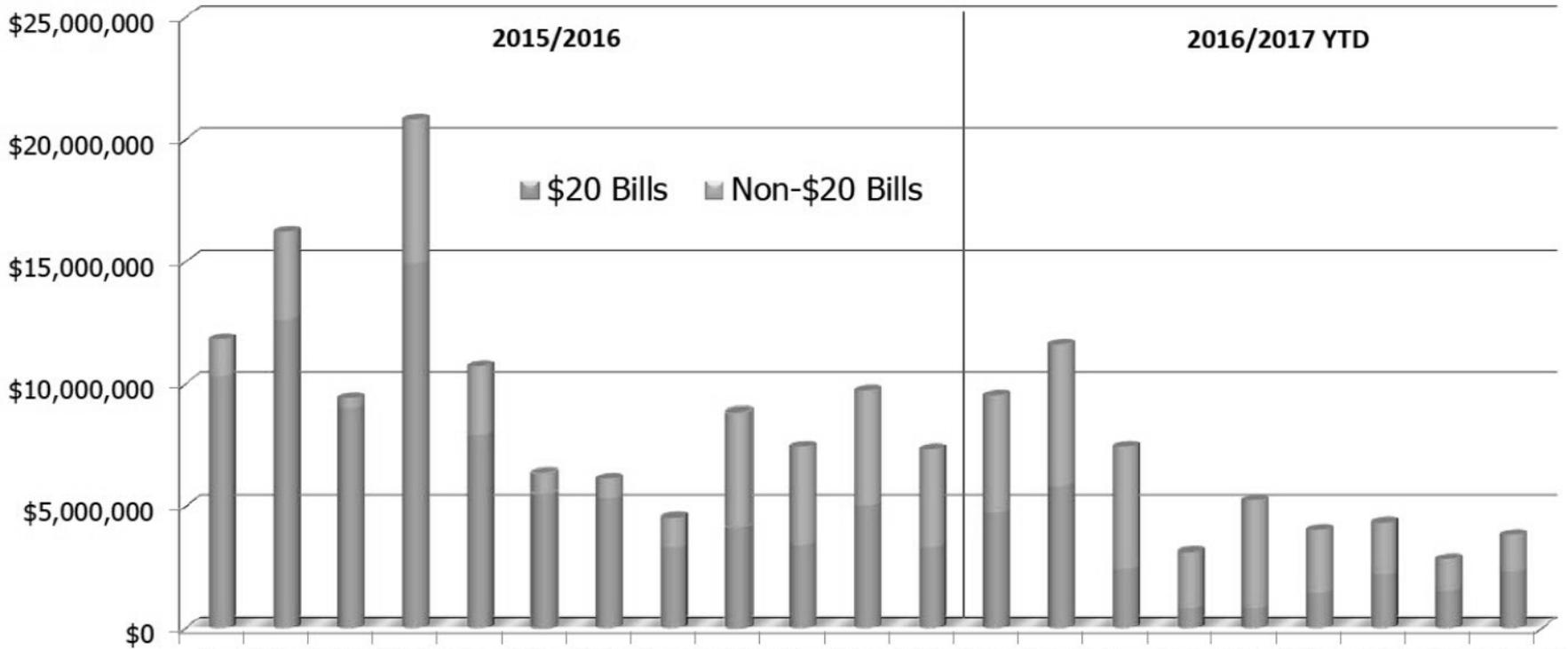
- Are they more lax on due diligence?
- Reference to an example? Of cash deposited into a patron's PGF account without a LCTR. Not s.22 but someone else.
- BCLC dashboards present limited information on PGF activity, other than deposit levels and account openings as a whole.
- Concerns around money service businesses.

Suspicious Currency Transactions by Denomination 2010/2011 to 2016/2017 (YTD)



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

Suspicious Currency Transactions by Denomination for 2015/2016 and 2016/2017 (YTD)



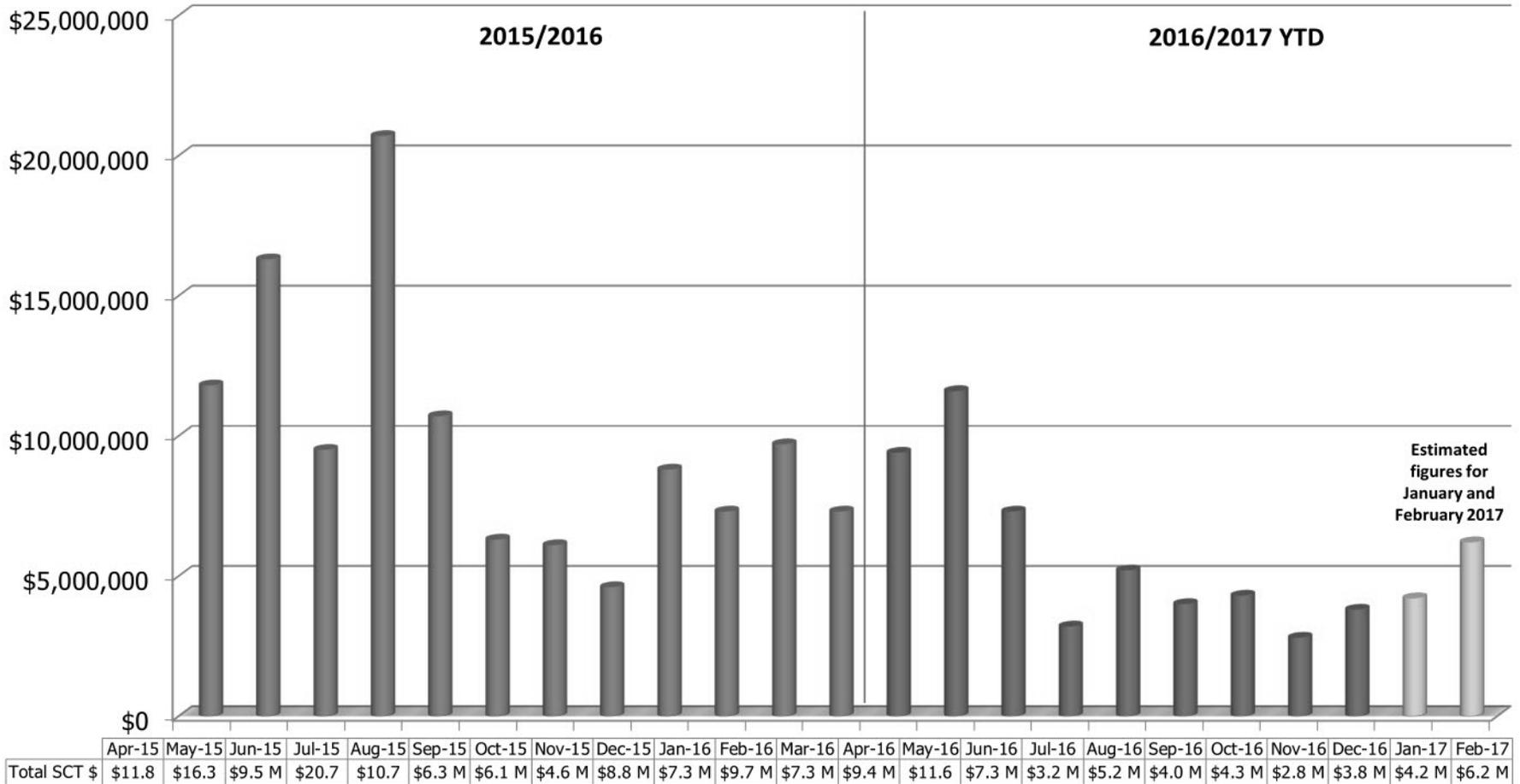
	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Total SCT \$	\$11.8 M	\$16.3 M	\$9.5 M	\$20.7 M	\$10.7 M	\$6.3 M	\$6.1 M	\$4.6 M	\$8.8 M	\$7.3 M	\$9.7 M	\$7.3 M	\$9.4 M	\$11.6 M	\$7.3 M	\$3.2 M	\$5.2 M	\$4.0 M	\$4.3 M	\$2.8 M	\$3.8 M
Non-\$20 Bills	\$1.5 M	\$3.6 M	\$0.4 M	\$5.9 M	\$2.8 M	\$0.8 M	\$0.8 M	\$1.2 M	\$4.7 M	\$4.0 M	\$4.7 M	\$4.0 M	\$4.8 M	\$5.8 M	\$5.0 M	\$2.3 M	\$4.4 M	\$2.6 M	\$2.1 M	\$1.3 M	\$1.5 M
\$20 Bills	\$10.3 M	\$12.6 M	\$9.0 M	\$14.9 M	\$7.9 M	\$5.5 M	\$5.3 M	\$3.3 M	\$4.1 M	\$3.4 M	\$5.0 M	\$3.3 M	\$4.7 M	\$5.8 M	\$2.4 M	\$0.8 M	\$0.8 M	\$1.4 M	\$2.2 M	\$1.5 M	\$2.3 M
% of Total \$ in \$20 Bills	87%	78%	96%	72%	73%	87%	88%	73%	46%	46%	52%	45%	50%	50%	32%	26%	15%	35%	51%	55%	60%
Monthly % Change in Total SCT	-25%	24%	-27%	34%	-43%	-26%	45%	-16%	260%	-13%	25%	-29%	20%	15%	-35%	-62%	29%	-6%	11%	-16%	58%
# of SCT's	116	144	105	141	81	60	87	73	263	229	286	204	244	281	184	70	90	85	94	79	125

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

Notes & Observations (for SCT graphs)

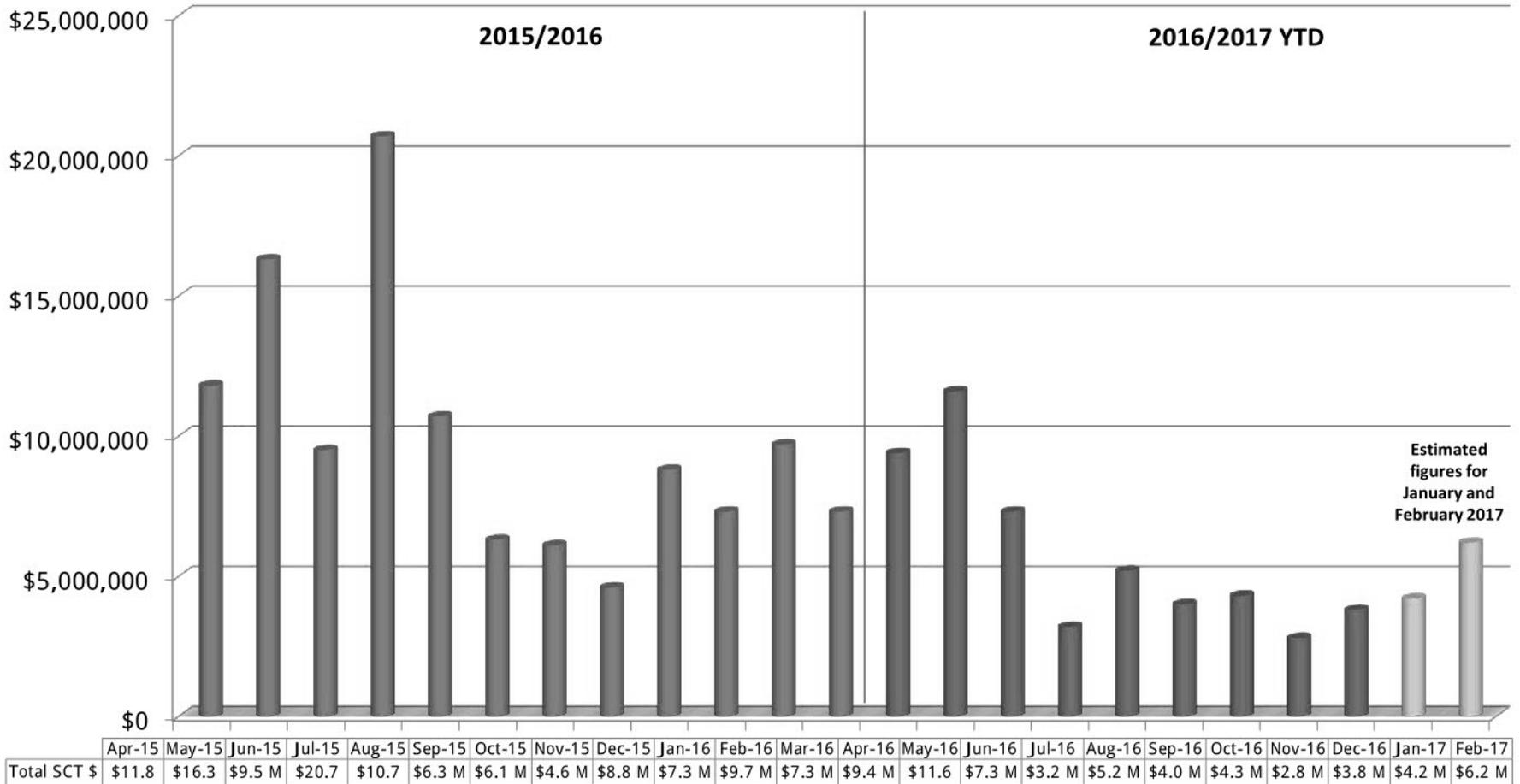
- Source of data: Suspicious cash transactions are reported to GPEB by service providers as required under Sec. 86 of the Gaming Control Act. Not all SCT's result in being substantiated and reported to FINTRAC as an STR.
 - 20-25% of all UFT files for 2016 may be unsubstantiated (e.g. may include a buy-in from a previous casino win or an ATM withdrawal).
 - There was spike in December and January 2016 due to the River Rock Casino under-reporting issue.
- There appears to have been a downward monthly trend from the high of \$20 million SCT monthly total noted in July 2015. For the subsequent year and a half the monthly amounts of suspicious cash has been between \$2,800,000 and \$11,600,000.
- During 2016 there has been a dramatic decrease in the number of SCT's reported to GPEB, a comparison between the first 6 months of 2016 (Jan-Jun) and the second half (Jul-Dec) found:
 - The # of SCTs reported dropped from an average of 238 per month to 91 per month (62% decrease)
 - The \$ of SCTs reported dropped from an average of \$8.7M per month to \$3.8M per month (56% decrease)
 - The \$ of \$20 bills reported in the SCT's dropped from an average of \$4.1M per month to \$1.5M per month (63% decrease)
- The downward trend likely reflects the increased measures taken by BCLC to ensure that high-limit players to play with sourced cash.
- Many of the previous high-limit cash players are no longer playing in the Lower Mainland and there has been a significant increase in the use of the PGF by high-limit players.
- The amount of \$20 bills noted in SCT's reported decreased from 71% in the previous fiscal to 42% in the current fiscal year to date.

Suspicious Currency Transactions (SCT) by Month for Fiscal 2015/2016 and 2016/2017 (YTD)



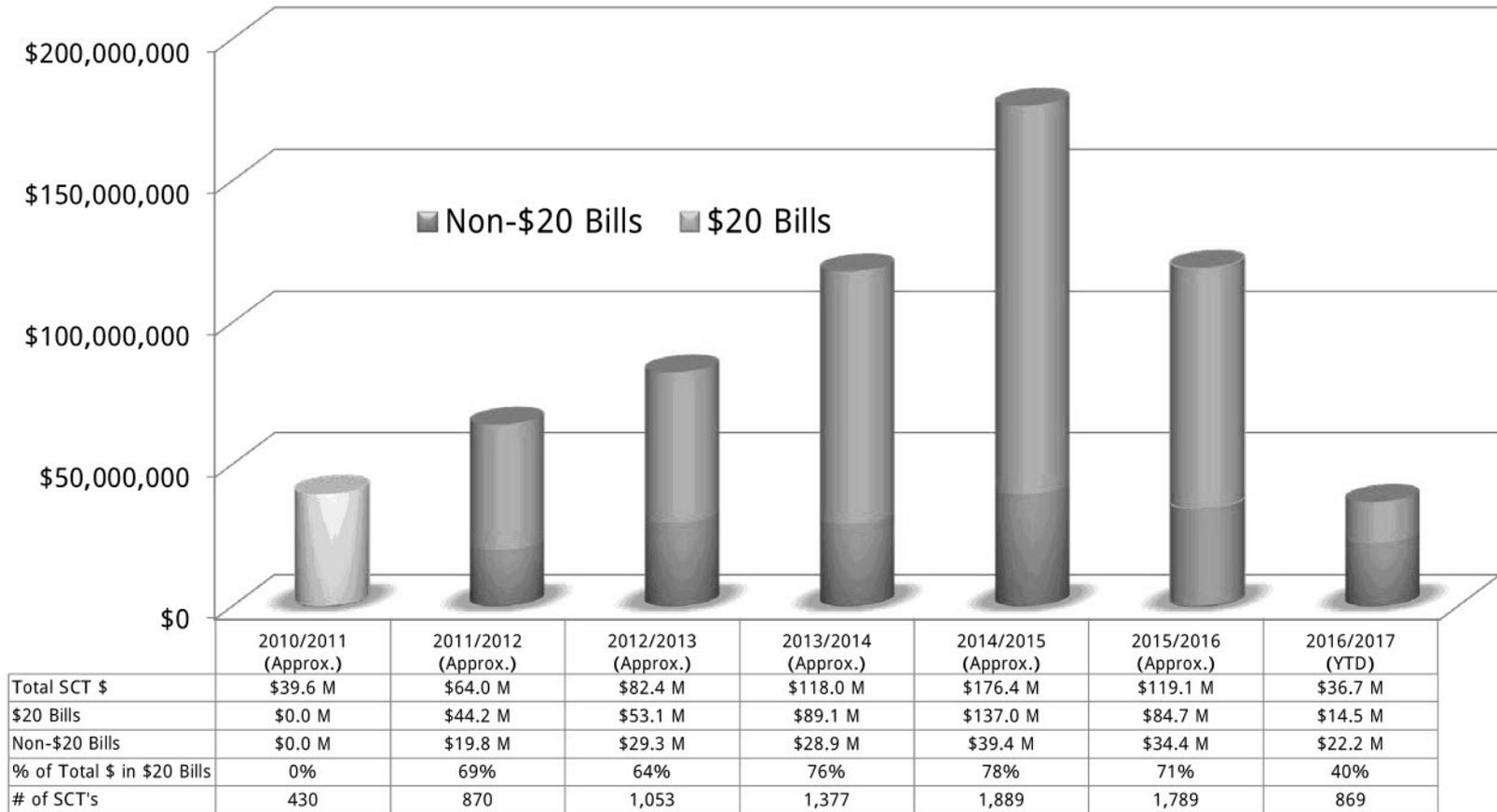
Estimated figures for January and February 2017

Suspicious Currency Transactions (SCT) by Month for Fiscal 2015/2016 and 2016/2017 (YTD)



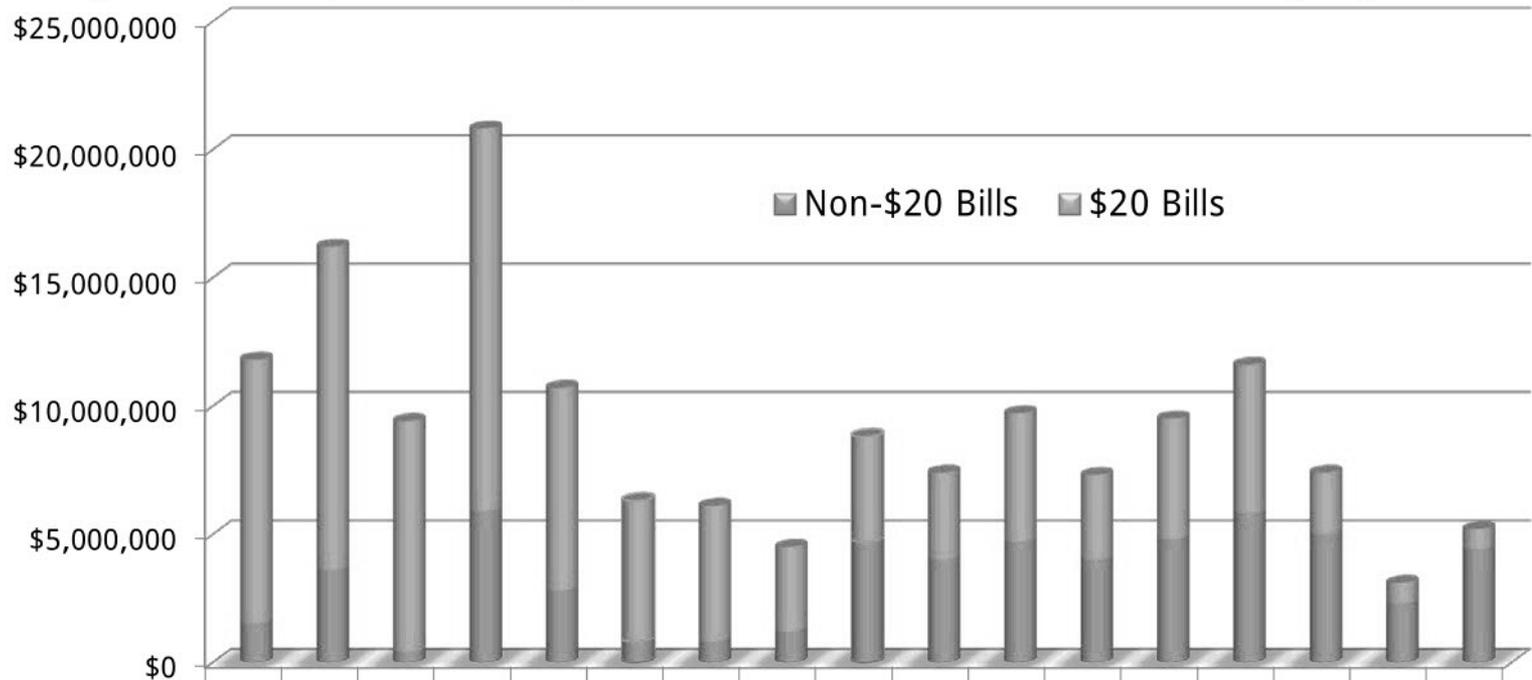
PREPARED BY: GPEB Compliance Division
 CONFIDENTIAL - Updated: March 8, 2017

Suspicious Currency Transactions by Denomination 2010/2011 to 2016/2017 (YTD)



PREPARED BY: GPEB Compliance Division
 CONFIDENTIAL - Updated: September 16, 2016

Suspicious Currency Transactions by Denomination for 2015/2016 and 2016/2017 (YTD)



	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Total SCT \$	\$11.8 M	\$16.3 M	\$9.5 M	\$20.7 M	\$10.7 M	\$6.3 M	\$6.1 M	\$4.6 M	\$8.8 M	\$7.3 M	\$9.7 M	\$7.3 M	\$9.4 M	\$11.6 M	\$7.3 M	\$3.2 M	\$5.2 M
\$20 Bills	\$10.3 M	\$12.6 M	\$9.0 M	\$14.9 M	\$7.9 M	\$5.5 M	\$5.3 M	\$3.3 M	\$4.1 M	\$3.4 M	\$5.0 M	\$3.3 M	\$4.7 M	\$5.8 M	\$2.4 M	\$0.8 M	\$0.8 M
Non-\$20 Bills	\$1.5 M	\$3.6 M	\$0.4 M	\$5.9 M	\$2.8 M	\$0.8 M	\$0.8 M	\$1.2 M	\$4.7 M	\$4.0 M	\$4.7 M	\$4.0 M	\$4.8 M	\$5.8 M	\$5.0 M	\$2.3 M	\$4.4 M
% of Total \$ in \$20 Bills	87%	78%	96%	72%	73%	87%	88%	73%	46%	46%	52%	45%	50%	50%	32%	26%	15%
# of SCT's	116	144	105	141	81	60	87	73	263	229	286	204	244	281	184	70	90
Monthly % Change in Total SCT	-25%	24%	-27%	34%	-43%	-26%	45%	-16%	260%	-13%	25%	-29%	20%	15%	-35%	-62%	29%

PREPARED BY: GPEB Compliance Division
 CONFIDENTIAL - Updated: September 16, 2016

Notes & Observations

- Source of data: Suspicious cash transactions are reported to GPEB by service providers as required under Sec. 86 of the Gaming Control Act. Transactions less than \$50,000 were not being reported until latter part of last year and nor were some transactions that were not in \$20 denominations. Not all SCT's result in being substantiated and reported to FINTRAC as an STR.
 - Per BCLC 20-25% of all UFT files for 2016 may be unsubstantiated (e.g. may include a buy-in from a previous casino win or an ATM withdrawal).
 - There was spike in December and January due to the River Rock Casino under-reporting issue.
- There appears to have been a downward monthly trend from the \$20 million SCT monthly total noted in July 2015. For the subsequent year the monthly amounts of suspicious cash has been between \$3,200,000 and \$11,600,000. Note the initial amount may have been larger than reported due to the lack of under \$50,000 reporting.
- The downward trend likely reflects the increased measures taken by BCLC to ensure that high-risk players play with sourced cash.
- Many of the previous high-limit cash players are no longer playing in the Lower Mainland and there has been a significant increase in the use of the PGF by high-limit players.
- The amount of \$20 bills noted in SCT's reported decreased from 71% in the previous fiscal to 40% in the current fiscal year to date.

ADVICE TO MINISTER

**CONFIDENTIAL
ISSUES NOTE**

Ministry of Finance
Date: March 24, 2016
Minister Responsible: Hon. Michael de Jong

B.C. Anti-Money Laundering Strategy

KEY FACTS REGARDING THE ISSUE:

- BC has had anti-money laundering policies in place since 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 casinos – to report large-cash transactions and disbursements over \$10,000, foreign exchanges over \$3,000 and all “suspicious” transactions.
- Released in 2011, the “Anti-Money Laundering Measures at B.C. Gaming Facilities”¹ review found that the Province already has a progressive anti-money-laundering regime in place. The review also contained recommendations to further strengthen this regime; GPEB and BCLC have been developing and implementing strategies that address these recommendations.
- The multi-phased AML strategy is led by an internal GPEB AML working group. The strategy 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 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.

Phase 1 and 2 initiatives:

- As part of Phase 1 and 2 of the AML strategy a number of improvements have been made including, but not limited to:
 - Patron gaming fund (PGF) accounts allowing casino customers to transfer money from regulated banks and credit unions or add funds to their account via certified cheques, bank drafts, internet transfers, or verified win cheques;
 - The ability to electronically transfer money into patron gaming fund accounts through Canadian and U.S. chartered banks;
 - Customer convenience cheques clearly marked as verified win or as a “return of funds that are non-verified wins”;
 - A “cheque hold” system for high-volume players where players can secure play against a personal cheque from an approved bank that will not be processed by a casino until an agreed upon period of time and any winnings or remaining funds are paid back to the player by casino cheque;
 - Debit withdrawals at the “cash cage” as well as ATM withdrawals inside gaming facilities;

¹ This review was requested by then Minister Responsible for Gaming, Hon. Rich Coleman, in response to multiple media reports of suspicious cash transactions in BC casinos.

- Casino chips are only able to be used at a single facility and regulations to monitor how those chips are used;
 - Tight restrictions on the ability of patrons to exchange small bills for large currency denominations;
 - Activities on the gaming floor or elsewhere on the property that raise concerns may result in a temporary, 14-day ban while the concerns are investigated; and
 - GPEB is an associate member of the BC Association of Chiefs of Police, and actively collaborates with law enforcement agencies on AML issues.
- Overall, focus of phase 1 and 2 was the development of cash alternatives and the promotion of their use by patrons to minimize the opportunity for the need to access cash outside of gaming facilities which may lead to money laundering or other unlawful activity. These and further cash alternatives are continuously being examined to enhance the phase 1 and 2 strategies already in place.

Phase 3

- Phase 3 of the AML strategy is centered on regulatory guidance and additional measures, including intervention, for enhancing AML due diligence. As such, GPEB has shifted its focus to target its resources at analyzing the areas of highest risk to the integrity of gaming such as large and suspicious currency transactions.
- In June 2015, GPEB and BCLC co-hosted an anti-money laundering workshop, *Exploring Common Ground – Building Solutions*. Attending organizations, including BCLC, law enforcement agencies, gaming service providers, private sector, and financial institutions, supported the creation of a dedicated enforcement unit for both illegal gambling and suspicious money in BC gaming facilities.
- Both GPEB's General Manager and the Minister have directed BCLC in late 2015 to enhance the existing AML regime in gaming facilities. The letters required that BCLC increase its efforts to develop and promote the use of cash alternatives and implement enhancements to its due diligence and compliance program and include:
 - Develop and implement additional customer due diligence policies and practices constructed around financial industry standards and robust Know Your Customer requirements with a focus on identifying source of wealth and funds;
 - Develop and implement additional cash alternatives, focusing on furthering the transition from cash-based to electronic and other forms of transactions, and instruments, and exploring new ways to promote existing and new cash alternatives;
 - Work with GPEB to develop processes and approaches to clarify roles and responsibilities around AML intelligence, analysis, audit and compliance activities. This includes considering information sharing and access to systems that support the AML strategy's elements.
 - Work with GPEB and other stakeholders such as FINTRAC to develop a BCLC public information and education strategy and action plan for government's review and approval.

Current Situation

- Over the past year, GPEB has been made aware of reports of high stakes illegal gaming houses and other illegal activities related to gambling occurring in the lower mainland. s.15
s.15,s.16 These activities impact both the integrity of gaming and revenue generated by legal gaming facilities and is believed to support organized crime.
- GPEB is also aware of a prevalence of large cash transactions (LCT), often resulting in suspicious transaction reports (STR), in BC gaming facilities. The number of STR's being filed has been increasing in recent years.
- There is currently no dedicated or integrated or coordinated enforcement response to unlawful activities within gaming facilities or illegal gambling in BC between the province and RCMP. The Minister of Finance and Minister of Public Safety requested that the Gaming Policy and Enforcement

ADVICE TO MINISTER

Branch (GPEB) and Policing and Security Branch (PSB) provide a coordinated response to this concern in the fall of 2015.

- Based on the direction provided, the Gaming Policy and Enforcement Branch (GPEB), Policing and Security Branch (PSB) and the Royal Canadian Mounted Police (RCMP) are working to establish a specialized policing component within the Combined Forces Special Enforcement Unit British Columbia (CFSEU-BC). The Joint Illegal Gaming Investigation Team (JIGIT) will be funded by the British Columbia Lottery Corporation (BCLC) and will provide a dedicated, coordinated, multi-jurisdictional investigative and enforcement response to unlawful activities within BC gaming facilities (emphasis on anti-money laundering strategies) and illegal gambling in BC (emphasis on organized crime).
- In September 2015, GPEB engaged MNP LLP to conduct an analysis of current practices with respect to source of funds, source of wealth, handling of cash, use of cash alternatives and overall customer due diligence, in gaming facilities and financial institutions and conduct an assessment of BCLC's customer due diligence regime and assess compliance with industry best-practices. A final report is due in spring 2016.

Underreporting of STRs at the River Rock Casino Resort

- BCLC has met with FINTRAC to report on and brief them on the underreporting of STRs at the River Rock Casino Resort (RRCR). RRCR did not review LCTs of \$50,000 or less for indicators of being suspicious transactions contrary to federal regulations and BCLC policy. The issues were first identified 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.
- 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 has the authority to issue an administrative monetary penalty should it conclude that such a penalty is warranted in these circumstances.

Integrated Illegal Gaming Enforcement Team

- From 2003-2009, the Integrated Illegal Gaming Enforcement Team (IIGET) investigated illegal gaming activities occurring outside of licensed gaming facilities such as illegal lotteries, common gaming houses, the distribution of illegal video lottery terminals, animal fights, bookmaking, and internet gaming. It was not tasked with examining money laundering in legal gaming facilities. IIGET's budget was cut due to exigent funding pressure on the primary funder, BCLC, and a perceived lack of effectiveness. Since this time, investigations and enforcement of illegal gambling activities has been conducted by individual police departments in an ad-hoc manner with assistance from GPEB's compliance division where requested.

**ADVICE TO MINISTER
ESTIMATES NOTE
MAY 10, 2016**

ISSUE: GAMING AUDITS AND RESULTS

ADVICE AND RECOMMENDED RESPONSE:

- ◆ **The Gaming Policy and Enforcement Branch’s compliance division conducts audits, investigations, and inspections to ensure compliance to program policies and standards.**

- ◆ **In fiscal year 2015/16, auditors focused efforts on casino oversight, anti-money laundering related work, charitable organizations that filed incomplete reports or reports indicating potential non-compliance, licensees using electronic raffle systems, and organizations that had not previously been audited.**

- ◆ **As of March 31, 212 charitable audits, 26 commercial audits and 543 lottery retailer inspections were completed in 2015/16. Auditors identified serious non-compliance in 30 charitable organizations. This is higher than the “average” random audit.**

CURRENT STATUS:

- The Audit function within the Gaming Policy and Enforcement Branch’s (GPEB) compliance division is undergoing a significant transition, shifting focus to risk-based priorities.

KEY FACTS REGARDING THE ISSUE:

- GPEB’s compliance division is in phase one of its transition plan, with the objective of streamlining services and enhancing divisional capacities. As the audit function is based on forecasting and responding to risk, there is no prescribed number of charitable or commercial audits. Audits include consultation with BCLC to avoid duplication and are based on risks identified through partnership and dialogue with other divisions in GPEB. Future resource allocation will change on an annual basis based on risk and shifting priorities.

- During fiscal year (FY) 2015/16, anti-money laundering (AML) work, anonymous slot play and cross-training staff have been the audit team’s priorities.

- Of the 212 total number of charitable audit files completed in FY 2015/16, 102 were requested by other GPEB divisions due to concerns such as financial reporting, use of funds, and event conduct. The remaining 110 were selected using a combination of risk factors. 75% of all audits completed revealed some level of non-compliance, 27% considered serious non-compliance.

- GPEB’s compliance division regularly conducts compliance presentations, and is considering additional initiatives to further educate and enhance compliance by charitable organizations. The Compliance Division has included outreach as an objective in its 2016/17 Business

Plan.

CHARITABLE AUDIT BREAKDOWN

Office	Total # of Files Completed	Less # of Request for Assistance (RFA), Special Projects, Complaints, etc	# of Files Completed	# of Serious Non-Compliant Audits Completed	% of Serious Non-Compliant Audits Completed
Vancouver Island	39	14	25	6	24%
Prince George	17	8	9	1	11%
Kelowna	79	35	44	17	39%
Burnaby	77	45	32	6	19%
Totals:	212	102	110	30	27%

- GPEB's compliance division also completed 26 commercial gaming facility site audits, and re-allocated resources to AML related audits and special project audits. Seven AML related projects have been completed in FY 2015/16 and one additional AML related project started in late FY 2015/16 will be completed in May 2016. Projects include analysis of denominations used at high limit rooms, reviews of suspicious transaction reports and reviews of existing cash alternatives.

COMMERCIAL AUDIT BREAKDOWN

Audit Type	Total # of Finalized Files	Notes
Commercial Site Audits (Casino, CGC, Bingo, Race Trak)	26	All site audits have been training audits for regional and lottery auditors.
AML Related Audits	7	UFT/STR Reviews Cash Flow Analysis at RRCR
Special Project Audits	7	Bitcoin Review PGF Account Analysis Debit and Cheques at the Cage Review Registered Raffle Project
Lottery Retailer Inspections	543	Conducted by our Inspector

Contact:

Len Meilleur, Executive Director,
Compliance Division

Phone number:
(250) 356-6320

File Created:

March 23, 2016

File Updated:

MAY 10, 2016

File Location:

D10686016A

**MINISTRY OF FINANCE
GAMING POLICY AND ENFORCEMENT BRANCH
ESTIMATES NOTE**

ISSUE: Joint Illegal Gaming Investigation Team

ADVICE AND RECOMMENDED RESPONSE:

- The B.C. Government takes illegal gambling and money laundering seriously and maintains an ongoing cooperative effort with the British Columbia Lottery Corporation (BCLC) and police.
- The newly formed Joint Illegal Gaming Investigation Team (JIGIT) is a 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 network and assets into B.C.'s gaming facilities.
- The new joint team is drawing on the anti-gang and organized crime expertise of its police members from the Combined Forces Special Enforcement Unit (CFSEU-BC).
- Four GPEB investigators will act as subject matter experts.
- This forms part of a broader, multi-phase anti-money laundering strategy launched in 2011, following a comprehensive review of anti-money laundering measures at B.C.'s gaming facilities.

SECONDARY MESSAGES:

- Large and suspicious transactions are an ongoing concern and I have directed the B.C. Lottery Corporation and the Gaming Policy and Enforcement Branch to take steps to address this issue.
- 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, 105 people have been banned.

CURRENT STATUS:

- The Joint Illegal Gaming Investigation Team (JIGIT) is a dedicated, multi-jurisdictional police investigative and enforcement response to gang and organized crime-related illegal gaming in B.C.
- There is evidence based on information provided to police by BCLC and investigations conducted by police that there has been a significant increase in the use of illegal gaming

Contact: John Mazure, ADM and General Manager

Division: Gaming Policy and Enforcement

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houses in the province and the legitimization of the proceeds of crime through B.C.'s gaming facilities. Evidence suggests that the use of legal and illegal gambling by organized crime for the purpose of laundering money is substantial.

- As part of Budget 2016, BC Lottery Corporation (BCLC) received a new mandate letter that references an enhanced law enforcement approach aimed at reducing the risk of criminal activity in the province's gaming industry.

KEY FACTS REGARDING THE ISSUE:

- The Gaming Policy and Enforcement Branch (GPEB) and BCLC report any information about illegal gaming activities of which they become aware to the police of jurisdiction. These investigations often remain a low priority for local police. For example, since 2011, no charges have been laid related to common gaming houses in B.C. GPEB, BCLC and the RCMP are working to address this gap.
- GPEB worked with the Policing and Security Branch (PSB) and the RCMP on the new initiative to establish a policing team within the Combined Forces Special Enforcement Unit British Columbia (CFSEU-BC) that will now provide a dedicated, coordinated, multi-jurisdictional investigative and enforcement response to unlawful activities connected to gaming (emphasis on anti-money laundering strategies) and illegal gambling in B.C. (emphasis on organized crime).
- There is evidence based on investigations conducted by police that there has been a significant increase in the use of illegal gaming houses in the province and the legitimization of the proceeds of crime through B.C.'s gaming facilities. Evidence suggests that the use of legal and illegal gambling by organized crime for the purpose of laundering money is substantial.
- The mandate letter may also renew criticism from opposition politicians and anti-gambling activists who have previously expressed concern over the Province's 2009 decision to disband its Integrated Illegal Gaming Enforcement Team (IIGET) and have an interest in the AML initiatives being implemented by government. During public accounts last spring (May 2015), Minister De Jong advised the opposition critic that "restoring funding in the way that existed" was not under consideration, however, this new team may have a similar funding structure.
- The enhanced co-operation enforcement approach is the latest in a series of ongoing initiatives to strengthen the province's money laundering and illegal gambling enforcement programs.

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

TOPIC: Anti-Money Laundering

Question: What measures have the British Columbia Lottery Corporation and the Gaming Policy and Enforcement Branch undertaken to prevent money laundering at BC gaming facilities?

Answer:

- There are comprehensive policies and processes in place to report any activities that may be related to money laundering.
 - Players are not allowed to exchange small denomination bills for large denomination bills. When players cash out, and where practicable they will receive the same denomination bills from their original casino chip purchase. In addition, casino chips may only be used at a single property. They cannot be redeemed at any facility other than where they were initially purchased.
 - When a player makes a transaction of \$10,000 or multiple transactions totaling or exceeding \$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. These Large Cash Transactions (LCTs) are then reported to FINTRAC.
 - All casino gaming staff receive anti-money laundering training when hired and must take refresher training at least every two years.
 - The government and BCLC work with service providers to implement gaming facility anti-money laundering measures focused on: comprehensive policies and procedures; formal risk analysis with mitigation strategies, staff training, technology; and security & surveillance.
 - Some examples of these measures include:
 - Assessing every customer with whom BCLC has a business relationship for the risk of money laundering.
 - Ongoing monitoring of all customers with whom BCLC has a business relationship.
 - Surveillance monitoring and recording of all large cash and all suspicious transactions.
 - Confirmation of the identity of any customer conducting large cash transactions.
- s.15
- Proactive barring of any individual whose presence in a gaming facility would be contrary to the safe and secure enjoyment of the facility by the public.

- There are multiple layers of security and surveillance to monitor activity on the gaming floor and at facility entrances.
- The B.C. Government and police have established a dedicated and integrated enforcement team within the Combined Forces Special Enforcement Unit British Columbia (CFSEU-BC). The Joint Illegal Gaming Investigation Team (JIGIT) will provide a coordinated investigative and enforcement response to unlawful activities connected to gaming and illegal gambling in B.C. An emphasis will be placed on anti-money laundering strategies and combatting organized crime. The team will include four full-time GPEB investigators.

Question: In summer 2010, BCLC was fined by the FINTRAC for violations. What is BCLC doing about this?

Answer:

- The British Columbia Lottery Corporation has filed an appeal with the Federal Court in Toronto of the Financial Transactions and Reports Analysis Centre of Canada notice of violation.
- The matter is now before the courts.

**MINISTRY OF FINANCE
GAMING POLICY AND ENFORCEMENT BRANCH
ESTIMATES NOTE**

ISSUE: Anti-Money Laundering

ADVICE AND RECOMMENDED RESPONSE:

- Our Government remains ever mindful of the threat money laundering poses to gaming facilities in the province. Those threats are taken seriously and the Gaming Policy and Enforcement Branch (GPEB) maintains an ongoing cooperative effort with the British Columbia Lottery Corporation (BCLC) and police.
- On April 11th, 2016 the government announced the newly created Joint Illegal Gaming Investigation Team (JIGIT) that forms part of government's broader anti-money laundering strategy.
- JIGIT is a dedicated, integrated enforcement team that will work to disrupt top-tier organized crime and gang involvement in illegal gaming, as well as criminals from expanding their organized networks and assets into B.C.'s gaming facilities. An emphasis will be placed on anti-money laundering strategies and combatting organized crime.
- The team will be comprised of members from the Combined Forces Special Enforcement Unit BC (CFSEU-BC), and four investigators from GPEB who will act as subject matter experts.
- Federal anti-money laundering laws require BCLC to take proactive steps to know its customers by requiring the production of current, valid government photo identification and recording the name, address, occupation and other personal information of customers who complete transactions of \$10,000 or more.
- Federal anti-money laundering laws require BCLC to report to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) all large-cash transactions of \$10,000 or more; suspicious transactions of any amount, disbursements to customers of \$10,000 or more, and international electronic funds transfers of \$10,000 or more.
- BCLC also provides suspicious transaction reports directly to the RCMP and to the province's Gaming Policy and Enforcement Branch which monitors and analyzes suspicious currency transactions.

Contact: John Mazure, ADM and General Manager
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SECONDARY MESSAGES:

- Our partnership with CFSEU-BC is an exciting development, as it is the province's anti-gang police agency and the largest integrated joint forces unit in B.C. CFSEU-BC draws and develops highly specialized officers from federal, provincial and municipal agencies. Their valuable anti-gang expertise and organized crime intelligence will strengthen our existing efforts.

CURRENT STATUS:

- GPEB is currently evaluating BCLC's proposal to update anti-money laundering cash alternative policies, including financial limits of convenience cheques and foreign electronic fund transfers, as well as potentially introducing a form of secure cash advances for specified players.
- The B.C. Government and RCMP have established a specialized policing unit within the Combined Forces Special Enforcement Unit British Columbia (CFSEU-BC). The Joint Illegal Gaming Investigative Team (JIGIT) provides a dedicated, coordinated, multi-jurisdictional investigative and enforcement response to unlawful activities connected to gaming (emphasis on fraud and anti-money laundering strategies) and illegal gambling in B.C. (emphasis on organized crime).
- GPEB and BCLC have become aware of a recent Civil Forfeiture Office Notice of Civil Claim which alleges that an individual laundered \$70,800 at gaming facilities. In addition, the CFO states in their claim that one of the defendants to the law suit had been paid \$2,189,880 in winnings by B.C. casinos over the course of a year (these are jackpots the defendant had won playing slot machines). GPEB and BCLC are examining whether there is any need for enhanced financial tracking measures relating to slot play.
- BCLC has recently replaced \$5,000 casino chips in circulation at the River Rock Casino Resort as part of its overall security, game protection and anti-money laundering measures.

KEY FACTS:

- The Gaming Policy and Enforcement Branch has the legal regulatory mandate and authority to ensure the overall integrity of gaming. It takes money-laundering and the notifications of suspicious currency transactions seriously.
- Through its audit and investigative functions, GPEB monitors anti-money laundering (AML) strategies and other efforts to protect gaming from attempts to legitimize proceeds of crime through gaming facilities. GPEB monitors each suspicious currency 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.
- Government launched a multi-phased Anti-Money Laundering Strategy in 2011 focused on reducing the use of cash to minimize the opportunity for money laundering to take place through gaming facilities. The first two phases of the strategy focused on the development of

cash alternatives and the promotion of their use by patrons to minimize the opportunity for the need to access cash outside of gaming facilities. This strategy includes:

- Patron Gaming Fund (PGF) accounts where casino patrons may transfer money from regulated banks and credit unions, or add funds to their account via certified cheques, bank drafts, internet transfers, or verified win cheques;
 - Electronic transfers of funds to PGF accounts through Canadian and U.S. banks;
 - Customer convenience cheques clearly marked as a verified win or as a “return of funds that are not gaming winnings” to a maximum of \$10,000;
 - A “cheque hold” system for players playing at high buy-in values;
 - Debit withdrawals at the cash cage and ATM withdrawals inside gaming facilities.
 - Proactively banning individuals whose presence in a gaming facility would be contrary to the safe and secure enjoyment of the facility by the public.
- Phase 3 of the AML strategy is centered on regulatory guidance and additional measures for enhancing AML due diligence. As such, GPEB has shifted its focus to target its resources at analyzing the areas of highest risk to the integrity of gaming such as large and suspicious currency transactions.

Ministry of Finance

BRIEFING DOCUMENT

To: Cheryl Wenezenki-Yolland.
Associate Deputy Minister

Date Requested: Aug 23, 2016
Date Required: Sept 15, 2016

Initiated by: Len Meilleur
Executive Director, Compliance

Date Prepared: Sept 15, 2016

Ministry Contact: Len Meilleur
Executive Director, Compliance
Gaming Policy and Enforcement Branch

Phone Number: 250 356-6320
Email: Len.Meilleur@gov.bc.ca

352634

TITLE: 2016 MNP Report on Anti-Money Laundering Practices in Gaming Facilities

PURPOSE:

(X) FOR INFORMATION

Executive Director approval: _____

ADM approval: __jm_____

Associate DM approval: _____

DATE PREPARED: September 15, 2016

TITLE: 2016 MNP Report on Anti-Money Laundering Practices in Gaming Facilities

ISSUE: Report Findings/Recommendations

BACKGROUND:

As a part of the Province's Anti-Money Laundering strategy, the Gaming Policy and Enforcement Branch's (GPEB) compiled a report as a part of their ongoing monitoring of cash transactions at casinos. This report identified approximately \$13.5 million in \$20 bills being accepted by River Rock Casino Resort (RRCR) during July 2015. The trends identified in this analysis prompted GPEB to engage MNP to review the current practices regarding large volumes of unsourced cash being accepted at RRCR.

MNP was engaged by GPEB to:

1. Analyze current practices in respect of source of funds, source of wealth, handling of cash, use of cash alternatives and overall Customer Due Diligence (CDD) in gaming facilities compared to financial institutions;
2. Analyze best practices in the gaming sector in relation to 'know your customer' (KYC) frameworks, particularly in respect of the regulatory framework in B.C., as set out in the *Gaming Control Act*;
3. Assess British Columbia Lottery Corporation's (BCLC) CDD regime and overall compliance with the above-noted practices;
4. Receive information from the General Manager or delegate regarding certain transactions, and assess this information in the context of compliance with 1, and 2 above;
5. Identify immediate near term actions to be taken in order to address any gaps and provide recommendations on longer term new solutions or enhancements to current practices; and
6. Provide any other recommendations to address any gaps identified in the above-described analysis.

MNP's final report, dated July 26, 2016, was based on field work completed through January 22, 2016. The report findings and recommendations were based on information obtained through:

- 23 interviews with RRCR and BCLC staff,
- observations made at RRCR and BCLC,
- limited statistical analysis of cash transactions for VIP patron activity at RRCR, and
- a review of two years of reportable cash transactions or play records provided by BCLC.

MNP provided both GPEB and BCLC the opportunity to provide feedback on a penultimate draft of the report. The report was revised to reflect feedback provided as deemed appropriate by MNP. The report does not include a formal management response to MNP findings and recommendations. As noted below under Next Steps, GPEB and BCLC will work together to prepare a joint briefing note for the minister that responds to the findings and recommendations in the MNP report

DISCUSSION:

Overall, the report found BCLC and Service Providers were generally meeting reporting requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA). The report also found that BCLC's CDD processes meets Federal regulatory requirements for standard risk patrons.

However, the report found that there are reasonable grounds to suspect money laundering activity through the use of unsourced funds is occurring in B.C. gaming facilities.

MNP identified two significant errors in federally regulated reporting: an over-reporting of Large Cash Transaction Reports (LCTR) based on Patron Gaming Fund (PGF) accounts, and a historical undocumented threshold of \$50,000 which was the trigger value to consider a transaction suspicious at the Service Provider location.¹ BCLC made a self-disclosure to FINTRAC regarding both issues.

One of MNP's key observations is the "inherent conflicts between the mandates of GPEB and BCLC and the Service Provider." MNP noted "a cultural difference regarding unsourced cash and the potential AML activity occurring within BC casinos which undermines collaboration and the sharing of ideas and information."

MNP made 30 distinct recommendations (see Appendix A for full list) that can be categorized into five general areas; unsourced cash and cash alternatives, training, CDD & Enhanced Due Diligence (EDD), reporting and monitoring, and other.

The recommendations are consistent with previous direction the Branch has provided on AML policies to BCLC.

Unsourced Cash and Cash Alternatives

MNP recommends that BCLC, at the direction of the Province, implement a policy regarding the refusal of large and / or frequent unsourced cash at gaming facilities.

MNP also recommends that GPEB work with BCLC to approve cash alternatives to mitigate the impact of refusing unsourced cash. However, it has since been determined that GPEB approval is not required for BCLC to implement cash alternatives, with the exclusion of credit, at gaming facilities.

Training

Several of the training recommendations made in the report relate to the need to decrease the culture of acceptance of large bulk cash transactions at RRCR. The report also recommends that staff in VIP areas receive additional AML training and that training be offered in the language in which staff conduct the majority of their business. This is consistent with recent findings of a July 2016 FINTRAC audit letter which identified a need for training at the RRCR.

Customer Due Diligence (CDD) & Enhanced Due Diligence (EDD)

MNP recommends that BCLC review EDD processes to ensure the data and information collected provide a clear picture of the risks and profile of the patron for risk assessment and mitigation. MNP also recommended that BCLC consider outsourcing the EDD process for higher risk patrons to clear the current backlog.

¹ FINTRAC guidelines confirm there is no minimum dollar value related to the filing of an STR.

Reporting and Monitoring

MNP recommends that BCLC ensure reporting forms used by facilities are up to date and include valuable information fields for mandatory completion for unsourced or high volume cash transactions such as source of funds.

MNP emphasized the need for BCLC to appropriately resource the SAS implementation project (schedule for roll out in fall of 2016) to improve the quality of the data used for ongoing risk assessment and compliance monitoring and reporting.

NEXT STEPS:

GPEB and BCLC will work together to prepare a joint briefing note for the minister that responds to the findings and recommendations in the MNP report. This may include, for example, risk-based options/measures for further strengthening the government's Anti-Money Laundering strategy. This briefing note would be provided in support of the minister's meeting planned for October.

Appendix A - Summary of Recommendations:

Responsible organization	Section	Recommendation
Unsourced cash and cash alternatives		
GPEB	4.2 5.69	Should consider implementing a policy requirement that Service Providers refuse unsourced cash deposits exceeding an established dollar threshold or to refuse frequent unsourced cash deposits exceeding an established threshold and time period until the source of the cash can be determined and validated.
	5.6	Define its accepted level of risk for unsourced cash and then develop clear roles and responsibilities for: <ul style="list-style-type: none"> • GPEB – Regulator, Enforcement • BCLC – Manage gaming and reporting entity • Service Provider – Risk identification
	5.35 5.52 5.74	At the direction of the Minister responsible for gaming, consider issuing a directive pertaining to the rejection of funds where the source of cash cannot be determined or verified at specific thresholds. Source of funds can only be verified by obtaining documentation for the withdrawal of cash from a financial institution or entity covered under the PCMLTFA. A directive from GPEB may also support BCLC in creating a policy which would mandate the Service Provider to decline a transaction when mandatory occupation data is no provided by the patron.
	4.3 5.67 5.68	The review of proposed cash alternative solutions, including credit, and the impact of these solutions should remain a priority for both GPEB and BCLC. Cash alternatives allow Service Providers to receive funds, strengthening the overall compliance regime with minimal impact on revenue generation.
BCLC	5.56	Depending on GPEB / Minister’s risk tolerance for large unsourced cash transactions, revise policies regarding tolerance of high risk play and

		consequences of unacceptable high risk activity
	5.70	<p>Consider developing new cash alternative programs and products that include:</p> <ul style="list-style-type: none"> the ability of non-Canadian players to fund PGF accounts and repay credit if subject to cash restrictions in their home country (i.e. China), and allocating how defaults on repayment will be determined (i.e. between BCLC and service provider).
Training		
BCLC	4.5	If GPEB implements a policy regarding the refusal of large or frequent unsourced cash deposits, BCLC's procedures to address the policy should include refresher training to Service Providers pertaining to BCLC's reporting requirements of attempted transactions to ensure reports are appropriately identified.
	4.11 5.47	Facility staff should be regularly trained on the completion of the forms used for reporting, including UFT reporting.
	4.12	Anti-money laundering training programs should be evaluated for up-to-date content and effectiveness.
	4.12 5.55	Training should be provided in the primary language of the candidate, particularly for its high risk exposed employees (those working in high-limit rooms).
	4.14	The KYP framework at RRRCR is a task-driven compliance activity rather than a risk management activity. Provide further guidance as the manager and responsible entity for AML regulatory obligations to enhance and enforce appropriate KYP measures.
	5.54	Additional training for employees in the VIP area focused specifically on suspicious indicators and required actions to improve independent thinking.
Customer Due Diligence (CDD) & Enhanced Due Diligence (EDD)		
BCLC	4.7	Enhance the CDD processes from both a risk management and revenue generation perspective with modifications and additional resources to meet EDD expectations for high risk patrons.
	4.8	Consider whether its risk assessment process adequately reflects current thinking around money

		laundering and terrorist financing risk. The risks associated to specific facilities should be evaluated, rather than simply drawing geographic boundaries for risk.
	4.9 5.83	Review its EDD process to ensure the data collected and information gleaned provides a clear picture of the risks and profile of the patron for risk assessment and mitigation.
	5.15	EDD measures could be more qualitative, and a formal response to specified risk ratings could be created.
	5.16	Outsourcing the EDD process for higher risk patrons should be considered to clear the current backlog.
Reporting and Monitoring		
BCLC	4.10 5.24 5.28 5.29	Prioritize and appropriately resource the ongoing SAS implementation project (schedule for roll out in fall of 2016) to improve the quality of the data used for ongoing risk assessment and compliance monitoring and reporting.
	4.11	Ensure that reporting forms used by the facilities are up to date and include valuable information fields for mandatory completion for unsourced or high volume cash transactions such as source of funds, source of wealth and purpose and intended nature of relationship information.
	4.13	MNP identified instances where non-cash transactions processed to RRRCR's PGFs were over-reported to FINTRAC, and instances where mandatory fields in LCTRs were left blank. Both issues are contrary to the PCMLTFA and require remediation and disclosure to FINTRAC.
	5.27	Due diligence on large volumes of slot Cash Disbursement Reports (CDR) should be monitored for suspicious activity.
	5.36 5.32	Review all of the FINTRAC reporting (LCTR/CDR) for non-cash for all facilities which offer PGF accounts should be done immediately to stop unnecessary and incorrect reports.
	5.44	Create a template for Unusual Financial Transaction (UFT) reports for service providers to use to ensure that all required information is included and to create consistency in the quality of submissions between facilities.

Service Providers	5.4	VIP Hosts have the most significant interaction and knowledge of the VIPs and ability to flag instances of receipt and use of unsourced cash for suspicious transaction reporting. Consideration should be given to cross functional reporting lines to the Director, Table Games for a consistent approach to compliance across all table game points of access susceptible to the acceptance of unsourced cash.
	5.46	Floor staff should have more active involvement in the UFT reporting process. UFT reporting is currently carried out by surveillance staff who only have limited info based on video surveillance.
Other recommendations		
GPEB	5.19	Establish a dedicated, cooperative inter-agency AML investigations unit comprised of GPEB and BCLC investigators to delineate the roles between operational and AML investigations and regulatory compliance investigations.
BCLC	5.1	Operating levels for BCLC Investigators may need to be reviewed as the current staffing levels assigned to RRCR do not appear to be sufficient
	5.48 5.49	Rather than base a facilities risk assessment by region, risk assessments should include factors specific to the facility. Consider if the risk register reflects the current environment as it is not as granular as other jurisdictions reviewed by MNP.
All	4.4	Jointly evaluate the resourcing and functioning of existing investigative units. Effective multi-agency units would promote the sharing of information and resources.

Ministry of Finance

BRIEFING DOCUMENT

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

Date Requested: Sep 28, 2016
Date Required: Oct 5, 2016

Initiated by: Cheryl Wenezenki-Yolland
Associate Deputy Minister

Date Prepared: Sept 30, 2016

Ministry

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

Phone Number: 250 953-4482
Email: John.Mazure@gov.bc.ca

Jim Lightbody
President and CEO
British Columbia Lottery Corporation

353271

TITLE: 2016 MNP Report on Anti-Money Laundering Practices in Gaming
Facilities

PURPOSE:

(X) FOR INFORMATION

Executive Director approval: _____

ADM approval: __jm_____

Associate DM approval: _____

DATE PREPARED: Oct 5, 2016

TITLE: 2016 MNP Report on Anti-Money Laundering Practices in Gaming Facilities

ISSUE: Report Findings / Recommendations / Next Steps

BACKGROUND:

As a part of the Province's Anti-Money Laundering strategy, the Gaming Policy and Enforcement Branch (GPEB) reviewed copies of a number of suspicious transaction reports provided to it by BCLC and service providers and concluded that approximately \$13 million in \$20 bills were accepted by River Rock Casino Resort (RRCR) during July 2015. This represented a significant increase in the number of transactions reported over the previous months. Based on this review, GPEB engaged MNP to review the current practices regarding large volumes of unsourced cash being accepted at RRCR.

MNP was engaged by GPEB to analyze current practices at RRCR with respect to source of funds, source of wealth, handling of cash, use of cash alternatives and overall Customer Due Diligence (CDD) and identify immediate near-term actions to address any gaps. The report was intended to be a snapshot in time of one gaming facility and was not intended to be a full review of BCLC's AML program.

MNP's final report, dated July 26, 2016, was based on field work completed through January 22, 2016. The report findings and recommendations were based on information obtained through:

- 23 interviews with RRCR and BCLC staff,
- observations made at RRCR and BCLC,
- a review of data from September 1, 2013 to August 31, 2015 of reportable transactions or play records provided by BCLC.

MNP provided both GPEB and BCLC the opportunity to provide feedback on a penultimate draft of the report. The report was revised to reflect feedback provided as deemed appropriate by MNP.

BCLC has concerns about the accuracy of the data used in the analysis, and thus has concerns about some of the report's findings and recommendations. MNP worked from a customized data extraction provided by BCLC. Some of the data in the extraction MNP received was corrupted. In addition to data, MNP's findings were based on interviews and observations.

BCLC and GPEB, however, have agreed to move forward to address those findings where BCLC does not have such concerns. BCLC and GPEB will work together to better understand those areas where BCLC does have concerns and develop responses accordingly and as appropriate.

DISCUSSION:

Overall, the report found BCLC and staff at the River Rock Casino Resort were generally meeting reporting requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*. The report also found that BCLC's CDD processes meet Federal regulatory requirements for standard risk patrons.

In its report, MNP observes that there was an over-reporting of non-cash deposits to and from Patron Gaming Fund accounts as Large Cash Transactions (LCT) or Casino Disbursement Reports (CDR), and that some staff at RRRCR had not been reporting transactions where there were indicators of suspicion to BCLC which led to an underreporting of suspicious transactions to FinTRAC. MNP notes that both circumstances are potential instances of non-compliance with the PCMLTFA. The over-reporting issue was a long standing issue and the subject of on-going discussions between FinTRAC and BCLC. It had not been identified as an issue in any previous FinTRAC or independent AML audits however FinTRAC provided written guidance in June 2016 and corrective action has since been taken. The under-reporting issue was identified by BCLC in November of 2015, immediately reported to FinTRAC by BCLC, and corrective actions have been taken to FinTRAC's satisfaction.

One of MNP's observations is the "inherent conflicts between the mandates of GPEB and BCLC and the Service Provider." MNP noted "a cultural difference regarding unsourced cash and the potential AML activity occurring within BC casinos which undermines collaboration and the sharing of ideas and information."

MNP made 30 distinct recommendations that can be categorized into four general themes:

1. **Risk** - MNP recommended that GPEB consider implementing a policy requirement that Service Providers refuse unsourced cash deposits exceeding an established dollar limit or refuse frequent unsourced cash deposits exceeding an established threshold and time period. GPEB should also continue to work with BCLC to support cash-alternatives for Service Providers and should work with BCLC to jointly evaluate the resourcing and functioning or existing investigative units.
2. **Training** - MNP made a number of recommendations related to BCLC training and suggested its training program for service providers would benefit from enhancements to remind service providers of the indicators of suspicious transactions and reporting requirements.
3. **Enhanced Due Diligence (EDD)** - MNP recommends that BCLC review EDD processes to ensure the data and information collected provide a clear picture of the risks and profile of the patron for risk assessment and mitigation.
4. **Technology and Monitoring** - MNP emphasized the need for BCLC to appropriately resource the SAS implementation project to improve the quality of the data used for ongoing risk assessment and compliance monitoring and reporting.

MNP recommends that BCLC augment the Enhanced Due Diligence, Risk Assessment and Training components of its anti-money laundering regime to go beyond the FinTRAC guidelines.

In June 2016, FinTRAC conducted a compliance examination of all aspects of BCLC's AML program. The review found that BCLC was in full compliance with federal AML legislation with one exception: BCLC's current training program for service providers required improvement because some service provider employees were not able to clearly articulate how money laundering risks in the industry directly related to their specific job functions.

CURRENT TRENDS:

Based on data from Suspicious Transaction reports, there has been a downward trend in the dollar value of suspicious transactions in B.C. gaming facilities. There was a monthly high of suspicious currency of more than \$23 million in July 2015, which has declined to between \$4.4 million and \$11.0 million between March 2016 and September 2016.

BCLC's AML program continues to focus on:

1. Limiting the use of unsourced funds for high-risk players;
2. Increased use of player gaming fund accounts; and
3. Implementing additional cash alternative options such as international wire transfers.

NEXT STEPS:

GPEB and BCLC have established an executive working group that will carefully consider the recommendations and work on next steps

APPENDIX A: DETAILED TABLE OF RECOMMENDATIONS:

The following table includes all of MNP's recommendations, broken down by the areas identified above and the organization that would be responsible for implementation.

Responsible organization	Section	Recommendation
Risk		
GPEB	4.2 5.69	Should consider implementing a policy requirement that Service Providers refuse unsourced cash deposits exceeding an established dollar threshold or to refuse frequent unsourced cash deposits exceeding an established threshold and time period until the source of the cash can be determined and validated.
	5.6	Define its accepted level of risk for unsourced cash and then develop clear roles and responsibilities for: GPEB – Regulator, Enforcement BCLC – Manage gaming and reporting entity Service Provider – Risk identification
	5.35 5.52 5.74	At the direction of the Minister responsible for gaming, consider issuing a directive pertaining to the rejection of funds where the source of cash cannot be determined or verified at specific thresholds. Source of funds can only be verified by obtaining documentation for the withdrawal of cash from a financial institution or entity covered under the PCMLTFA. A directive from GPEB may also support BCLC in creating a policy which would mandate the Service Provider to decline a transaction when mandatory occupation data is no provided by the patron.
	4.3 5.67 5.68	The review of proposed cash alternative solutions, including credit, and the impact of these solutions should remain a priority for both GPEB and BCLC. Cash alternatives allow Service Providers to receive funds, strengthening the overall compliance regime with minimal impact on revenue generation.
BCLC	5.56	Depending on GPEB / Minister's risk tolerance for large unsourced cash transactions, revise policies

		regarding tolerance of high risk play and consequences of unacceptable high risk activity
	4.8	Consider whether its risk assessment process adequately reflects current thinking around money laundering and terrorist financing risk. The risks associated to specific facilities should be evaluated, rather than simply drawing geographic boundaries for risk.
	5.48 5.49	Rather than base a facilities risk assessment by region, risk assessments should include factors specific to the facility. Consider if the risk register reflects the current environment as it is not as granular as other jurisdictions reviewed by MNP.
	5.70	Consider developing new cash alternative programs and products that include: the ability of non-Canadian players to fund PGF accounts and repay credit if subject to cash restrictions in their home country (i.e. China), and allocating how defaults on repayment will be determined (i.e. between BCLC and service provider.
Training		
BCLC	4.5	If GPEB implements a policy regarding the refusal of large or frequent unsourced cash deposits, BCLC's procedures to address the policy should include refresher training to Service Providers pertaining to BCLC's reporting requirements of attempted transactions to ensure reports are appropriately identified.
	4.11 5.47	Facility staff should be regularly trained on the completion of the forms used for reporting, including UFT reporting.
	4.12	Anti-money laundering training programs should be evaluated for up-to-date content and effectiveness.
	4.12 5.55	Training should be provided in the primary language of the candidate, particularly for its high risk exposed employees (those working in high-limit rooms).
	4.14	The KYP framework at RRRCR is a task-driven compliance activity rather than a risk management activity. Provide further guidance as the manager and responsible entity for AML regulatory obligations to enhance and enforce appropriate KYP measures.

	5.54	Additional training for employees in the VIP area focused specifically on suspicious indicators and required actions to improve independent thinking.
Enhanced Due Diligence (EDD)		
BCLC	4.7	Enhance the CDD processes from both a risk management and revenue generation perspective with modifications and additional resources to meet EDD expectations for high risk patrons.
	4.9 5.83	Review its EDD process to ensure the data collected and information gleaned provides a clear picture of the risks and profile of the patron for risk assessment and mitigation.
	5.15	EDD measures could be more qualitative, and a formal response to specified risk ratings could be created.
	5.16	Outsourcing the EDD process for higher risk patrons should be considered to clear the current backlog.
Technology and Monitoring		
BCLC	4.10 5.24 5.28 5.29	Prioritize and appropriately resource the ongoing SAS implementation project (schedule for roll out in fall of 2016) to improve the quality of the data used for ongoing risk assessment and compliance monitoring and reporting.
	4.11	Ensure that reporting forms used by the facilities are up to date and include valuable information fields for mandatory completion for unsourced or high volume cash transactions such as source of funds, source of wealth and purpose and intended nature of relationship information.
	4.13	MNP identified instances where non-cash transactions processed to RRRC's PGFs were over-reported to FINTRAC, and instances where mandatory fields in LCTRs were left blank. Both issues are contrary to the PCMLTFA and require remediation and disclosure to FINTRAC.
	5.27	Due diligence on large volumes of slot Cash Disbursement Reports (CDR) should be monitored for suspicious activity.
	5.36 5.32	Review all of the FINTRAC reporting (LCTR/CDR) for non-cash for all facilities which offer PGF accounts should be done immediately to stop unnecessary and incorrect reports.

	5.44	Create a template for Unusual Financial Transaction (UFT) reports for service providers to use to ensure that all required information is included and to create consistency in the quality of submissions between facilities.
Service Providers	5.4	VIP Hosts have the most significant interaction and knowledge of the VIPs and ability to flag instances of receipt and use of unsourced cash for suspicious transaction reporting. Consideration should be given to cross functional reporting lines to the Director, Table Games for a consistent approach to compliance across all table game points of access susceptible to the acceptance of unsourced cash.
	5.46	Floor staff should have more active involvement in the UFT reporting process. UFT reporting is currently carried out by surveillance staff who only have limited info based on video surveillance.
Other recommendations		
GPEB	5.19	Establish a dedicated, cooperative inter-agency AML investigations unit comprised of GPEB and BCLC investigators to delineate the roles between operational and AML investigations and regulatory compliance investigations.
BCLC	5.1	Operating levels for BCLC Investigators may need to be reviewed as the current staffing levels assigned to RRGR do not appear to be sufficient
All	4.4	Jointly evaluate the resourcing and functioning of existing investigative units. Effective multi-agency units would promote the sharing of information and resources.

Ministry of Finance

BRIEFING DOCUMENT

To: Cheryl Wenezenki-Yolland
Associate Deputy Minister

Date Requested: Oct, 4, 2016
Date Required: Oct. 5, 2016

Initiated by: John Mazure
General Manager and ADM, GPEB

Date Prepared: Oct. 5, 2016

Ministry Contact: Len Meilleur
Executive Director, Compliance
Gaming Policy and Enforcement Branch

Phone Number: 250 356-6320
Email: Len.Meilleur@gov.bc.ca

353454

TITLE: Update on the Joint Illegal Gaming Investigation Team (JIGIT)

PURPOSE:

(X) FOR INFORMATION

Executive Director approval: _____

ADM approval: _____

Associate DM approval: _____

DATE PREPARED: October 5, 2016

TITLE: Update on the Joint Illegal Gaming Investigation Team (JIGIT)

ISSUE: Update

BACKGROUND:

Government and RCMP formed a new joint investigative and enforcement team to provide a dedicated, coordinated, multi-jurisdictional response to unlawful activities connected to gambling (emphasis on anti-money laundering strategies) and illegal gambling in B.C. (emphasis on organized crime). JIGIT is situated in the Province's anti-gang agency, the Combined Forces Special Enforcement Unit - BC (CFSEU-BC).

The Joint Illegal Gaming Investigation Team (JIGIT) was announced April 11, 2016 by B.C. Finance Minister Michael de Jong, Solicitor-General Mike Morris and Kevin Hackett, chief operating officer of CFSEU-BC.

JIGIT will have two operational teams consisting of a total of 22 law enforcement personnel and four investigators from the Gaming Policy and Enforcement Branch (GPEB). The team's operations and governance will be overseen by senior police managers from the RCMP and municipal departments and chaired by the commanding officer of RCMP "E" division in B.C.

Funding will be shared between the Province (BC Lottery Corporation, 70 per cent) and the federal government through the RCMP (30 per cent). \$1.8 million has been approved for the team for the remainder of fiscal 2016-17 and \$3 million for each of the following two years. RCMP expects this team to operate for at least five years.

JIGIT is a key part of Phase 3 of the B.C. government's anti-money laundering strategy, launched in 2011. The strategy's overall objective is to move the gambling industry away from cash transactions and scrutinize the remaining cash in an effort to isolate money-laundering from legitimate gambling.

DISCUSSION:

Three Letters of Agreements between the founding organizations are underway to formally outline the responsibilities and funding of JIGIT:

1. Between the RCMP and the Policing and Security Branch at the Ministry of Public Safety and Solicitor General (PSSG)
2. Between PSSG and GPEB
3. Between GPEB and the British Columbia Lottery Corporation (BCLC)

GPEB is actively working with the CFSEU-BC's data analytics team to develop a template performance report to be delivered bi-annually concurrent with the CFSEU-BC reporting cycle.
s.15

The objective is to have a performance report that can be shared with all provincial parties, including BCLC.

GPEB and the CFSEU-BC will be hosting a briefing with Ministry and BCLC executives October 14th at JIGIT headquarters on performance measurements and outcomes. It is anticipated that the draft performance report will be discussed at this meeting.

A second restricted and confidential Intelligence Briefing will be provided to the Associate Deputy Minister scheduled for Oct. 24th, s.15,s.16
s.15,s.16 the Superintendent of Real Estate and GPEB executives. At that meeting, GPEB and police will provide information about some of the work that JIGIT and the RCMP are currently focusing their efforts on.

Operational update

On October 4th, GPEB's ADM received a letter from C/Supt. K. Hackett outlining that JIGIT is actively working on files and stating that JIGIT is very supportive of the relationship it has established with GPEB. The letter is attached.

The CFSEU-BC moved quickly to bring in initial resources to the first JIGIT team and is actively working on gambling related investigations. The first team has been fully operational since June 2016. Recruitment for the second team is commencing with the goal of having it operational in January 2017.

GPEB is working towards adding four additional resources and logistics personnel (two previously committed and two new) to JIGIT to meet demand.

Two GPEB investigators have undergone security clearance and are fully operational within JIGIT. A secondment agreement between GPEB and the RCMP is being finalized to provide GPEB members with a greater span of authority to operate within the JIGIT environment. That agreement will be signed by the ADM/General Manager.



355179

Bud Smith
Board of Directors
British Columbia Lottery Corporation
74 Seymour Street
West Kamloops BC V2C 1E2

Dear Mr. Smith:

This Mandate Letter confirms your organization's mandate, provides government's annual strategic direction and sets out key performance expectations for the 2017/18 fiscal year. On behalf of the Province of British Columbia, thank you for your leadership and the contributions made by the British Columbia Lottery Corporation over the past year in support of government's objective of providing legal gaming in a safe and responsible manner benefiting all British Columbians. In particular, congratulations on the efforts made towards the following contributions and achievements:

- Contributing to the integrity of gambling through the conduct and management of gambling in a social responsible manner, while exceeding the 2015/16 net income target of \$1.216 billion by \$97.5 million;
- Working with government to combat illegal gaming and advancing government's Anti-Money Laundering strategy, including enhancing Customer Due Diligence, and by providing funding for the Joint Illegal Gaming Investigation Team (JIGIT);
- Working with government to implement commitments from the Plan for Public Health and Gambling (February 2015), including completing three and making significant progress on four of the commitments that pertain to the Corporation;
- Attaining a Comprehensive Cost Ratio of 42% and surpassing the 2015/16 target of 43.3%; and,
- Substantially completing the recommendations made by Internal Audit & Advisory Services (IAAS).

.../2

Ministry of Finance

Office of the Minister

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B.C.'s Corporate Governance Framework takes a principles-based approach in providing direction for effective governance of ministries and Public Sector Organizations (PSOs). Since June 2014, the Taxpayer Accountability Principles (TAP) have provided guidance to ensure that the actions taken and services provided strengthen accountability and promote cost control while meeting the public policy objectives established by government on behalf of the citizens of B.C. I would also like to recognize the contributions BCLC makes to local and regional economies in British Columbia, and in particular the importance of the corporation's head office to the Kamloops area.

It is critical that public sector organizations operate as efficiently as possible, in order to ensure British Columbians are provided with effective services at the lowest cost possible. This requires constant focus on maintaining a cost-conscious and principled culture through the efficient delivery of services that stand the test of public scrutiny and help develop a prosperous economy in an environmentally sustainable manner. This is critical to government's commitment to control spending and balance the budget. For this reason, it is essential that BCLC contains costs and meets its projected revenue targets.

Government is making open information a priority across the public sector to enhance government transparency and accountability in the use of public resources, the delivery of programs and public services. With that in mind, it is government's expectation that BCLC will foster a culture of transparency and information sharing with government.

Government seeks to deliver legal gaming in a sound and responsible manner that promotes the integrity of gaming and public safety. Under the *Gaming Control Act*, the Lottery Corporation is responsible for the conduct and management of gaming on behalf of government.

The Lottery Corporation is directed to conduct its business in a manner that meets government's expectations for social responsibility, public safety, gaming integrity, and projected financial targets. This is achieved through a culture of innovation and cost containment as well as commitment to responsible gambling and anti-money laundering efforts.

To achieve this mandate, the British Columbia Lottery Corporation is specifically directed to take the following strategic actions:

1. BCLC will optimize the Corporation's financial performance and sustain net return to the Province in accordance with government direction on cost containment, responsible gambling, and anti-money laundering, and in alignment with the Taxpayer Accountability Principles by:
 - a) Continuing to seek business opportunities such as new gambling facilities and eGaming from a social responsible perspective with particular attention to impacts on problem gambling, money laundering, public safety, and subsequently developing strategies to mitigate risk;
 - b) Providing a long term Capital Plan to the Ministry of Finance setting out the corporation's capital and spending and management plans, including significant IT and Kamloops head office facility development projects, over the next five years;

- c) Reviewing its approach to commissions paid to gaming service providers and implementing changes subject to the approval of its board of directors;
 - d) Achieving financial targets as approved by Treasury Board;
 - e) Reporting on the implementation of the new PlayNow subsidiary, which will be managed by the same controls and accountabilities to BCLC's Board; and
 - f) Providing quarterly reports to the Ministry of Finance that provide financial forecasts, and discuss and identify issues and risks.
2. Continue to support government in the implementation of its Anti-Money Laundering (AML) Strategy and mitigation of related illegal activities, including but not limited to:
- a) Undertaking activities to ensure the Corporation's compliance regime is focused on preserving the integrity and reputation of B.C.'s gaming industry in the public interest;
 - b) Working collaboratively with GPEB to determine and implement measures that effectively combat money laundering and illegal activities in B.C. gambling facilities;
 - c) Funding, in accordance with government's announced direction, the Joint Illegal Gaming Investigation Team (JIGIT), a dedicated, coordinated, multi-jurisdictional investigative and enforcement response to unlawful activities within B.C. gaming facilities and illegal gambling in B.C.;
 - d) Collecting and sharing information and data with GPEB that supports measures to address money laundering in B.C. gaming facilities, illegal gaming in the province, and JIGIT operations; and
 - e) Enhancing AML best practices with appropriate consideration of evaluating source of funds prior to cash acceptance within a risk-based framework; and
 - f) Providing a quarterly report to the Minister of Finance on BCLC's activities related to the above.
3. Implement the five remaining commitments that BCLC is responsible for in the *Plan for Public Health and Gambling (February 2015)*. This includes 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 continue to partner with GPEB in the implementation of the four remaining commitments for which they are jointly responsible, including implementing a GameSense Advisor presence in Community Gaming Centres and undertaking key research projects related to online problem gambling and high-risk features of Electronic Gaming Machines. 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.
4. BCLC will report out on the completion of implementation of the recommendations from the *Review of the British Columbia Lottery Corporation (December 2014)* by Internal Audit and Advisory Services by June 30, 2017.

- 4 -

The ongoing culture shift to principled public sector governance remains a priority for government. PSOs are expected to undertake more comprehensive professional development to enhance orientation of their board members and senior executives. Government will be providing programming and resources designed to complement components of orientation to ensure understanding of the accountabilities and expectations of public sector boards and organizations. For detailed information about TAP directives, please refer to the following link, [Taxpayer Accountability Principles](#).

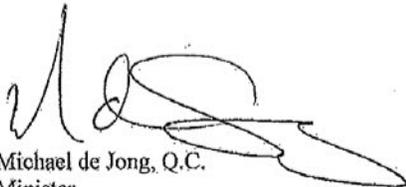
Government is committed to continue to revitalize the relationship between Government and PSOs. This strong focus on increased two-way communication supports and ensures a common understanding of Government's expectations. Timely communication of emerging issues which may affect the business of the British Columbia Lottery Corporation and/or the interests of government is critical to building trust and the effective delivery of public services, including information on any risks to achieving financial forecasts and performance targets. With the TAP embedded in the Annual Service Plans and Reports, this will support board chairs in assessing and communicating the organization's overall performance.

In addition, it is expected that your organization will continue to be diligent in ensuring familiarity with and adherence to statutory obligations and policies that have broad application across the public sector. Please refer to the following link for a summary of these accountabilities, [link to Crown Accountabilities](#).

Each board member is required to acknowledge the direction provided in the Mandate Letter by signing this letter. The Mandate Letter is to be posted publicly on your organization's website, and a copy signed by all board members provided to the ministry and made available to the public upon request.

I look forward to our regular meetings focusing on strategic priorities, performance against TAP, and working together to protect the public interest at all times.

Sincerely,



Michael de Jong, Q.C.
Minister

Signed by:

Bud Smith
Bud Smith, Chair
British Columbia Lottery Corporation

December 5, 2016
Date

s.22

Christina Anthony, Director
British Columbia Lottery Corporation

Dec 5, 2016
Date

s.22

Trudi Brown, Director
British Columbia Lottery Corporation

December 5, 2016
Date

s.22

Robert Holden, Director
British Columbia Lottery Corporation

dec 5, 2016
Date

s.22

Wendy Lisogar-Cocchia, Director
British Columbia Lottery Corporation

Dec 5/16
Date

s.22

Moray Keith, Director
British Columbia Lottery Corporation

Dec. 5/16
Date

s.22

Matthew Watson, Director
British Columbia Lottery Corporation

Dec 5, 2016
Date

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André Brown, Director
British Columbia Lottery Corporation

Dec 5 16
Date

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cc: Honourable Christy Clark
Premier

Kim Henderson
Deputy Minister to the Premier and Cabinet Secretary

Athana Mentzelopoulos
Deputy Minister and Secretary to Treasury Board
Ministry of Finance

Cheryl Wenezenki-Yolland
Associate Deputy Minister
Ministry of Finance

Christina Anthony
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Robert Holden
Wendy Lisogar-Cocchia,
Moray Keith
Matthew Watson
Andrew Brown

Board Members
Public Sector Organization

Jim Lightbody
Chief Executive Officer
British Columbia Lottery Corporation

John Mazure
Assistant Deputy Minister
Gaming Policy and Enforcement Branch

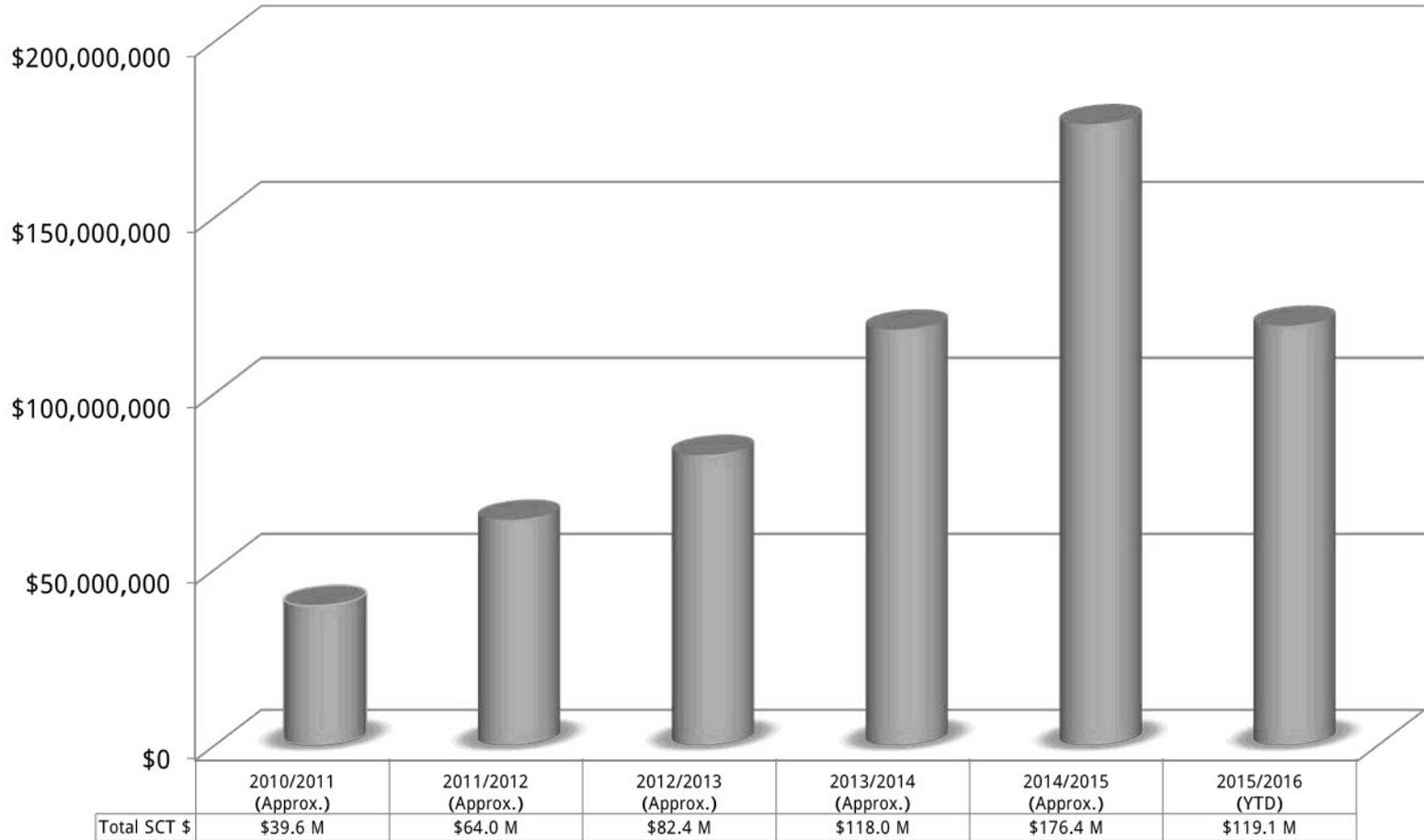
Attachment: Taxpayer Accountability Principles

3.1 Taxpayer Accountability Principles: 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.

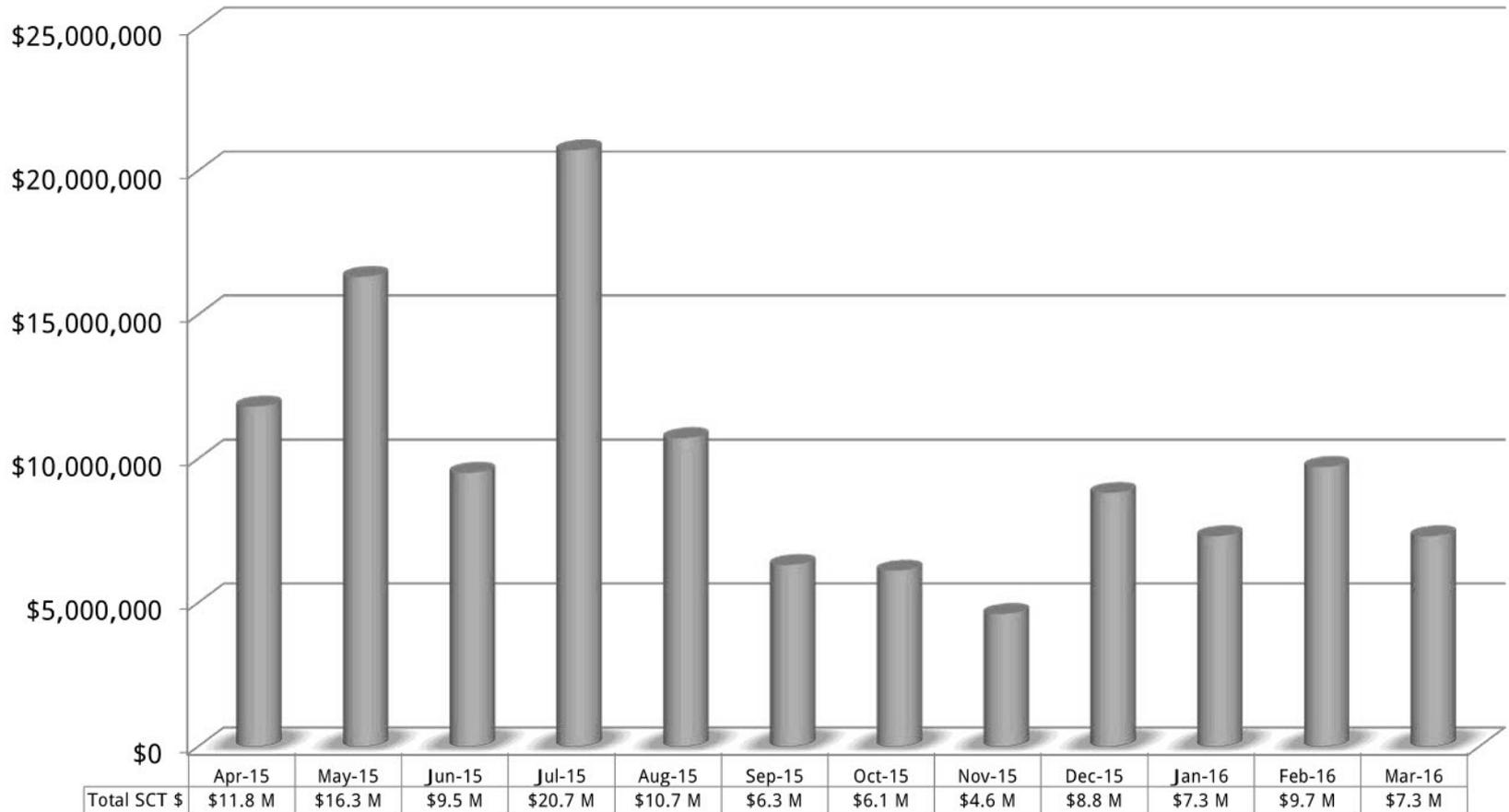
6 Integrity

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.

Suspicious Currency Transactions (SCT) by Year: 2010/2011 to 2015/2016



Suspicious Currency Transactions (SCT) by Month for 2015/2016



PREPARED BY: GPEB Compliance Division
 CONFIDENTIAL - Updated: April 7, 2016

INTERNAL MEMO



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

CC: Anna Fitzgerald, Director, Compliance Division, GPEB
Doug Mayer, Manager of Audit, Compliance Division, GPEB
Chris Knight, Regional Director, Northern Region, GPEB

From: Karen Roberts, Commercial Gaming Auditor, Compliance Division, GPEB

Date: August 16, 2016

Subject: COMM- 8604- River Rock "High Roller" Occupational Analysis

EXECUTIVE SUMMARY

A review was conducted to understand the occupational breakdown of the top "High Roller" patrons at River Rock Casino and the correlation of their stated occupation with the amounts of their buy-ins over the one year period of January 1, 2015 to December 31, 2015. The analysis consisted of three parts: a breakdown of high roller buy-ins and their stated occupations, analysis of Unusual Financial Transaction (UFT) reporting linked to occupation as a factor, and a check on the legitimacy of companies provided by high rollers to gaming facilities.

KEY OBSERVATIONS

The top occupations ranked by buy-in were:

- #1 was Real Estate with 135 patrons and \$53.1 M in buy-ins
- #2 was Business Owners with 86 patrons and \$38.5M total buy-ins for the year
- #3 Construction with 56 patrons and \$33.8M in buy-ins
- #4 Finance with 30 patrons and \$19.6M in buy-ins
- #5 Management with 54 patrons and \$18M in buy-ins
- #6 Housewife with 75 patrons, with \$14.3 M in buy-ins
- #7 Importer with 18 patrons and \$12.2M in buy-ins
- #8 Petroleum with 6 patrons and \$6.1M in buy-ins
- #9 Restaurant (Owners and Management) with 21 patrons and \$5.8M in buy-ins
- #10 Mining with 8 patrons and \$4.8 M in buy-ins

Also of note, Student was #17 with 36 patrons and \$2.3M in buy-ins.



Incident reports were reviewed to determine if occupation was a factor in the UFT reporting:

- 42 Housewives with buy-ins of \$50K or more had 495 transactions, and were directly involved in 87 Unusual Financial Transactions (UFTs), and indirectly associated in 39 UFTs (ie. they weren't the primary individual conducting the buy-in). Who the Housewives associated with was a prominent reason for being indirectly named in a UFT, in some cases it was the only reason.
- 9 Students with buy-ins of \$50K or more had 62 transactions, and were directly involved in 11 UFTs.
- There were 62 patrons with buy-ins of \$1M or more that had 1915 transactions, and were directly involved in 611 UFTs and indirectly in an additional 156 UFTs.

These patrons do not always work alone. It is not unusual for multiple patrons from different occupational categories to be involved in a single suspicious transaction. When a transaction is reported as an UFT in iTrak, one incident report is created and is associated with all the patrons involved in the suspicious transaction.

The legitimacy of the 52 companies listed by the top 62 patrons in their iTrak profiles were reviewed and testing was found to be inconclusive. There were 43 companies with Chinese names. The names of the companies given were the English approximations of the Chinese characters (names) and are inexact. We were unable to conclusively determine whether the companies exist or are large enough to support the patrons' buy-ins amounts.

CONCLUSION

Real Estate was the largest occupational group both in terms of number of patrons and Total Buy-ins. The most active of the high rollers did not try to avoid stating their occupation. Housewives and Students were more significant than anticipated with 75 patrons with total buy-ins of \$14.3 million identified as Housewives, and 36 patrons and \$2.3 million in buy-in identified as Students.

The most common reason for UFTs were for large cash buy-ins and buy-ins with a large number of small denomination bills. Patrons had UFTs attached to their SID# not only from direct suspicious activity on their part but also to being associated with other patrons engaged in suspicious activity. Occupation played a secondary role in that the occupations listed could either not support the level of play or could not explain the amount of small bills used.

Determining the legitimacy of companies listed by the top 62 patrons proved inconclusive due to not having the exact Chinese characters. Obtaining the characters of the companies given by the high rollers would help enable the determination of a company's legitimacy and determine whether the positions given could support the level of play.

INTRODUCTION

BACKGROUND

GPEB has the regulatory mandate and authority to ensure the overall integrity of gaming. Through its audit and investigative functions, GPEB monitors anti-money laundering (AML) strategies and other efforts to protect gaming from organized crime.

In 2015 a review was conducted to examine the volume of cash flowing through the high limit rooms at River Rock Casino. This information was used to determine to what extent patrons are buying in with smaller denomination bills and the associated risk of refining (colouring up). A second review was conducted in 2015 that analyzed BCLC's process for identifying and reporting unusual or suspicious currency transactions. Its objective was to further GPEB's understanding of what BCLC is deeming a reportable transaction and to quantify the number of reportable vs non-reportable transactions in the review period.

Through these two reviews data was obtained on patrons buying in at the River Rock high limit rooms. The data consists of information related to these individuals' occupations, related companies, gaming frequency, buy-in amounts, and unusual or suspicious transactions. From this we are able to perform an occupational based analysis of the patrons conducting large buy-ins at the River Rock Casino.

OBJECTIVE

The objective of this review is to understand the occupational breakdown of the "High Rollers" at River Rock Casino and the correlation of their stated occupation with the amounts of their buy-ins and the denominations used in cash buy-ins. This information will assist GPEB in identifying to what extent patrons are buying-in with amounts more than what their stated occupations could reasonably support and could indicate possible money laundering activities. The report will comment on the following:

- Occupations of the high rollers and the plausibility of their stated occupation generating sufficient income to cover buy-ins.
- How many UFTs were reported involving the subject group and whether occupation was considered in the reporting criteria of UFTs.
- Extracts from unusual financial transactions connected to high rollers, which may provide insight into their behaviors or provide additional information for GPEB to consider going forward.
- The legitimacy of the companies listed in the high roller subject id profiles. Many of the subjects in this group are Chinese nationals listing employment by Chinese companies, so it was unknown whether or not it will be possible to confirm the legitimacy of the organizations.

SCOPE and APPROACH

The scope of the report is limited to a review of the occupations stated by the “High Roller” patrons at River Rock Casino. The period of the review was January 1, 2015 – December 31, 2015.

The review will be conducted by:

- Reviewing cash buy-in information and stratify according to occupation to identify significant occupational groups and any correlation with buy-in amounts.
- Analyzing iTrak incident reports related to unusual or suspicious financial transactions, and determining if any relationships between UFT reports and occupation exist.
- Researching companies online using various search methods to determine their legitimacy and the probable income levels.
- Engaging in discussions (preliminary and throughout) with GPEB Manager of Intelligence Program for additional insight and feedback.
- Evaluating patterns or trends that emerge and discussing those internally where appropriate.

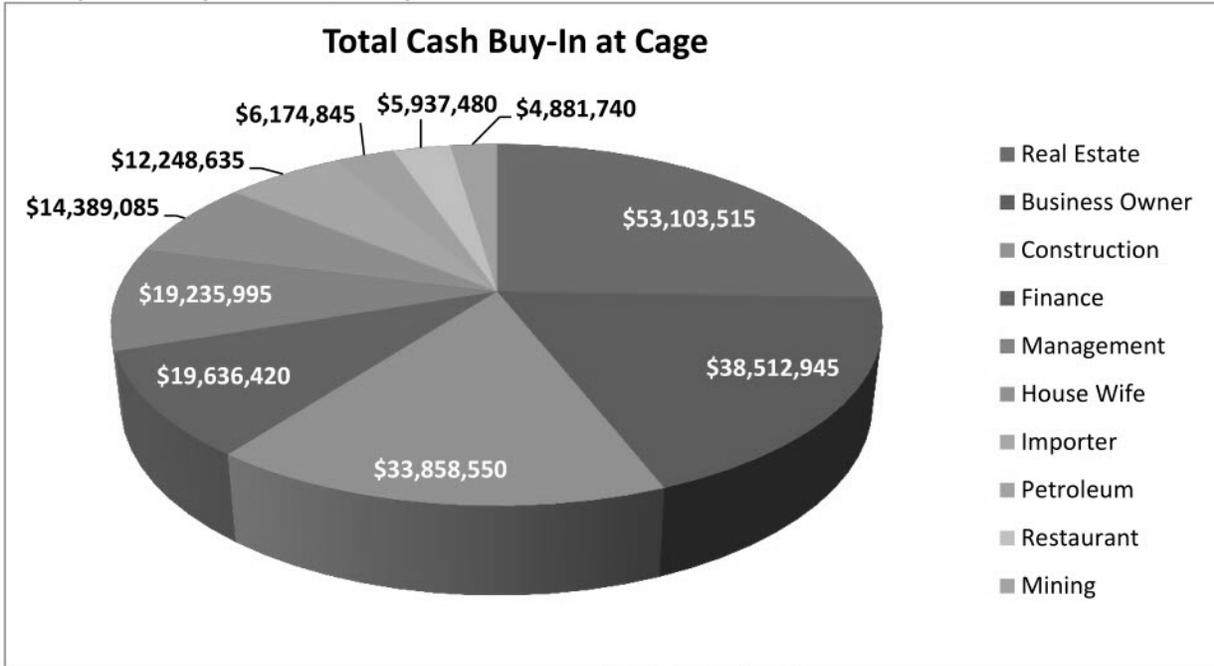
ANALYSIS (3 PARTS)

PART ONE – BASIC OCCUPATIONAL ANALYSIS

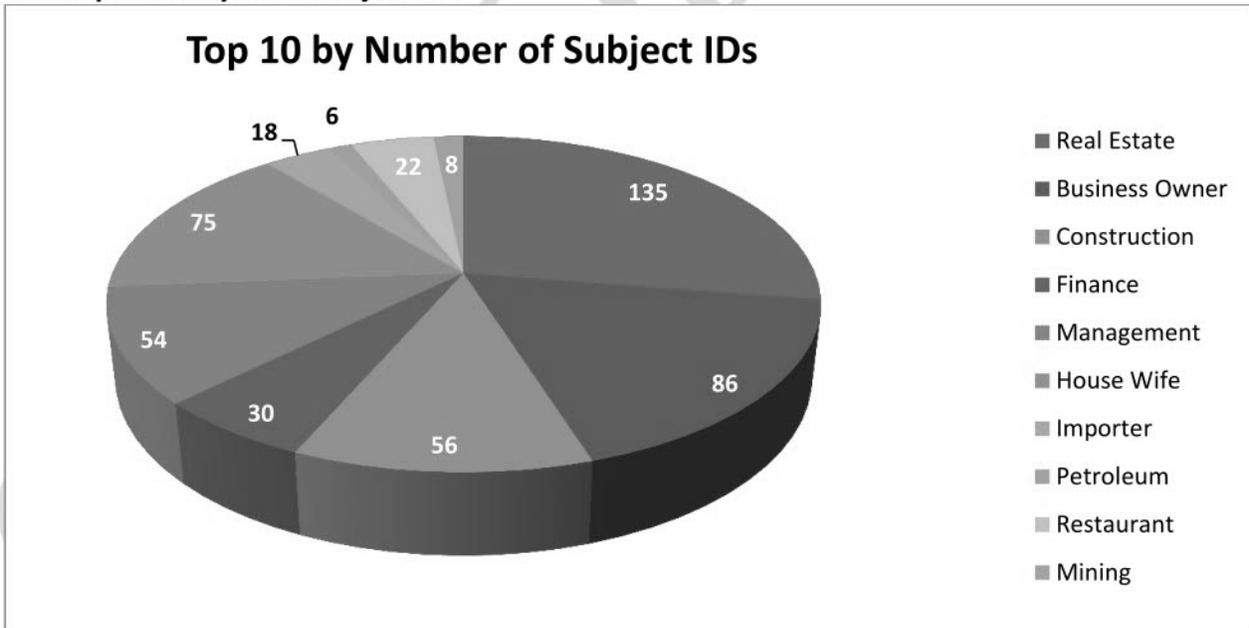
Information on the “High Rollers” buy-ins from the Player tracking sheets was compiled. The information included patron name, date of birth, position, company and buy-in information. The information was sorted and ranked by total annual buy-in amount. The occupations were standardized into groups. For example anyone in the real estate industry was grouped into “Real Estate”; anyone affiliated with the construction industry was put into “Construction”. Managers of various random companies that did not fall into a main industry was put into “Management”, general business owners were grouped together as “Business Owner” and other lower level employees and one off occupations were classified as “Other”. A significant number of patrons did not indicate their company or position so they were put into the “Not Stated” group. “Housewife” and “Student” were classified into their own groups as their buy-in habits were of particular interest. There were a few single occupations that were significant enough that grouping them with other groups would have skewed the result and were thus left on their own. From all the classifications we were able to get an overall picture of the occupational composition of the subject group. Unique Subject ID numbers (SID#) assigned to each patron were used to identify patrons and to count the number of patrons in each occupational group. The Not Stated group included patrons did not have a subject ID # assigned to them or couldn’t be positively identified as a patron with a SID# due to illegible handwriting on the Player Tracking Sheets, therefore not all transaction information about these patrons were available.

A total of 800 patrons were included in this analysis with Total Cash Buy-ins of \$243 Million.

Top 10 Occupations by Total Cash Buy-in



Top 10 Occupations by iTrak Subject ID#



Notable findings include:

- 36 Students had total Buy-ins of \$2.3Million.
- 75 House Wives had total buy-ins of \$14.3 million.
- The highest annual buy-in by one patron in the “Not Stated” group was \$70K.

- The “Not Stated” group of 77 patrons included patrons who did not have a SID# assigned to them

For the complete listing see **Appendix 1- All High Rollers**

Top 10 Occupational Groups- \$100K+

Standardized Occupation	Number of Subject IDs	Sum of Total Cash Buy-In at Cage	Sum of Total # Transactions
Real Estate	s.22	\$50,781,005.00	698
Business Owner		\$37,165,385.00	530
Construction		\$32,817,690.00	432
Finance		\$19,346,220.00	279
Management		\$18,136,805.00	267
House Wife		\$12,895,035.00	439
Importer		\$11,981,275.00	137
Petroleum		\$6,089,455.00	77
Restaurant		\$5,674,000.00	134
Mining		\$4,868,740.00	68

Patrons with individual Cash Buy-Ins of a minimum of \$100K were reviewed. This group includes 288 patrons with Total Cash Buy-ins of \$231 M. Notable findings are:

- A total of 26 House Wives with total buy-ins of \$12.89 M.
- A total of 5 Students with total buy-ins of \$1.66 M.
- 2 Servers with total buy-ins of \$367K.
- 2 Office Clerks in the Other category has total buy-ins of \$410K.
- 1 Food Service Worker in the Other Category has total buy-ins of \$164K.

For the complete breakdown of this group see **Appendix 2- \$100K Breakdown**

\$500K Buy-ins

Standardized Occupation	Number of Subject IDs	Sum of Total Cash Buy-In at Cage	Total # Transactions
Real Estate	s.22	\$44,319,015.00	530
Business Owner		\$32,568,345.00	402
Construction		\$30,025,005.00	351
Finance		\$17,733,055.00	224
Management		\$14,931,065.00	177
Importer		\$10,729,265.00	115
House Wife		\$8,759,165.00	255
Petroleum		\$5,181,615.00	58
Restaurant		\$4,679,680.00	93
Mining		\$4,538,300.00	59
Mine Owner		\$2,526,990.00	40
Factory Owner		\$2,214,175.00	33
Ship Builder		\$1,843,510.00	13
Doctor/Dentist		\$1,825,520.00	24
Pharmaceuticals		\$1,759,840.00	7
Sales		\$1,108,130.00	18
Farmer		\$942,450.00	19
Student		\$819,530.00	19
Chef/Cook		\$785,940.00	24
Engineer		\$767,020.00	8
CEO		\$750,000.00	21
Truck Driver		\$710,430.00	14
Accountant		\$563,025.00	22
Teacher		\$506,000.00	18
Other		\$72,886.00	9
Grand Total	108	\$190,659,956.00	2553

The next level looked at was patrons who had minimum buy-ins of \$500K. This level included 108 patrons with total buy-ins of \$191M. Notable Findings are:

- 9 House Wives with total buy-ins of \$8.75M.
- 1 Student with a total buy-in of \$819K.
- 1 Chef with total buy-ins of \$785K.

\$1 Million Plus Buy-ins

Standardized Occupation	Number of Subject IDs	Sum of Total Cash Buy-In at Cage	Total # Transactions
Real Estate	s.22	\$35,631,270.00	413
Business Owner		\$30,621,305.00	373
Construction		\$26,626,905.00	279
Finance		\$15,940,010.00	197
Management		\$14,271,075.00	166
Importer		\$10,069,265.00	107
Petroleum		\$5,181,615.00	58
House Wife		\$4,794,460.00	102
Mining		\$3,483,280.00	26
Restaurant		\$3,352,560.00	77
Mine Owner		\$2,526,990.00	40
Factory Owner		\$2,214,175.00	33
Ship Builder		\$1,843,510.00	13
Doctor/Dentist		\$1,825,520.00	24
Pharmaceuticals		\$1,759,840.00	7
Grand Total		62	\$160,141,780.00

Finally, the \$1Million level of play was analyzed. 62 Patrons were in this group. Each patron had a minimum of \$1 M annual buy-in. The \$1M group had total buy-ins of \$160 Million which is 65% of the total buy-ins of the entire subject group reviewed. At this level the total numbers of substantiated Unusual Financial Transactions were also analyzed.

Notable Findings include:

- 3 House Wives with Total Buy-ins of \$4.79M.

In general, across all buy-in levels, several significant occupation groups such as Real Estate, Construction, and Mining reflect the general economy and could possibly support the levels of buy-ins made by the patrons. There are occupations, such as House Wife, Student and Server that are not typically able to support the level of cash buy-ins made by those patrons.

PART TWO – UFT/STR OCCUPATION ANALYSIS

Patrons who have cumulative buy-ins of \$1 million or more were the base of information for analyzing the substantiated direct and indirect Unusual Financial Transactions (UFT’s) reported in iTrak. Our analysis breaks out two categories of UFTs: “Direct UFT” is the occupation of the primary individual conducting the buy-in, and “Indirect UFTs” are the occupation of the individuals listed in the UFT as associated with the transaction, but not the primary buy-in individual.

The total number of UFTs are as follows:

Standardized Occupation	Total Cash Buy-Ins at Cage	Subject ID#	Total # Transactions	Total Direct Substantiated UFT	Total Indirect UFT	Direct UFT/Total transactions
Real Estate	\$35,631,270.00	s.22	413	118	55	29%
Business Owner	\$30,621,305.00		373	110	50	29%
Construction	\$26,626,905.00		279	83	18	30%
Finance	\$15,940,010.00		197	43	7	22%
Management	\$14,271,075.00		166	70	3	42%
Importer	\$10,069,265.00		107	41	1	38%
Petroleum	\$5,181,615.00		58	40	7	69%
House Wife	\$4,794,460.00		102	28	7	27%
Mining	\$3,483,280.00		26	11	0	42%
Restaurant	\$3,352,560.00		77	19	4	25%
Mine Owner	\$2,526,990.00		40	17	0	43%
Factory Owner	\$2,214,175.00		33	12	0	36%
Ship Builder	\$1,843,510.00		13	5	0	38%
Doctor/Dentist	\$1,825,520.00		24	13	4	54%
Pharmaceuticals	\$1,759,840.00		7	1	0	14%
Grand Total	\$160,141,780.00	62	1915	611	156	32%

Notable findings include:

- 32% of all transactions in this group were deemed substantiated unusual transactions.
- The highest reported occupation was Petroleum at 69%. This is probably more a result of the individual in the group than the actual occupation.
- The lowest reported occupation was Pharmaceuticals.

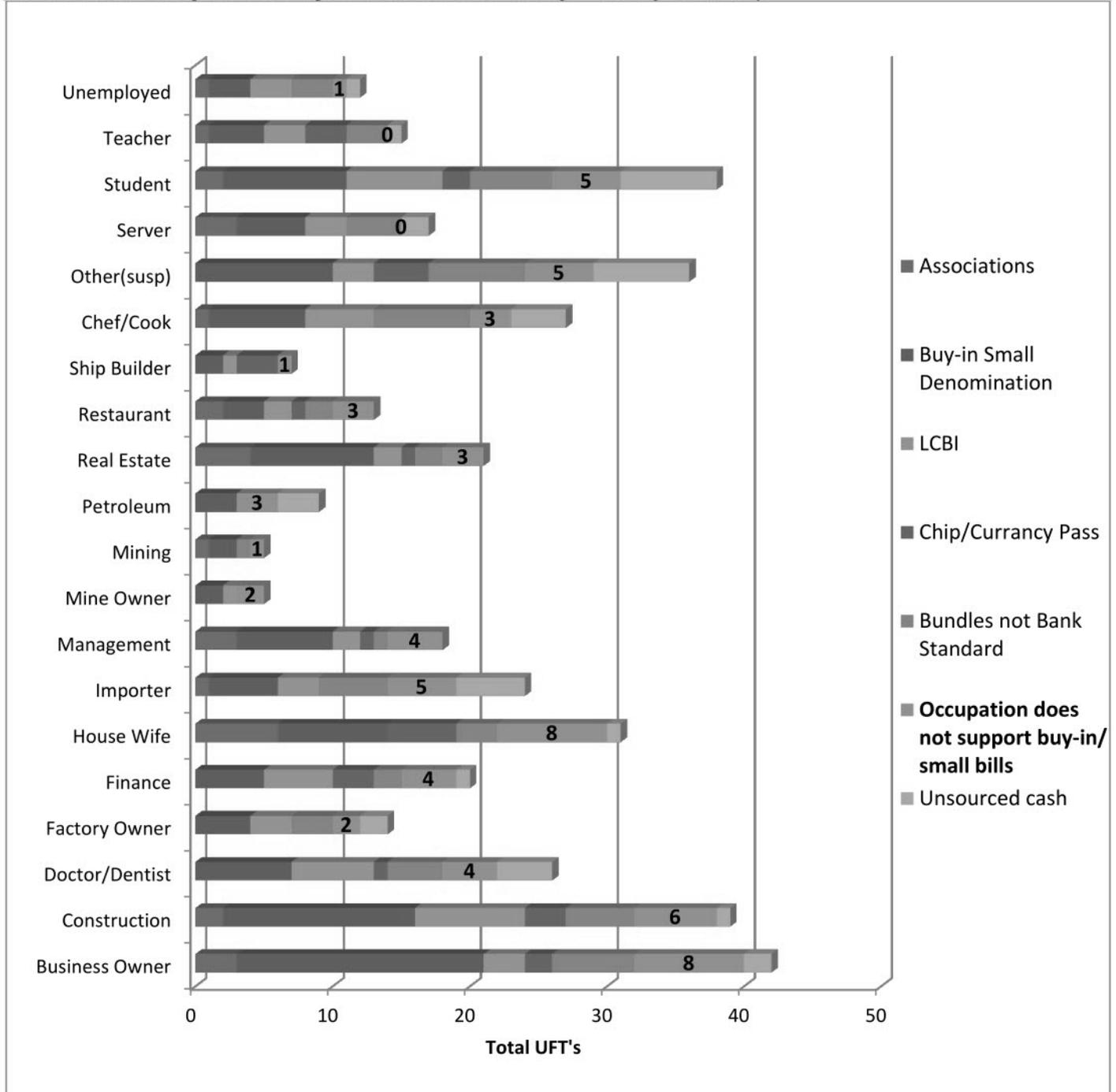
Testing the reasons for UFTs based on occupation proved to be inconclusive. Many of the UFTs reported in iTrak involved more than one patron in diverse occupational groups. After randomly testing the main occupation groups, it appears that specific occupations do not have an effect on whether a UFT/STR is

reported. The only occupational factor is whether the occupation can support the level of play and/or explain the denominational composition of the cash buy-ins.

Reasons for UFTs

The chart below breaks down the reason for the UFT's in relation to each occupation. Specifically, the orange section identifies the number of UFT's for each occupation where the cause is "Occupation does not support buy-in / small bills".

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The UFTs for particularly suspicious occupations were also reviewed. Information on patrons with buy-ins of \$50K or more were included in this analysis.

Standardized Occupations	Number of Subject IDs	Total Cash Buy-Ins at Cage	Total Transactions	Total Direct UFT Reports	Total Indirect UFT reports
Chef/Cook	s.22	\$1,108,630.00	39	11	6
House Wife		\$13,849,275.00	495	87	39
Other (susp)		\$2,351,645.00	90	13	10
Server		\$395,020.00	15	1	4
Student		\$1,934,870.00	62	11	9
Teacher		\$506,000.00	18	5	1
Unemployed		\$58,000.00	3	2	1
Grand Total	71	\$20,203,440.00	722	130	70

A notable finding is that UFTs arising from associations with other known patrons were more prevalent with Housewives than any other occupation reviewed. There were multiple incidences where a housewife patron had an UFT associated with their subject ID# due solely to whom they were associated with. This may be due to spousal relationships though that cannot be confirmed.

There were some incidents that highlight some of the overall concerns with particular occupations. The following are examples of such incident reports (names have been substituted with their SID#):

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PART THREE – COMPANY ANALYSIS

A search of the 52 companies provided by the \$1 million patrons was conducted to determine the legitimacy of the business and its ability to generate income (if an owner) or pay enough in salary to support these levels of buy-ins. The overall results were inconclusive. Most of the companies are Chinese based and the names provided to the gaming facility were the English approximations, not the actual Chinese name in proper characters. This made finding the exact company extremely difficult.

An Auditor familiar with Chinese language and characters assisted in the search.

The patron's full name, occupation and company name were used in the online search of "Baidu.com", a Chinese search engine similar to Google. Unfortunately, because the conversion of Pinyin (the pronunciation of Chinese characters) to English at the gaming facilities, the searches were ineffective. The gaming facilities do not capture the Chinese characters necessary to conduct accurate searches as the "Baidu" search engine is more useful when searching information in Chinese characters. The challenge in

converting Pinyin back to actual Chinese characters is that a same pronunciation can have many Chinese Characters.

Illustration of one Pinyin and the list of Chinese Characters that we can select from:

For example: Beijing Chang Pharmaceutical

s.15,s.22

When the company name has two or more Chinese characters, the combination of Pinyin can be more than tripled.

As the name of the patron and the name of the company cannot be accurately converted to Chinese characters, the search on “Baidu” was not effective. Some possible matches were found, however we cannot determine if those companies are the ones that we are looking for without additional information such as address, city or location, which is not provided to the gaming facilities.

CONCLUSIONS

Real Estate was the largest occupational group both in terms of number of patrons and Total Buy-ins. The most active of the high rollers did not try to avoid stating their occupation. Housewives and Students were more significant than anticipated with 75 patrons with total buy-ins of \$14.3 million identified as Housewives, and 36 patrons and \$2.3 million in buy-in identified as Students.

Reasons for UFTs did not differ significantly across occupation lines. The most common reasons for UFTs were large cash buy-ins, buy-in with large number of small denomination bills, not bundled in a manner that would come from a recognized bank and chip passing- similar to what has been previously report in past reviews. Patrons had UFTs attached to their SID# not only from direct suspicious activity on their part but also to being associated with other patrons engaged in suspicious activity. Occupation played a secondary role in that the occupations listed could either not support the level of play or could not explain the amount of small bills used. This reasoning was consistent across occupational lines.

Associations with other patrons resulted in UFTs being linked to other patrons and seemed most prevalent with the House Wives group, possibly due to spousal connections.

Determining the legitimacy of companies listed by the top 62 patrons proved inconclusive due to not have the exact Chinese characters. Obtaining the characters of the companies given by the high rollers would help enable the determination of a company’s legitimacy and determine whether the positions given could support the level of play.

APPENDICIES:



Appendix 1 - All Patrons

Standardized Occupation	Number of Subject ID	Total Cash Buy-In at Cage	Average \$	Total # Transactions
Real Estate	s.22	\$53,103,515.00	\$393,359.37	834
Business Owner		\$38,512,945.00	\$447,824.94	631
Construction		\$33,858,550.00	\$604,616.96	493
Finance		\$19,636,420.00	\$654,547.33	297
Management		\$19,235,995.00	\$356,222.13	329
House Wife		\$14,389,085.00	\$191,854.47	557
Importer		\$12,248,635.00	\$680,479.72	152
Petroleum		\$6,174,845.00	\$1,029,140.83	80
Restaurant		\$5,875,680.00	\$279,794.29	151
Mining		\$4,881,740.00	\$610,217.50	70
Sales		\$3,200,985.00	\$118,555.00	85
Factory Owner		\$3,000,155.00	\$600,031.00	48
Mine Owner		\$2,582,990.00	\$860,996.67	56
Manufacturing		\$2,511,085.00	\$109,836.88	86
Doctor/Dentist		\$2,454,240.00	\$409,040.00	51
Other		\$2,400,046.00	\$72,728.67	157
Other (susp)		\$2,351,645.00	\$235,164.50	90
Student		\$2,300,085.00	\$63,891.25	104
Ship Builder		\$1,843,510.00	\$1,843,510.00	13
Pharmaceuticals		\$1,769,840.00	\$884,920.00	8
CEO		\$1,420,400.00	\$177,550.00	48
Engineer		\$1,283,860.00	\$183,408.57	28
Farmer		\$1,120,750.00	\$186,791.67	33
Chef/Cook		\$1,108,630.00	\$184,771.67	41
Teacher		\$731,000.00	\$182,750.00	22
Truck Driver		\$718,930.00	\$239,643.33	16
Accountant	s.22	\$659,025.00	\$164,756.25	31
Not Stated		\$635,055.00	\$8,247.47	6
Shipping		\$494,330.00	\$494,330.00	12
Server		\$395,020.00	\$98,755.00	15
Banking		\$380,060.00	\$190,030.00	11
Contractor		\$341,700.00	\$56,950.00	18
Advertising		\$333,075.00	\$166,537.50	7
Marketing		\$314,350.00	\$104,783.33	15

Architect	s.22	\$245,540.00	\$61,385.00	6
Pro Player		\$186,485.00	\$62,161.67	15
Retired		\$151,000.00	\$50,333.33	5
Beauty		\$124,000.00	\$15,500.00	15
Casino Dealer		\$117,800.00	\$58,900.00	4
Fisherman		\$66,600.00	\$33,300.00	10
Server		\$61,800.00	\$61,800.00	4
Unemployed		\$61,000.00	\$30,500.00	4
IT		\$53,000.00	\$26,500.00	4
Consultant		\$46,000.00	\$46,000.00	6
Travel Agent		\$41,000.00	\$20,500.00	4
Steel		\$5,000.00	\$5,000.00	1
Grand Total	800	\$243,427,401.00	\$304,440.50	4673

Appendix 2- \$100K Breakdown

Standardized Occupation	Number of Subject ID	Total Cash Buy-In at Cage	Average \$	Total # Transactions
Real Estate	s.22	\$50,781,005.00	\$923,291.00	714
Business Owner		\$37,165,385.00	\$1,032,371.81	476
Construction		\$32,817,690.00	\$1,367,403.75	85
Finance		\$19,346,220.00	\$1,074,790.00	29
Management		\$18,136,805.00	\$755,700.21	121
House Wife		\$12,895,035.00	\$495,962.88	260
Importer		\$11,981,275.00	\$1,198,127.50	183
Petroleum		\$6,089,455.00	\$1,217,891.00	41
Restaurant		\$5,674,000.00	\$709,250.00	50
Mining		\$4,868,740.00	\$811,456.67	9
Other		\$4,084,371.00	\$226,909.50	100
Factory Owner		\$2,960,155.00	\$986,718.33	7
Sales		\$2,899,270.00	\$322,141.11	42
Mine Owner		\$2,526,990.00	\$2,526,990.00	1
Doctor/Dentist		\$2,423,240.00	\$807,746.67	7
Manufacturing		\$2,003,110.00	\$236,456.67	15
Ship Builder		\$1,843,510.00	\$1,843,510.00	3
Pharmaceuticals		\$1,759,840.00	\$1,759,840.00	9
Student		\$1,661,170.00	\$332,234.00	11
Engineer		\$1,178,720.00	\$392,906.67	3
CEO		\$1,156,300.00	\$289,075.00	23
Chef/Cook		\$1,041,530.00	\$347,176.67	28

Farmer	s.22	\$942,450.00	\$942,450.00	2
Truck Driver		\$710,430.00	\$710,430.00	2
Teacher		\$706,000.00	\$353,000.00	4
Accountant		\$563,025.00	\$563,025.00	4
Shipping		\$494,330.00	\$494,330.00	3
Server		\$367,780.00	\$183,890.00	10
Advertising		\$333,075.00	\$166,537.50	26
Banking		\$315,060.00	\$315,060.00	3
Contractor		\$249,000.00	\$249,000.00	2
Marketing		\$245,160.00	\$245,160.00	1
Retired		\$136,020.00	\$136,020.00	9
Casino Dealer		\$107,000.00	\$107,000.00	5
Grand Total	287	\$230,463,146.00	\$803,443.02	2288

CONFIDENTIAL

INTERNAL MEMO



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

CC: Anna Fitzgerald, Director, Compliance Division, GPEB
Doug Mayer, Manager of Audit, Compliance Division, GPEB

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

Date: February 15, 2016

Subject: COMM-8611 Follow Up: Cash Buy-Ins Conducted at River Rock Casino Cages

SUMMARY REPORT

This report is a follow-up to our previous analysis of cash buy-ins conducted at River Rock Casino cages in the first half of 2015. This report covers the second half of the calendar year, July 1, 2015 – December 31, 2015, and provides a comparison between the two periods. Below are key observations.

Analysis of Cash Buy-Ins Conducted at River Rock Casino Cages

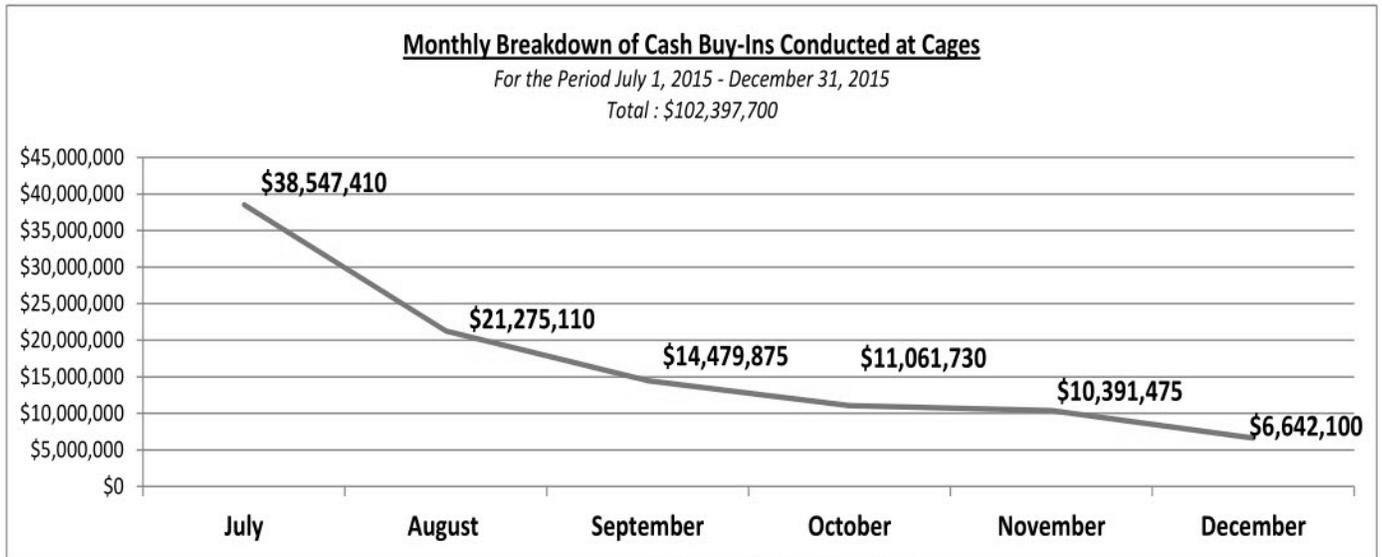
- Total cash buy-ins conducted at the cages for the period July 1, 2015 – December 31, 2015, were \$102,397,700. This represents a decline of 27% from the previous six month period, as shown below. s.15

	January 1, 2015 – June 30, 2015	July 1, 2015 – December 31, 2015	% Change
s.15			
Total Cash Buy-Ins Conducted at Cages	\$140,997,590	\$102,397,700	-27%

- A breakdown of the total volume of physical bills presented at the cages to conduct cash buy-ins for the year 2015 is presented below. As shown, there is a significant decline in the number of bills, particularly \$20s, presented at the cages during the second half of the year.

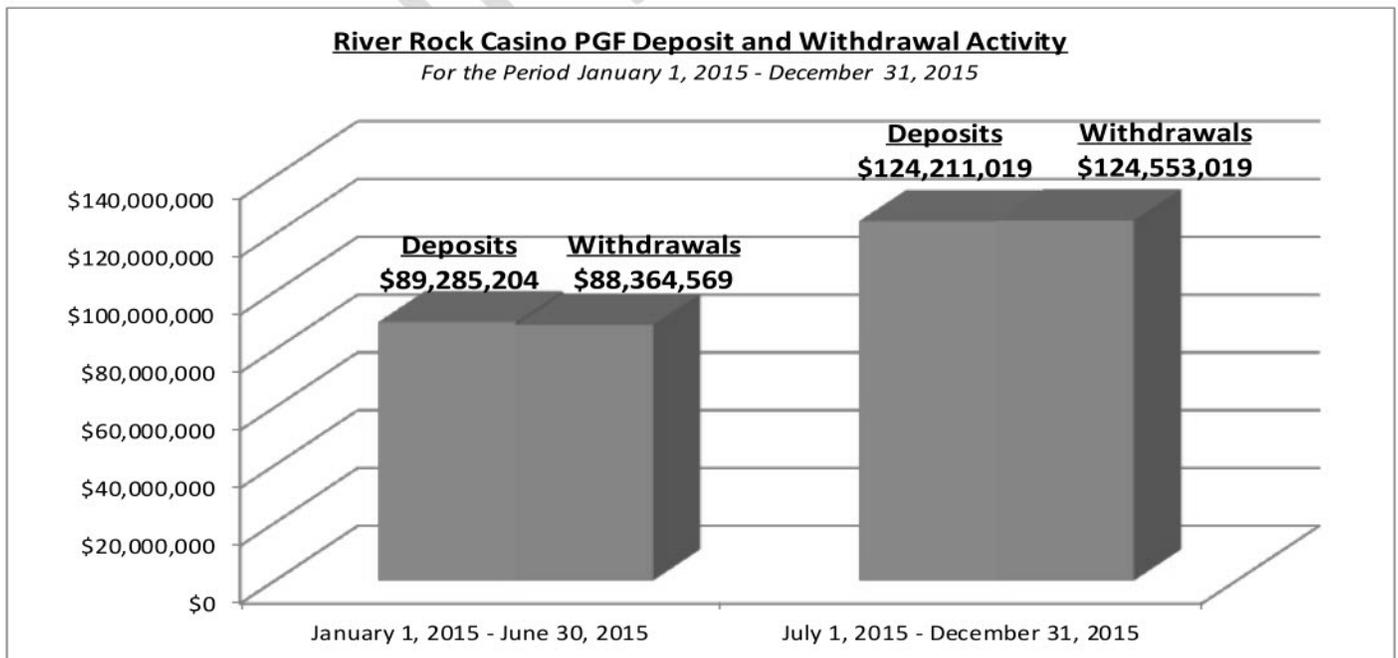
Bill Breakdown	January 1, 2015 – June 30, 2015	July 1, 2015 – December 31, 2015	% Change
s.15			
Total Volume of Physical Bills	4,165,547	2,748,936	

- The chart below provides the monthly breakdown of the \$102,397,700 cash buy-ins conducted at the cages for the period July 1, 2015 – December 31, 2015. As can be seen, the decline in cash buy-ins is significant.



Analysis of PGF Activity

During the period July 1, 2015 – December 31, 2015, a total of \$124,211,019 was deposited (new money and re-deposits) into PGF accounts, and \$124,553,019 was withdrawn. This represents an increase of 39% in PGF deposits from the previous six month period as shown below. The closing PGF account balance at River Rock Casino as at December 31, 2015, was \$1,036,881, which reflects that funds being deposited into the accounts are not being retained for long periods of time.



Analysis of Table Drop Revenue

Table drop revenue for River Rock Casino for the period July 1, 2015 – December 31, 2015, was \$339,307,567. This represents a decline of 37% from the previous six month period, as shown below. Consequently, table net win also dropped.

	January 1, 2015 – June 30, 2015	July 1, 2015 – December 31, 2015	Dollar Difference	% Change
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s.15

Note 1 – Table net win figure obtained from BCLC.

Note 2 - At the time of this report, we had not received the table net win figures from BCLC. Reason being, such figures take time to compile, and were not available at report issuance. However, materially, the figures that we obtained from GMS are a good representation of table net win, based on our past analysis.

Impact of BCLC Un-Sourced Cash Directive

In 2015, BCLC'S AML unit began issuing letters to high risk patrons advising them that they are no longer permitted to buy-in at any BCLC site with "un-sourced" cash (cash without a bank or ATM withdrawal slip). The significant drop in cash buy-ins at the cages for the period July 1, 2015 – December 31, 2015, can be associated, in part, to the enforcement of this directive by BCLC and the service provider.

The chart below provides a summary of patrons that conducted cash buy-ins of \$1 million or more during the first half of 2015 and were subsequently issued the unsourced cash directive by BCLC. Their cash buy-ins at the cages for the first six months of 2015 are compared to the last six months of the year and presented in the chart below. The following are key observations from the chart:

- Cash buy-ins conducted at the cages for the second half of the year for many of these patrons has substantially dropped. Some of these patrons have started using their PGF accounts more while a few others have stopped conducting cash buy-ins at River Rock Casino.
- Some patrons still conducted significant cash buy-ins during the second half of the year. Their cash-buys reflect both sourced cash, and also cash buy-ins during the lapse period between July 1, 2015, and the issuance of the BCLC directive.

Subject ID	Occupation	Total Cash Buy-In at Cage January 1, 2015 - June 30, 2015	Date of BCLC Un-Sourced Cash Directive (2015)	Total Cash Buy- In at Cage July 1, 2015 - December 31, 2015	% Change
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s.22

Subject ID	Occupation	Total Cash Buy-In at Cage January 1, 2015 - June 30, 2015	Date of BCLC Un-Sourced Cash Directive (2015)	Total Cash Buy- In at Cage July 1, 2015 - December 31, 2015	% Change
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s.22

CONCLUSION

BCLC un-sourced cash directives were issued to high limit patrons, who were buying in with a large volume of small denomination bills. Despite these patrons having a long history of gambling, the nature of the cash that they presented at the casino suggested that the money did not come from a recognized financial institution and may be of questionable source.

The issuance of the un-sourced cash directive to high limit patrons at River Rock Casino has had a direct impact on the total amount of cash buy-ins conducted at the cages. Cash buy-ins at the cages for the period reviewed July 1, 2015 – December 31, 2015, at River Rock Casino, declined by \$38.6 million (- 27 %) from the first half of the year. PGF activity during the same period increased 39% from the first half of the year. This is partly attributed to patrons to whom the un-sourced cash directive has been issued being encouraged to use their PGF accounts.

Overall, although cash buy-ins at the cages decreased and PGF activity increased, the net effect was a significant decline in both table drop revenue (-37%) and net table win (-12%) at River Rock Casino.

INTERNAL MEMO



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

CC: Anna Fitzgerald, Director, Compliance Division, GPEB
Doug Mayer, Manager of Audit, Compliance Division, GPEB

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

Date: April 27, 2016

Subject: COMM-8621 River Rock Casino Cash Transfer Analysis between High Limit Cages and Vault

EXECUTIVE SUMMARY

To prevent a patron from refining bills for the purposes of money laundering, sites are advised by BCLC to pay out patrons in the same denomination in which they bought in with. This requirement is not stated in the BCLC Casino and Community Gaming Centre Standards, Policies and Procedures. However, through interviews with staff at the River Rock Casino, it was determined that a patron will be paid out in the same denomination as their buy-in, if they did not engage in reasonable play.

The objective of our review was to determine the extent the high limit cages at the River Rock Casino paid out patrons in the same denomination of bills that they bought in with. The review period was July 1, 2015 – December 31, 2015.

As casinos in BC are not required to document the denomination of cash payouts to patrons, we were unable to confirm on an individual transaction basis if refining was occurring. Our review was conducted through:

- An analytical review of cash transfers between patron buy-ins, the high limit cages and the vault.
- Interviews with cage management and cashiers at the River Rock Casino.

KEY OBSERVATIONS

- Total cash buy-ins at the high limit cages with \$20 bills amounted to \$40 million. Of this amount, 99% was transferred down to the vault, and less than 1 % transferred back up to the high limit cages. The high limit cages retained only \$75 thousand for subsequent payouts in this denomination.

- Total cash buy-ins at the high limit cages with \$100 bills amounted to \$54 million. Of this amount, \$8 million (15%) was transferred down to the vault; however, an additional \$90 million in \$100 bills was transferred from the vault back up to the high limit cages.
- Interviews with site staff indicated that if a patron engaged in reasonable play, they will be paid out with \$100 bills regardless of the denomination that they bought in with. The following is taken into consideration by the site when determining whether play was reasonable: s. 15
s.15
- The onus is on the tables department (i.e. dealer supervisor or other floor staff) and surveillance operators to inform the cage if a patron did not engage in reasonable play.

CONCLUSION

Our analysis of cash flows between patron buy-ins, the high limit cages and the vault at the River Rock Casino for the period July 1, 2015 – December 31, 2015, found that nearly all patrons that bought in with \$20 bills were not paid out in this denomination.

At a macro level, the high limit cages retained a disproportionate amount of \$100 and \$20 bills relative to cash buy-ins of the same denomination. The excess supply of \$100 bills available at the high limit cages suggests that patrons were primarily paid out in this denomination, while the minimal supply of \$20 bills suggests that patrons were rarely paid out in this denomination.

Although River Rock does have criteria in place to help prevent refining from occurring for the purposes of money laundering, the criterion applied is subject to discretion around what constitutes reasonable play.

The notion that nearly all patrons were paid out with \$100 bills regardless of the denomination that they bought in with, in part suggests that the controls in place to prevent a patron from refining bills may not be functioning as intended. As a result, based on the analysis performed and interviews with site staff it is reasonable to conclude that refining is occurring through the high limit cages at the River Rock Casino.

INTRODUCTION

BACKGROUND

GPEB Compliance Division has periodically analyzed cash buy-ins conducted at the River Rock Casino cages to evaluate the denomination of currency patrons were buying in with. s.15

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With this in mind, we wanted to determine the extent the high limit cages were paying out patrons in the same denomination of bills that they bought in with. Our review focused on the River Rock Casino. River Rock was selected based on our past work and because it generates the highest table game revenue in the Province.

OBJECTIVE

The objectives of our review were:

- To determine the extent the high limit cages at the River Rock Casino paid out patrons in the same denomination of bills that they bought in with.
- To evaluate whether refining was occurring through the high limit cages at the River Rock Casino.

SCOPE

The scope focused on s.15 s.15 at the River Rock Casino for the period July 1, 2015 – December 31, 2015.

- Casinos in BC are not required to document the denomination of cash payouts from the cage. Due to this limitation, we were unable to analyze payouts on an individual transaction basis. The analytical component of our review focused on the cash transfers between the high limit cages and the vault as tracked on the GMS 'Report Inventory Movement Audit Trail Group by Transaction' and the cash buy-ins conducted at the high limit cages as tracked on the 'Cashier Drop Buy-In Tracking Sheet.'
- As part of the review, we conducted interviews with cage management and cashiers at the River Rock Casino. The interviews helped us understand how cash flow was tracked at the site and the denomination of cash that patrons were buying in and subsequently being paid out with at the high limit cages.

PART 1: ANALYTICAL REVIEW OF CASH ACTIVITY

To determine the transfer of cash between the high limit cages and the vault, we analysed the daily GMS 'Report Inventory Movement Audit Trail Group by Transaction' reports for the period July 1, 2015 – December 31, 2015. The data was then compared to the total amount of cash buy-ins conducted at the high limit cages over the same period as documented on the 'Cashier Drop Buy-In Tracking Sheet'.

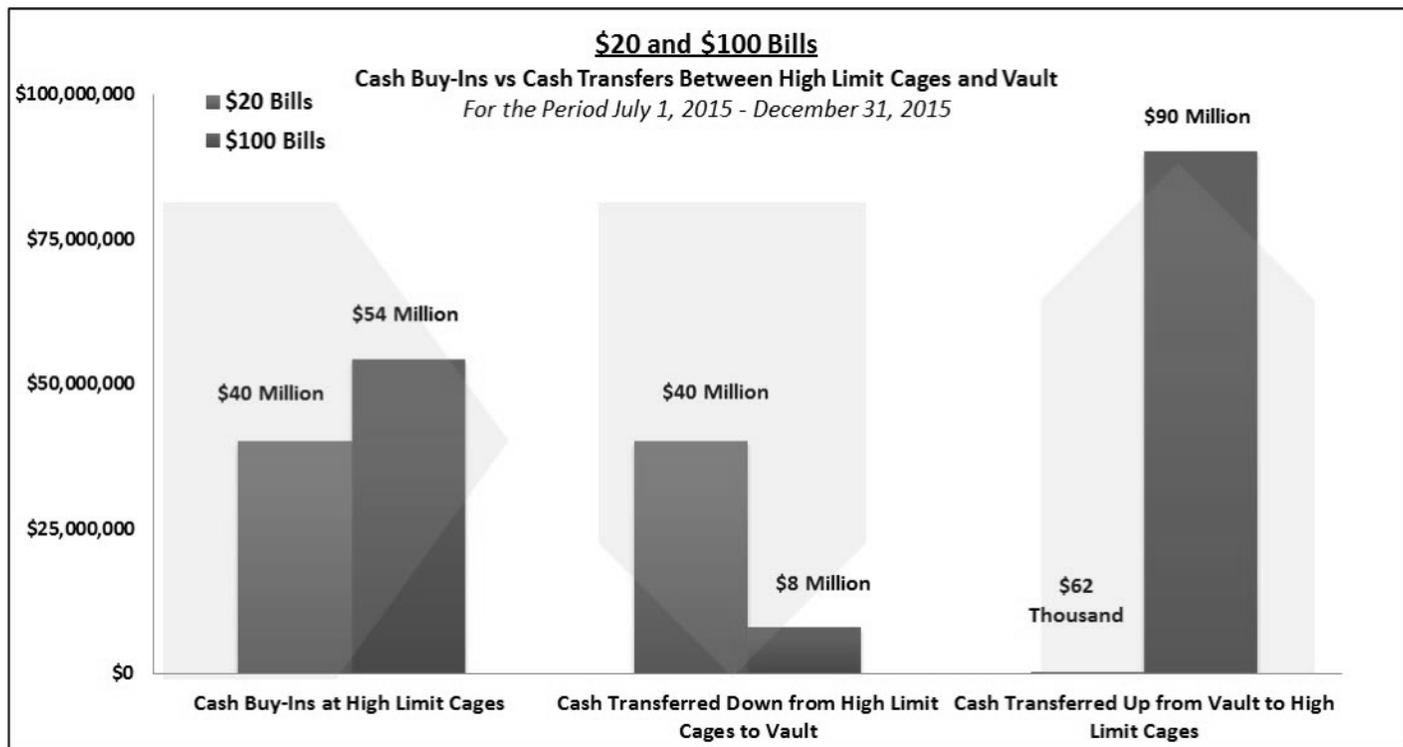
The table below shows by denomination, the total amount of cash buy-ins conducted at the high limit cages and the subsequent transfers between the high limit cages and the vault for the period July 1, 2015 – December 31, 2015.

Bill Denomination	July 1, 2015 – December 31, 2015				= A – B + C Net Cash Available at High Limit Cages
	A Cash Buy-Ins Conducted at High Limit Cages		B Cash Transferred Down from High Limit Cages to Vault	C Cash Transferred Up From Vault to High Limit Cages	
\$100	\$54,223,000	54%	\$8,041,000	\$90,173,000	\$136,355,000
\$50	\$5,229,200	5%	\$5,505,000	\$215,000	N/A
\$20	\$40,120,920	40%	\$40,107,180	\$62,000	\$75,740
\$10	\$164,860	<1%	\$1,452,000	\$1,382,000	\$94,860
\$5	\$75,830	<1%	\$1,373,005	\$1,369,500	\$72,325
Total	\$99,813,810	100%	\$56,478,185	\$93,201,500	\$136,597,925

The table above highlights the following key points:

- Total cash buy-ins at the high limit cages with \$20 bills amounted to \$40 million. Of this amount, 99% was transferred down to the vault, and less than 1 % transferred back up to the high limit cages. The high limit cages retained only \$75 thousand for subsequent payouts in this denomination. The short supply of \$20 bills available at the high limit cages indicated that patrons that bought in with \$20 bills were not being paid out in this denomination.
- Total cash buy-ins at the high limit cages with \$100 bills amounted to \$54 million. Of this amount, only \$8 million (15%) was transferred down to the vault; however, an additional \$90 million in \$100 bills was transferred from the vault back up to the high limit cages. The cash transfers showed that the high limit cages had significantly more \$100 bills available to conduct cash payouts than buy-ins of the same denomination. The excess supply of \$100 bills available at the high limit cages indicated that patrons were primarily being paid out in this denomination.
- Despite \$5 million of cash buy-ins at the high limit cages being conducted with \$50 bills, no \$50 bills were retained to conduct subsequent cash payouts to patrons. The cash transfers between the high limit cages and vault for \$10 and \$5 bills were largely attributed to floats being transferred to and from the vault at the end of each gaming day.

The graph below reflects the contrast between the total dollar amount of \$20 and \$100 bills received from cash buy-ins conducted at the high limit cages and the subsequent transfers to and from the vault.



PART 2: EMPLOYEE INTERVIEWS

To prevent a patron from refining bills for the purposes of money laundering, sites are advised by BCLC to pay out patrons in the same denomination in which they bought in with. This requirement is not stated in the BCLC Casino and Community Gaming Centre Standards, Policies and Procedures.

Through interviews with cage management and cashiers at the River Rock Casino, we determined that the practice of paying out patrons in the same denomination of bills, for which they bought in with, is subject to discretion. The site holds the view that patrons that buy-in with small denomination bills can be paid out with large denomination bills, if the patron had engaged in reasonable play. The following is taken into consideration when determining whether play is reasonable:

- The amount being wagered in proportion to the buy-in.
- The amount of time spent gaming in proportion to the buy-in. For example, a patron's gaming activity would be considered suspicious if they placed a few small bets (relative to the buy-in) over a short period of time and then attempted to cash out.
- The amount of gaming loss incurred by the patron.

The play of patrons in the high limit rooms is observed from the floor level by the tables department and from above by surveillance operators. s.15

s.15

s.15 If the cage is not informed of the patrons play, then it is assumed that the patron engaged in reasonable play, and thus will be paid out with \$100 bills.

Through interviews with cage management and cashiers at the River Rock Casino, we identified the following:

- Primarily all of the \$20 bills that the high limit cages receive from cash buy-ins are transferred to the vault. Reason being, the cage does not pay out patrons in the \$20 bills that they bought in with unless informed by staff from the floor or surveillance operators that the patron did not engage in reasonable play.
- The high limit cages retain a large portion of the \$100 bills received from cash buy-ins and also request mainly \$100 bills from the vault as patrons deemed to be engaged in reasonable play are paid out in \$100 bills.

CONCLUSION

Our analysis of cash flows between patron buy-ins, the high limit cages and the vault at the River Rock Casino for the period July 1, 2015 – December 31, 2015, found that nearly all patrons that bought in with \$20 bills were not paid out in this denomination.

At a macro level, the high limit cages retained a disproportionate amount of \$100 and \$20 bills relative to cash buy-ins of the same denomination. The excess supply of \$100 bills available at the high limit cages suggests that patrons were primarily paid out in this denomination, while the minimal supply of \$20 bills suggests that patrons were rarely paid out in this denomination.

Although River Rock does have criteria in place to help prevent refining from occurring for the purposes of money laundering, the criterion applied is subject to discretion around what constitutes reasonable play.

The notion that nearly all patrons were paid out with \$100 bills regardless of the denomination that they bought in with, in part suggests that the controls in place to prevent a patron from refining bills may not be functioning as intended. As a result, based on the analysis performed and interviews with site staff it is reasonable to conclude that refining is occurring through the high limit cages at the River Rock Casino.



Gaming Policy and Enforcement Branch

2016/2017

High Volume Slot Play Review

COMM File #: 8687

Issue Date: December 23, 2016

Distribution List

Robert Kroeker, Vice President, Corporate Security and Compliance, BCLC

Gurmit Aujla, Director, Audit Services, BCLC

BACKGROUND

The focus of anti-money laundering activity at BC gaming facilities has traditionally been centered on table games play. Historically, slot machine play has been viewed as a lower risk area to laundering money.

GPEB Compliance had recently conducted a review of the slot play of a patron being investigated for possible criminal activity related to a civil forfeiture case that had been in the media. Through this review concerns were raised as to the effectiveness and/or existence of controls to monitor slots for money laundering or the use of proceeds of crime. One area of concern is the “anonymous” play where it is difficult to track the play of players for AML purposes.

OBJECTIVE

The objectives of this review were as follows:

1. Develop an understanding of the types of indicators that exist for suspicious slot play.
2. Identify and evaluate controls put in place to mitigate the risk of money laundering through slot machines.
3. Conduct a review of the IVS Ticket Redemption process.
4. Build a profile and identify patterns of play for the top ten slot machine patrons.

SCOPE

The scope of the review primarily focused on data generated during the first six months of 2016, which included:

1. Reviewing reporting out of the GMS Slot Data System (SDS) module and the Casino Marketplace (CMP) module to quantify the amounts wagered by the top tier slot players during the review period.
2. Reviewing GMS SDS and other BCLC systems to identify the controls in place to reduce the risk of slot machines being used to launder money.
3. Reviewing Ticket Redemption Machine (TRM) reporting to identify any potential for tracking patrons redeeming IVS/TITO tickets. This included documenting what types of controls/reporting are in place with the TRM machines – i.e. alerts/reporting generated

upon suspicious patterns of redemption. Review reporting to identify any suspicious patterns of redemption.

REVIEW SYNOPSIS

COMPONENT I – Review of BCLC Control Environment: Automated and Procedural Controls

Discussions were held with BCLC technical staff regarding system controls that were in place to detect and/or deter money laundering through the use of slot machines. One of the primary money laundering risks associated with slot machines is the use of the machines for refining (colouring up) lower denomination bills into higher ones, i.e. changing \$20's into \$100's.

Identified controls were:

1) s.15

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3) s.15

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4) BCLC AML Team monitoring:

Discussions were held with the BCLC AML team around what processes they have in place to monitor slot play. s.15

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The BCLC AML team also indicated that

the risk of money laundering is reduced with s.15

s.15

COMPONENT II – Top 10 Slot Patron Activity Review – LCT Activity and Slot Machine Transactional Data

A review was conducted on the playing activity of the top 10 slot players, which we've broken down into the following three sections:

1. LCT's – cheques vs cash, IVS tickets, playing activity,

The Large Cash Transaction Record (LCTR) history of the top ten slot players, *based on their total LCTR disbursement value between April 1 2015 to March 31, 2016*, was reviewed. Fifty of their most current LCTR's, as of June 2016, were then selected for each of these patrons to develop a profile of their play.

The following table shows the highlights of this review:

LCT Review - Details of Last 50 LCT's 2015/16 - rounded to nearest \$000's

s.15,s.22

Total	\$33,146,000	7,500	545	\$472,000	1%	\$32,674,000	99%
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** It is important to note that the disbursement number does not indicate the patron's net win, or how much they were "up" at the end of the period reviewed. This number includes the "churning" of winnings back into the machine and the cashing of IVS tickets redeemed for any credits not played.*

Two key take a ways from the table above:

- The overwhelming majority of disbursements are slot jackpots, not the cashing out of IVS tickets. s.15
s.15

- 99% of all disbursements are being made in cash. s.15
s.15

The next table contains further details about the top ten slot patrons.

Subject ID	Occupation	Frequency of Play: <i># of days in Jan to Jun 2016 where an LCT was Generated</i>	STR's	PGF?	Primary Gambling Site
s.15,s.22					

s.15,s.22

2. s.15,s.22

s.15,s.
22

Encore Play Tracked Through Casino Marketplace

Subject ID	January 1 thru September 15, 2016				January 1 to December 31, 2015			
	Total Bet (\$)	Total Paid (\$)	Win/Loss (\$)	Average Bet (\$)	Total Bet (\$)	Total Paid (\$)	Win/(Loss) (\$)	Average Bet (\$)
s.15,s.22								

* Patron did not use her Encore card during the period reviewed.

3. Review of Patron Data Captured In the GMS SDS System.

Validator Transaction Reports from the GMS SDS system were requested from BCLC. These reports show activity on s.15

s.15

s.15 Activity for nine of the top ten patrons was reviewed, for the period March 1 to June 30, 2016. s.15,s.22

s.15,s.22

The reports were first reviewed to determine what denominations the patron was inserting into the slot machine. There is a risk that slot machines could be used for refining or “colouring up” i.e. converting \$20’s into \$100’s. The review noted that overwhelmingly these patrons were using \$100 bills when buying in. It was also identified that these players are predominantly playing \$1.00 machines.

Secondly, the reports were reviewed for suspicious activity, such as:

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This table shows the results of the review:

Subject ID #	Main Denomination Used	\$100's as a % of all bills	Suspicious Activity
s.15,s.22			

s.15,s.22

s.15,s.22 This makes it virtually impossible to determine a true value of their spend during the time period or to get a complete picture of their play.

CONCLUSION

It appears that while controls are in place within BCLC systems to detect suspicious slot play, they may not be utilized to their full potential. s.15

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No significant issues were found during the review of IVS ticket redemptions. No material evidence of suspicious redemptions was found.

No significant issues were noted with the review of the slot play of the top ten patrons. While their wagering is significant, there is nothing that appears materially suspicious. Patrons overwhelming gambled with \$100's so there was no indication of significant colouring up taking place. Patrons are predominantly requesting cash for payouts as opposed to cheques. The extremely frequent and large volume play of the patrons may be an indication of problem gambling but that is outside of the scope of this review.

s.15



INTERNAL MEMO

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

CC: Anna Fitzgerald, Director, Compliance Division, GPEB
Doug Mayer, Manager of Audit, Compliance Division, GPEB

From: Bojan Nikolic, Commercial Gaming Auditor, Compliance Division, GPEB
Terry Jacob, Commercial Gaming Auditor, Compliance Division, GPEB

Date: June 21, 2016

Subject: Compliance with BCLC Directive related to Unsourced Cash and Chips

Background

With a goal of reinforcing the ongoing efforts to curb suspected money laundering at casinos in British Columbia, BCLC introduced a new program directed primarily toward high limit players with a history of suspicious activities. These activities generally involved the use of substantial amounts of cash, often in small denominations, chip passing and facilitating access to, or delivery of, cash and chips.

On September 11, 2015, BCLC sent a letter to service providers instructing them of the directive issued to high risk patrons. Casinos were also notified through the iTrak reporting system with the following message:

*"2015-Sep-11 ***BCLC DIRECTIVE*** Effective immediately (as per letter sent to SP management this date) patron is not allowed to buy-in at any BCLC site with "un-sourced" cash (all cash without a bank or ATM withdrawal slip) or "un-sourced or borrowed" chips until further notice. Please advise patron to contact Consumer Services at 1-866-815-0222 or via email through BCLC.com and provide contact details for BCLC Investigations to schedule an interview to discuss further."*

Each applicable player's subject profile was updated in iTrak with the content of the above directive in such a way that it would be obvious to anyone who opens the profile.

Although the unsourced cash is defined as "all cash without a bank or ATM withdrawal slip", BCLC allowed players with the directive to buy-in with cash they received as winnings from the previous five days of gambling.

Purpose

The purpose of this review was to determine if the casinos complied with the directive issued to the players and if BCLC conducted appropriate oversight of gambling activities of the players under the directive.

Approach

A total of 47 individuals who were issued directives between August 5 and November 10, 2015 were reviewed. Their gambling activities were examined using the iTrak reporting system; specifically all incident reports and large cash transaction reports for each player from the date of their directive until January 18, 2016 – the date of data collection. The emphasis was on the following activities:

- Buy-ins with unsourced cash and/or use of unsourced or borrowed chips after the directive was issued;
- Action taken by the casino; and
- BCLC's investigation of each incident.

Analysis

In the majority of cases the players that were issued the BCLC directive were prevented from playing with unsourced cash and chips by the casino sites.^{s.15}

s.15

Highlights from the analysis found:

- Of the 47 players reviewed, 32 returned to play with sourced cash, while 15 did not gamble after they were issued their directive.
- Multiple attempts to buy in with unsourced cash were made, however, in the majority of instances the sites identified that the patron had been issued the directive, and they did not process the attempted buy-in.
- iTrak reports showed two players that were issued the directive were able to buy-in with unsourced cash on two occasions and were able to play undetected. In each case, the players gambled at levels below the LCT reporting threshold.
- Fourteen players were recorded in iTrak to have been observed betting or attempting to bet with potentially unsourced chips. Chips were either brought into the casino or received from other players while inside the casino. In some cases, players attempted to gamble with unsourced chips by combining them with sourced chips. In one such case, casino staff confirmed this activity by reconciling the chip tray balances after the player left the table.

- On several occasions throughout the review period, players not included in the directive bought in and made verbal bets for players who were under the directive. Essentially, sanctioned players used non-sanctioned players to gamble on their behalf. When such activity was noticed, the play was stopped in all cases, players involved were spoken to and an incident report opened in iTrak.

The review of iTrak showed the casinos appeared to adequately document the verification of gaming funds for all players issued the Directive including:

- The status of the players is verified;
- The source of cash/chips was checked. The players who continued gambling at casinos after the Directive used mainly PGF accounts, Global and ATM credit card cash advances and debit cards as the source of funds;⁽¹⁾
- The players' activities at the casino property was monitored;
- Incident reports were completed in iTrak; when needed a review of surveillance footage was conducted;
- Suspicious activities were investigated;
- Buy-in with unsourced cash or placing bets with unsourced chips were denied or the play was stopped; and
- In case of violation of the Directive, Table Games Managers spoke to the players to remind them of the imposed conditions on use of cash and chips.

BCLC Investigators added their supplemental reports to all but two incident reports in iTrak involving the players under the Directive.

⁽¹⁾ The tracking of cash from previous winnings, now deemed as sourced cash, was a cause of initial uncertainty with the casinos since it is not included in the definition of the sourced money. Once clarified by BCLC, the casinos started recording a running balance of unused winnings for all players under the Directive. The accuracy of tracking is essential for this process.

Conclusion

Overall, the review found the casinos appropriately enforced the use of "sourced cash" with all players issued the Directive during our review period. However, there were some instances documented in iTrak where players were able to play with unsourced chips and where players issued the Directive were found to have been using proxy bettors on their behalf.

Example of No Unsourced Cash Directive:

2015-Sep-11 ***BCLC DIRECTIVE*** Effective immediately (as per letter sent to SP management this date) patron is not allowed to buy-in at any BCLC site with "un-sourced" cash (all cash without a bank or ATM withdrawal slip) or "un-sourced or borrowed" chips until further notice. Please advise patron to contact Consumer Services at 1-866-815-0222 or via email through BCLC.com and provide contact details for BCLC Investigations to schedule an interview to discuss further. Ross ALDERSON, Director AML & Operational Analysis, BCLC AML Unit

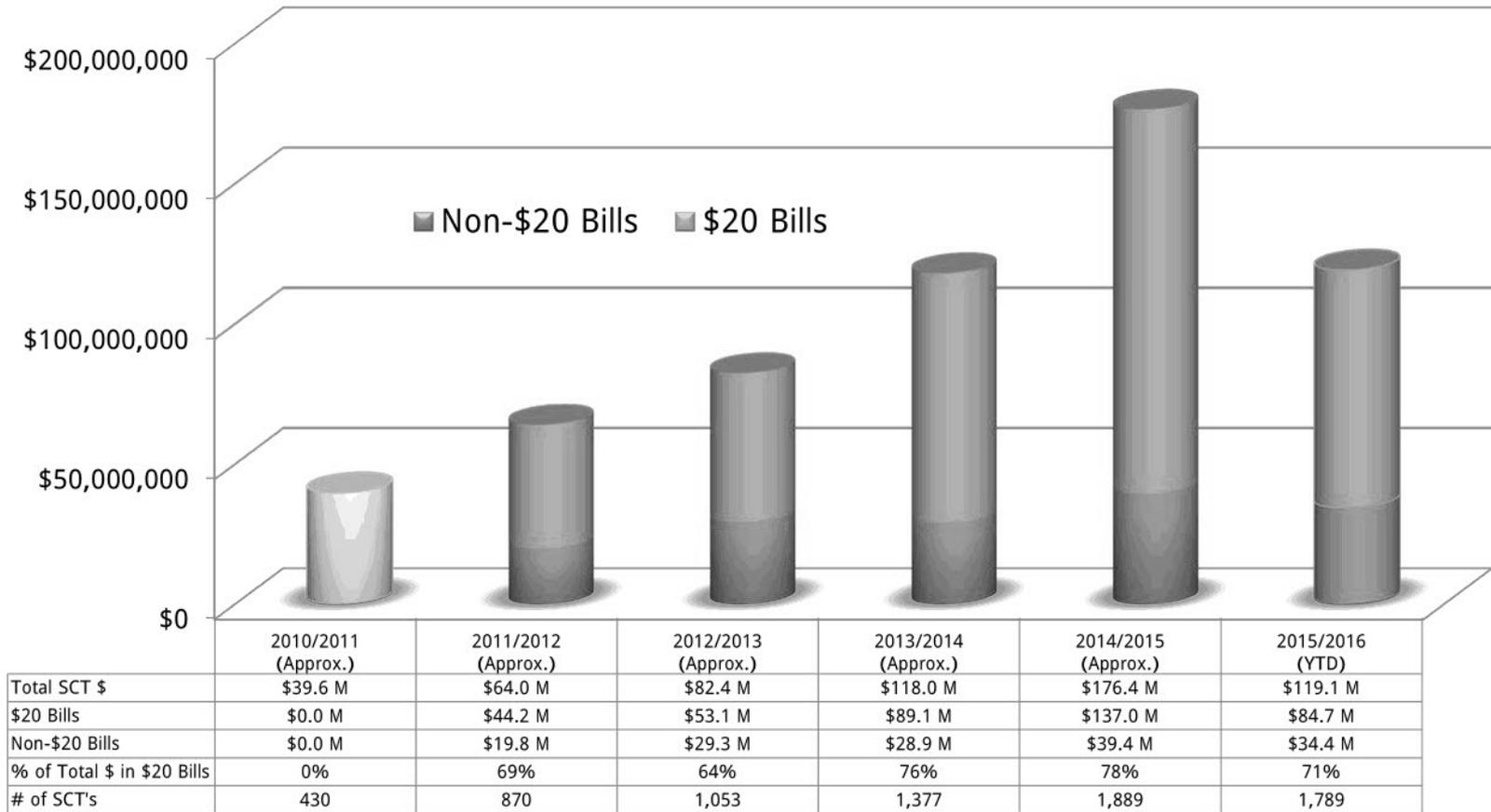
Example of Source of Funds Interview Directive:

2016-May-12 BCLC Directive- Patron requires SOF (source of funds) interview for un-sourced cash buy-ins. Please document in an Itrak incident file, scan copy of interview into media file and advise the AML unit by email at aml@bclc.com of the incident file. Daryl Tottenham, Manager AML Programs, BCLC.

Examples of High Profile Patron - Questionnaire

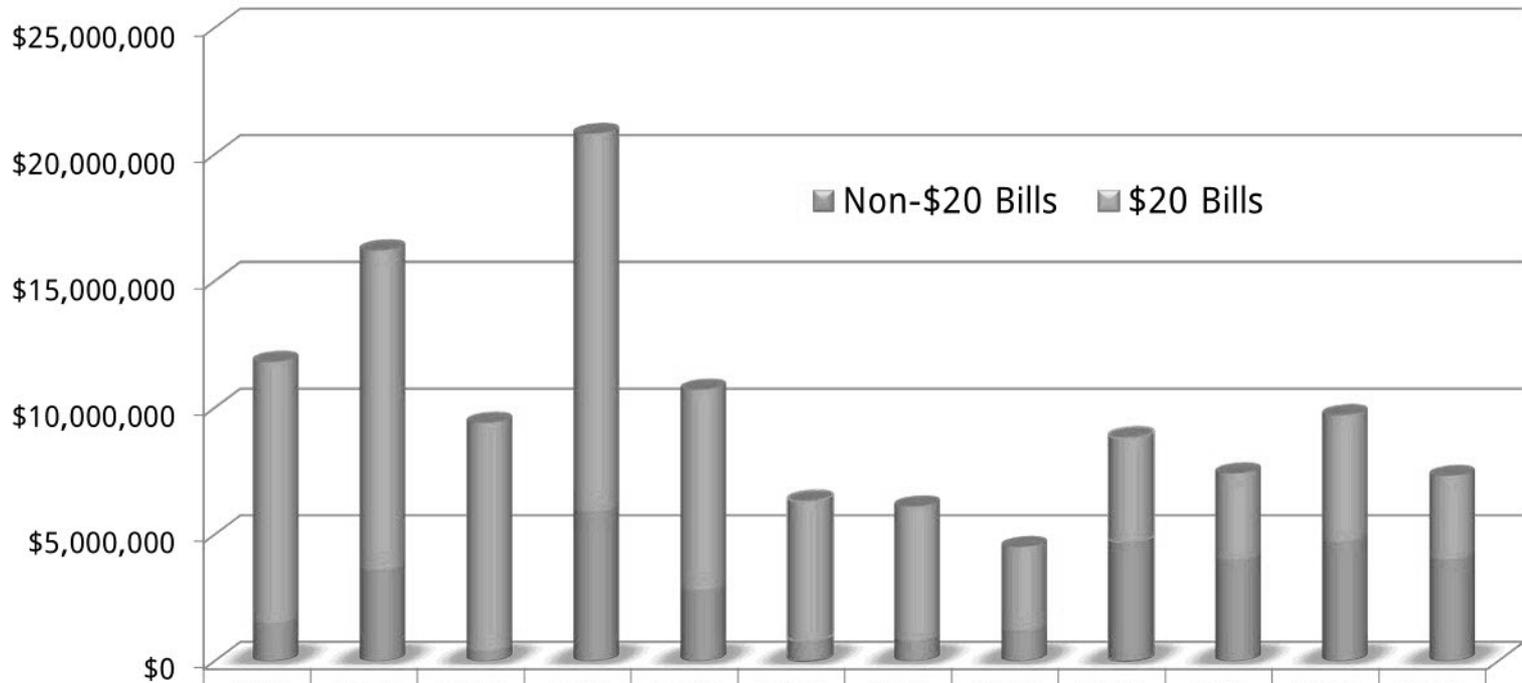
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Suspicious Currency Transactions by Denomination 2010/2011 to 2015/2016



PREPARED BY: GPEB Compliance Division
 CONFIDENTIAL - Updated: March 30, 2016

Suspicious Currency Transactions by Denomination for 2015/2016



	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16
Total SCT \$	\$11.8 M	\$16.3 M	\$9.5 M	\$20.7 M	\$10.7 M	\$6.3 M	\$6.1 M	\$4.6 M	\$8.8 M	\$7.3 M	\$9.7 M	\$7.3 M
\$20 Bills	\$10.3 M	\$12.6 M	\$9.0 M	\$14.9 M	\$7.9 M	\$5.5 M	\$5.3 M	\$3.3 M	\$4.1 M	\$3.4 M	\$5.0 M	\$3.3 M
Non-\$20 Bills	\$1.5 M	\$3.6 M	\$0.4 M	\$5.9 M	\$2.8 M	\$0.8 M	\$0.8 M	\$1.2 M	\$4.7 M	\$4.0 M	\$4.7 M	\$4.0 M
% of Total \$ in \$20 Bills	87%	78%	96%	72%	73%	87%	88%	73%	46%	46%	52%	45%
# of SCT's	116	144	105	141	81	60	87	73	263	229	286	204
Monthly % Change in Total SCT	-25%	24%	-27%	34%	-43%	-26%	45%	-16%	260%	-13%	25%	-29%

PREPARED BY: GPEB Compliance Division
 CONFIDENTIAL - Updated: March 30, 2016

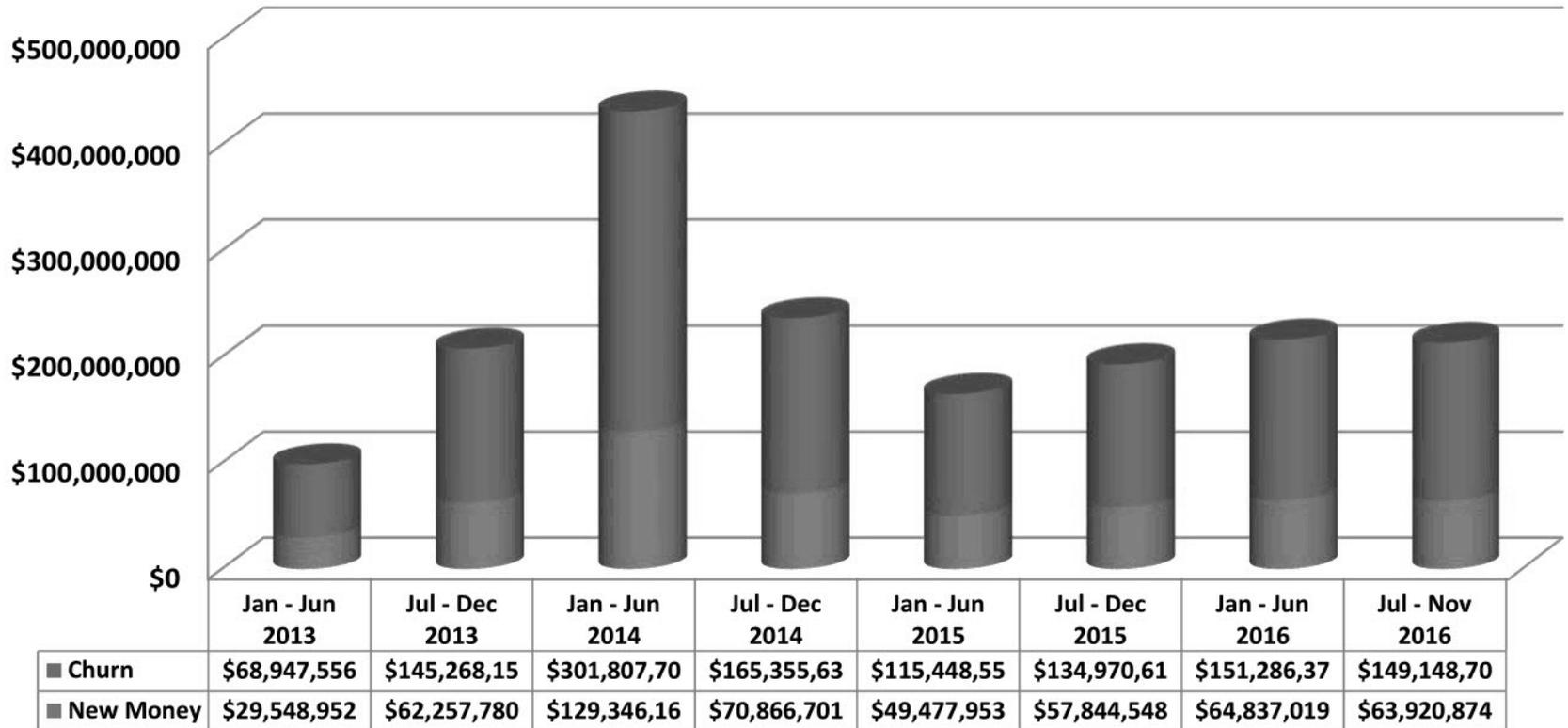
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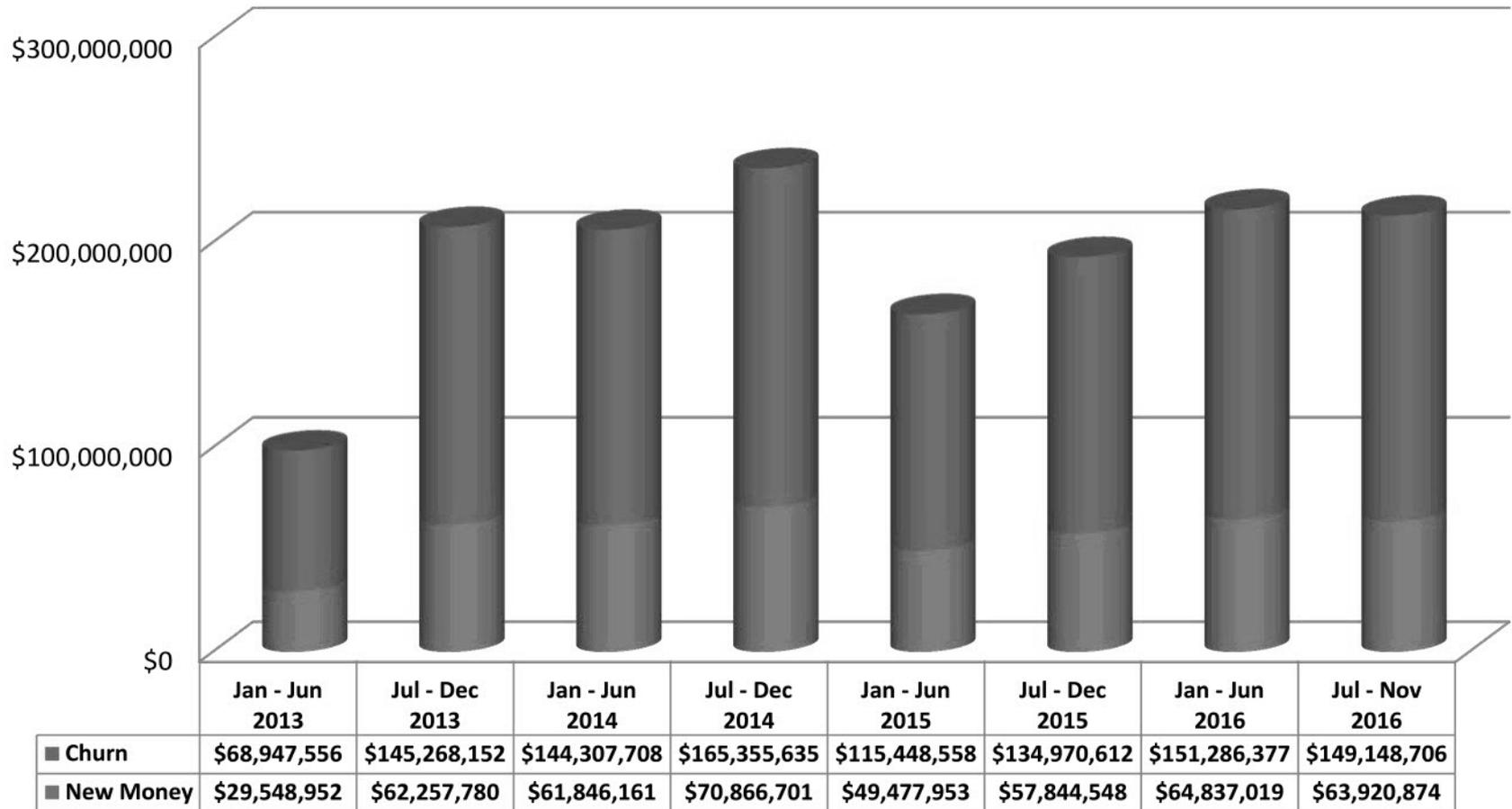
PGF Deposit Analysis (with ^{s.22})

Total PGF Deposits January 1, 2013 – November 30, 2017 : \$ 1.7 Billion



PGF Deposit Analysis (W/O ^{s.22})

Total PGF Deposits January 1, 2013 – November 30, 2017 : \$ 1.5 Billion



PGF Program - Emerging Concerns

1) s.15

2) **Know Your Customer (KYC):** BCLC places reliance on the due diligence processes put in place by the financial institutions.

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- BCLC dashboards present limited information on PGF activity, other than deposit levels and account openings as a whole.
- Concerns around money service business.

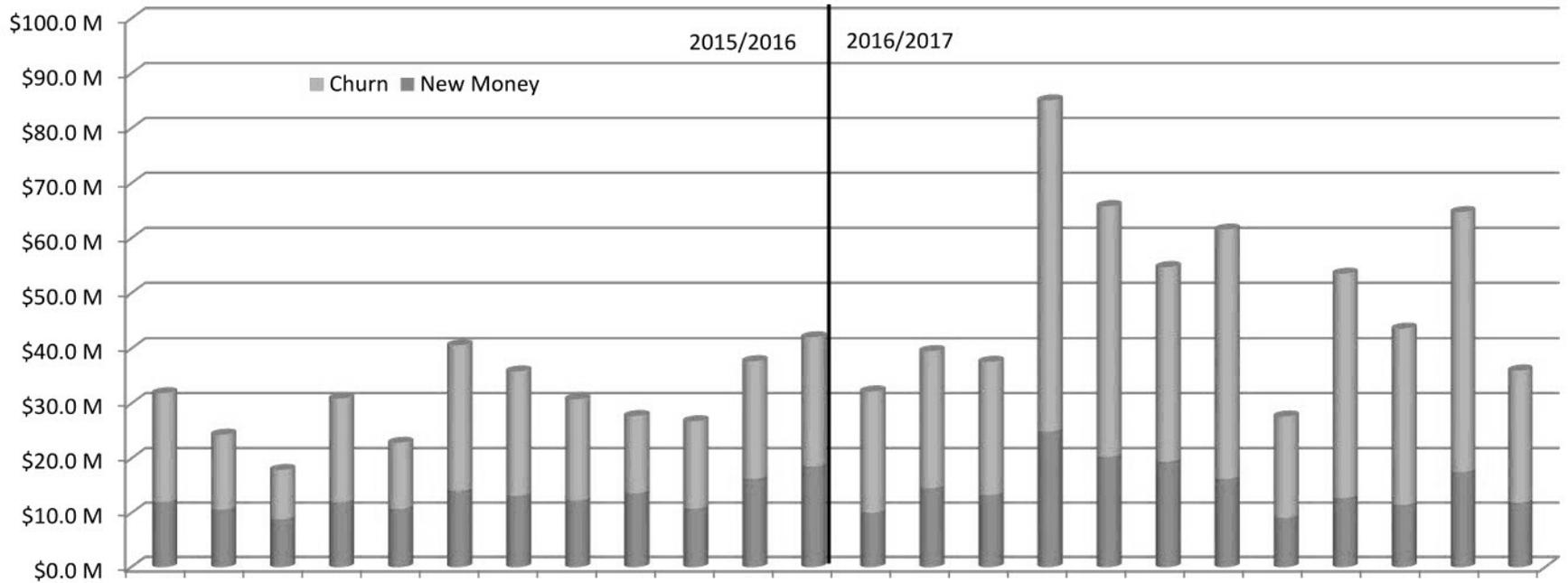
Other Notes

- Analysis of Top 100 STR patron (volume, etc) for 2016.

Monthly PGF Deposits for Fiscal 2015/2016 and 2016/2017

Total PGF Deposits for Fiscal 2015/2016: \$369.4 M

Total PGF Deposits for Fiscal 2016/2017: \$602.2 M

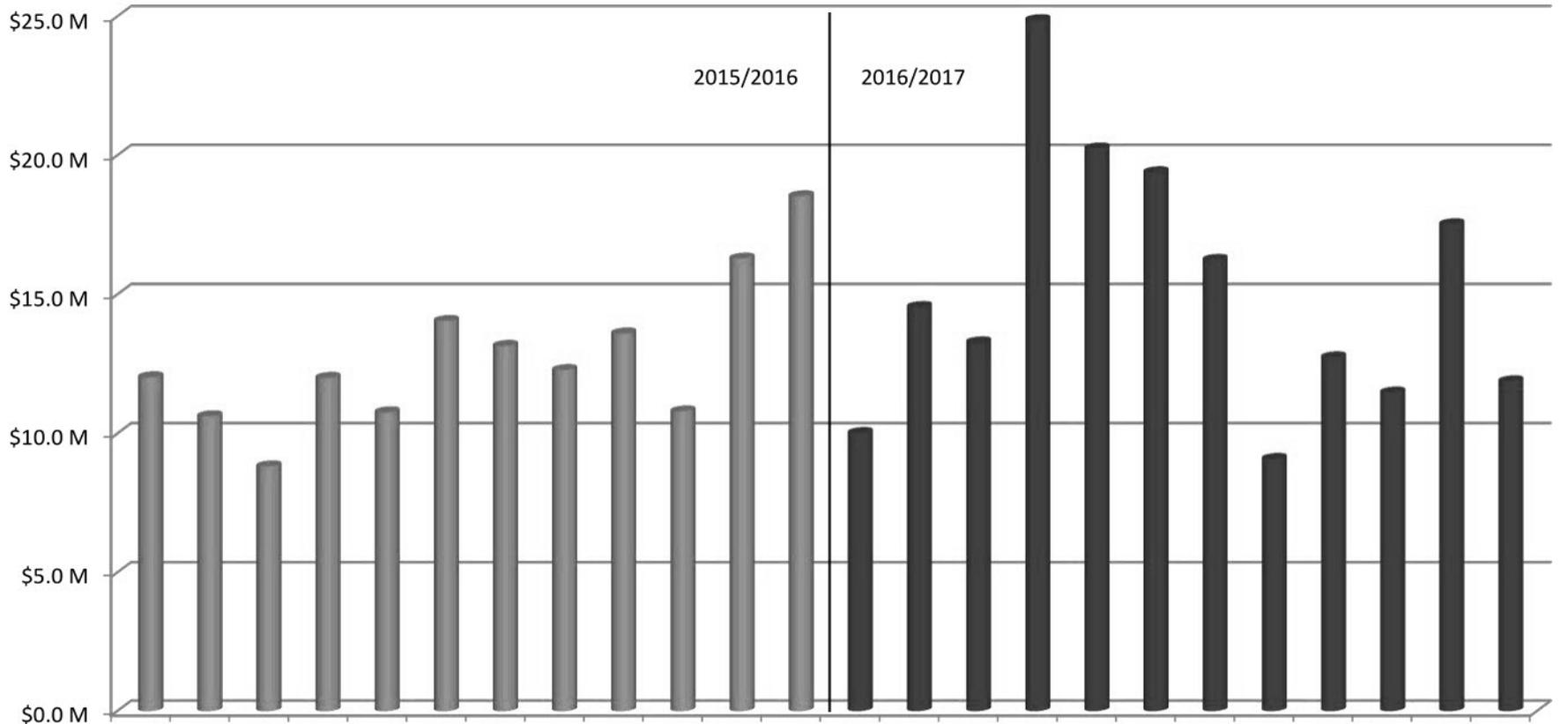


	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
Total PGF Deposits	\$31.9 M	\$24.3 M	\$17.9 M	\$30.9 M	\$22.9 M	\$40.6 M	\$35.8 M	\$30.8 M	\$27.7 M	\$26.8 M	\$37.7 M	\$42.1 M	\$32.2 M	\$39.6 M	\$37.6 M	\$85.1 M	\$65.8 M	\$54.7 M	\$61.6 M	\$27.7 M	\$53.5 M	\$43.6 M	\$64.8 M	\$36.0 M
Churn	\$19.9 M	\$13.7 M	\$9.1 M	\$18.9 M	\$12.1 M	\$26.6 M	\$22.7 M	\$18.5 M	\$14.1 M	\$16.0 M	\$21.4 M	\$23.5 M	\$22.2 M	\$25.0 M	\$24.3 M	\$60.2 M	\$45.6 M	\$35.3 M	\$45.3 M	\$18.6 M	\$40.8 M	\$32.2 M	\$47.2 M	\$24.1 M
New Money	\$12.0 M	\$10.6 M	\$8.8 M	\$12.0 M	\$10.8 M	\$14.0 M	\$13.1 M	\$12.3 M	\$13.6 M	\$10.8 M	\$16.3 M	\$18.5 M	\$10.0 M	\$14.6 M	\$13.3 M	\$24.9 M	\$20.3 M	\$19.4 M	\$16.2 M	\$9.1 M	\$12.7 M	\$11.5 M	\$17.5 M	\$11.9 M

Monthly New Money PGF Deposits for Fiscal 2015/2016 and 2016/2017

Total New Money PGF Deposits for Fiscal 2015/2016: \$152.9 M

Total New Money PGF Deposits for Fiscal 2016/2017: \$181.3 M



	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
New Money	\$12.0	\$10.6	\$8.8 M	\$12.0	\$10.8	\$14.0	\$13.1	\$12.3	\$13.6	\$10.8	\$16.3	\$18.5	\$10.0	\$14.6	\$13.3	\$24.9	\$20.3	\$19.4	\$16.2	\$9.1 M	\$12.7	\$11.5	\$17.5	\$11.9

PGF Program - Emerging Concerns (Page 1 of 2)

1) s.15

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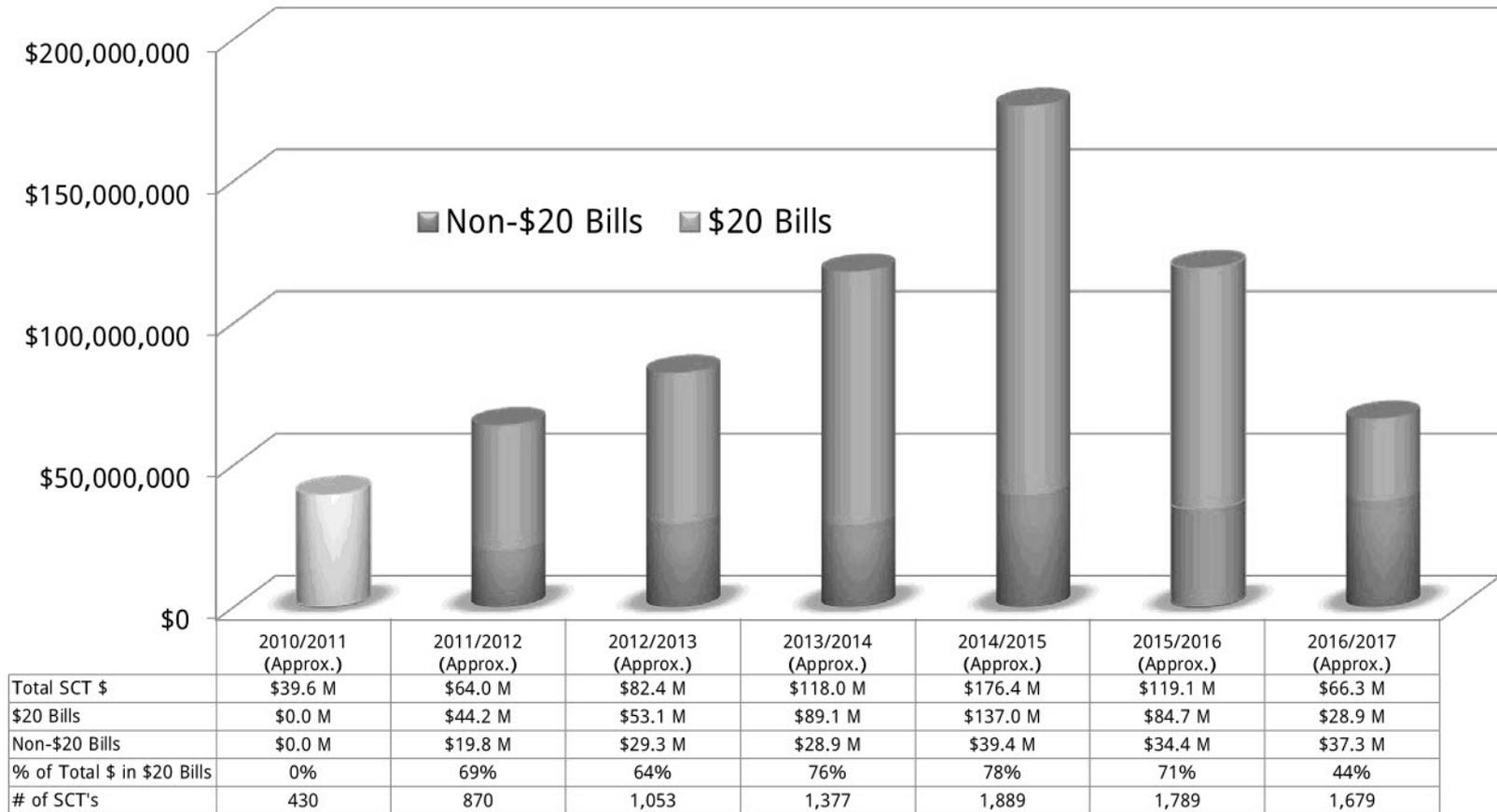
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PGF Program - Emerging Concerns (Page 2 of 2)

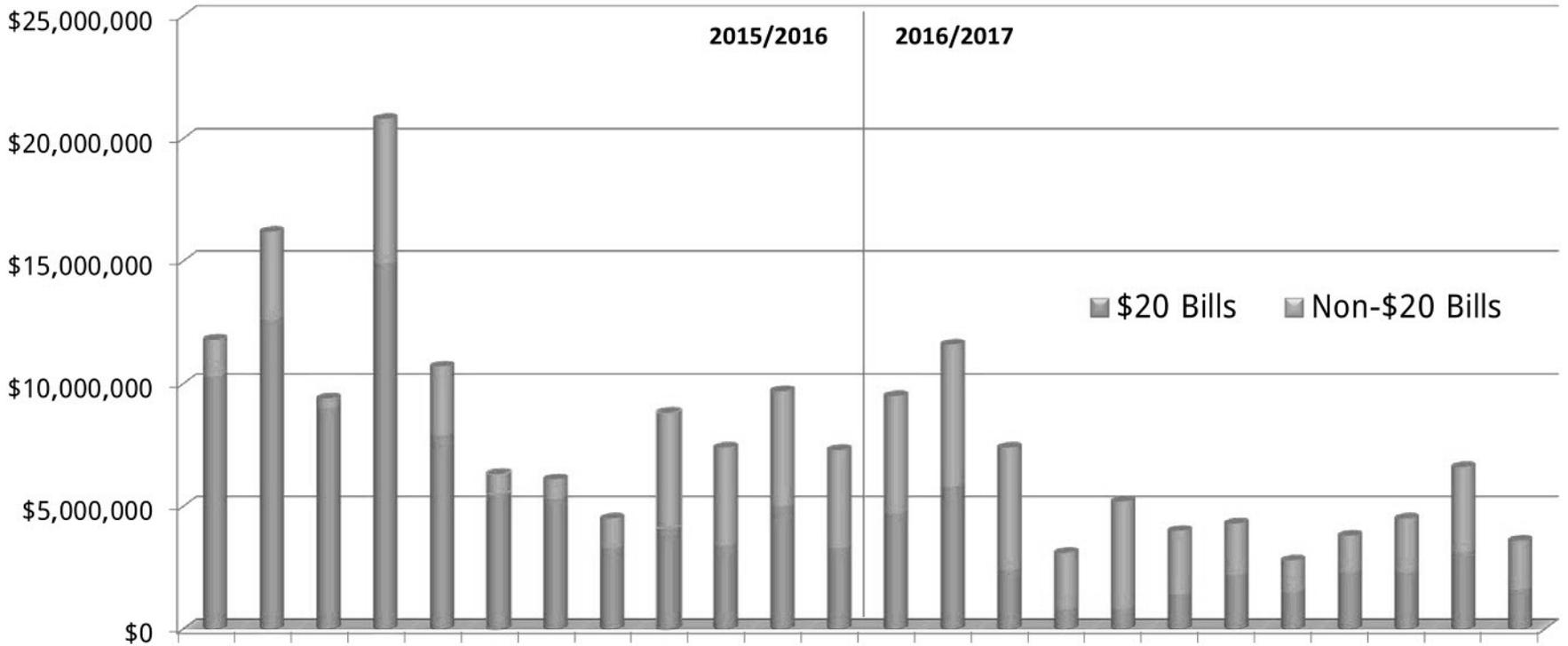
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Suspicious Currency Transactions by Denomination 2010/2011 to 2016/2017



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

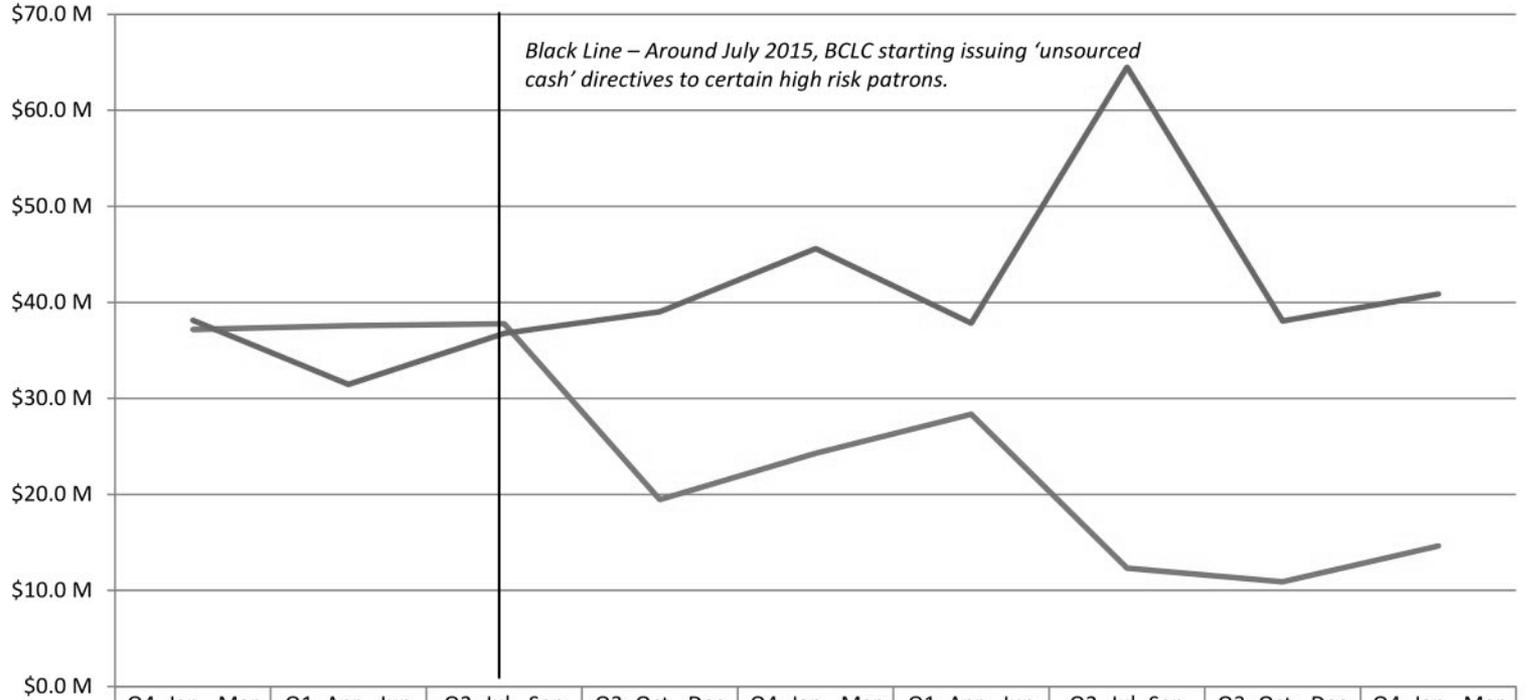
Suspicious Currency Transactions by Denomination for 2015/2016 and 2016/2017



	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
Total SCT \$	\$11.8 M	\$16.3 M	\$9.5 M	\$20.7 M	\$10.7 M	\$6.3 M	\$6.1 M	\$4.6 M	\$8.8 M	\$7.3 M	\$9.7 M	\$7.3 M	\$9.4 M	\$11.6 M	\$7.3 M	\$3.2 M	\$5.2 M	\$4.0 M	\$4.3 M	\$2.8 M	\$3.8 M	\$4.5 M	\$6.5 M	\$3.6 M
Non-\$20 Bills	\$1.5 M	\$3.6 M	\$0.4 M	\$5.9 M	\$2.8 M	\$0.8 M	\$0.8 M	\$1.2 M	\$4.7 M	\$4.0 M	\$4.7 M	\$4.0 M	\$4.8 M	\$5.8 M	\$5.0 M	\$2.3 M	\$4.4 M	\$2.6 M	\$2.1 M	\$1.3 M	\$1.5 M	\$2.2 M	\$3.5 M	\$2.0 M
\$20 Bills	\$10.3 M	\$12.6 M	\$9.0 M	\$14.9 M	\$7.9 M	\$5.5 M	\$5.3 M	\$3.3 M	\$4.1 M	\$3.4 M	\$5.0 M	\$3.3 M	\$4.7 M	\$5.8 M	\$2.4 M	\$0.8 M	\$0.8 M	\$1.4 M	\$2.2 M	\$1.5 M	\$2.3 M	\$2.3 M	\$3.1 M	\$1.6 M
% of Total \$ in \$20 Bills	87%	78%	96%	72%	73%	87%	88%	73%	46%	46%	52%	45%	50%	50%	32%	26%	15%	35%	51%	55%	60%	51%	47%	45%
Monthly % Change in Total SCT	-25%	24%	-27%	34%	-43%	-26%	45%	-16%	260%	-13%	25%	-29%	20%	15%	-35%	-62%	29%	-6%	11%	-16%	58%	10%	11%	-11%
# of SCT's	116	144	105	141	81	60	87	73	263	229	286	204	244	281	184	70	90	85	94	79	125	138	153	136

PREPARED BY: GPEB Compliance Division
 CONFIDENTIAL – Updated: April 13, 2017

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



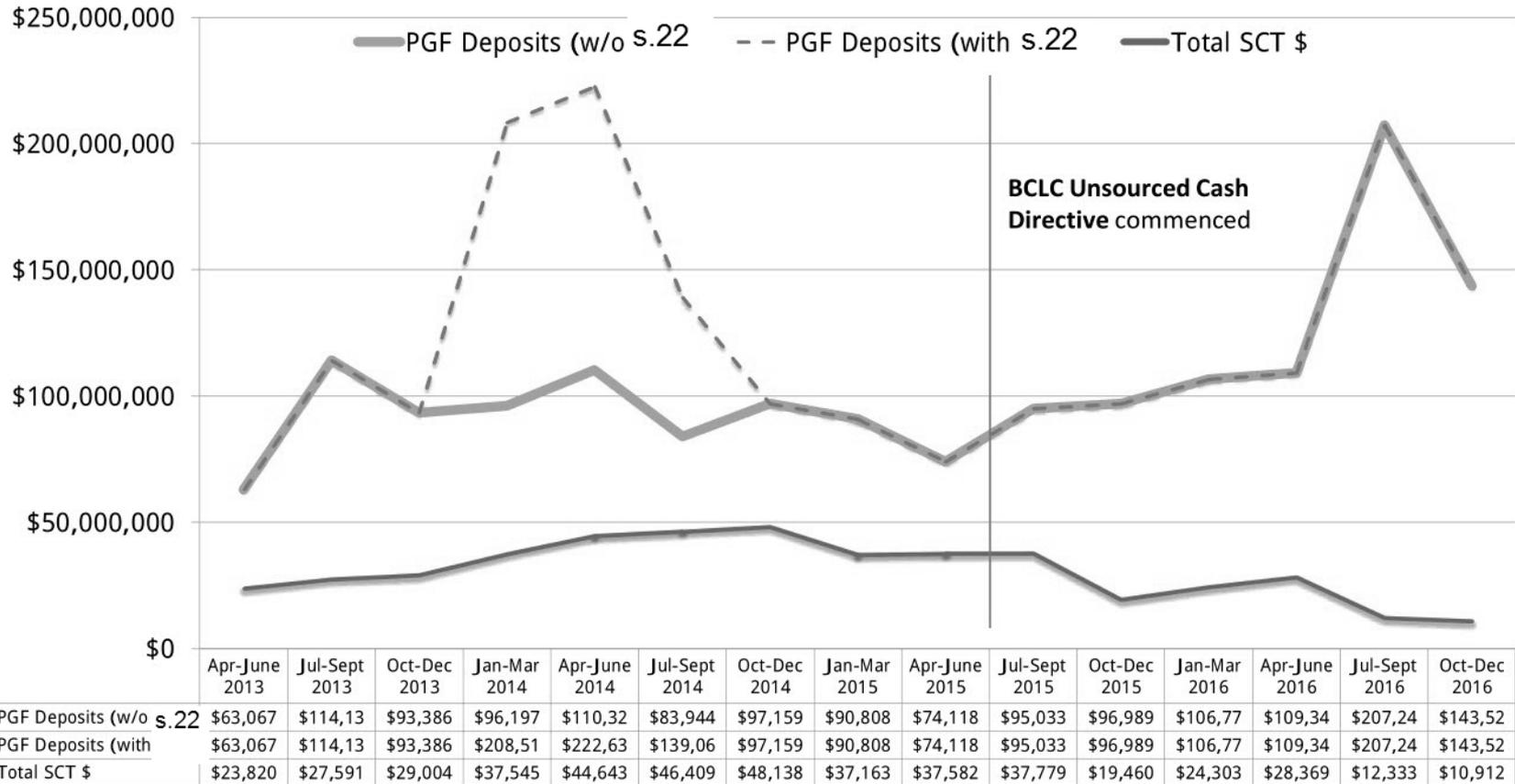
	Q4: Jan - Mar 2015	Q1: Apr - Jun 2015	Q2: Jul - Sep 2015	Q3: Oct - Dec 2015	Q4: Jan - Mar 2016	Q1: Apr - Jun 2016	Q2: Jul - Sep 2016	Q3: Oct - Dec 2016	Q4: Jan - Mar 2017
Suspicious Currency Transactions	\$37.2 M	\$37.6 M	\$37.8 M	\$19.5 M	\$24.3 M	\$28.4 M	\$12.3 M	\$10.9 M	\$14.6 M
New Money PGF Deposits	\$38.1 M	\$31.5 M	\$36.8 M	\$39.0 M	\$45.6 M	\$37.9 M	\$64.5 M	\$38.1 M	\$40.9 M

Suspicious Currency Transactions
 New Money PGF Deposits

Notes & Observations (for SCT graphs)

- Source of data: Suspicious cash transactions are reported to GPEB by service providers as required under Sec. 86 of the Gaming Control Act. Not all SCT's result in being substantiated and reported to FINTRAC as an STR.
 - 20-25% of all UFT files for 2016 may be unsubstantiated (e.g. may include a buy-in from a previous casino win or an ATM withdrawal).
 - There was spike in December and January 2016 due to the River Rock Casino under-reporting issue.
- There appears to have been a downward monthly trend from the high of \$20 million SCT monthly total noted in July 2015. For the subsequent year and a half the monthly amounts of suspicious cash has been between \$2,800,000 and \$11,600,000.
- During 2016 there has been a dramatic decrease in the number of SCT's reported to GPEB, a comparison between the first 6 months of 2016 (Jan-Jun) and the second half (Jul-Dec) found:
 - The # of SCTs reported dropped from an average of 238 per month to 91 per month (62% decrease)
 - The \$ of SCTs reported dropped from an average of \$8.7M per month to \$3.8M per month (56% decrease)
 - The \$ of \$20 bills reported in the SCT's dropped from an average of \$4.1M per month to \$1.5M per month (63% decrease)
- The downward trend likely reflects the increased measures taken by BCLC to ensure that high-limit players to play with sourced cash.
- Many of the previous high-limit cash players are no longer playing in the Lower Mainland and there has been a significant increase in the use of the PGF by high-limit players.
- The amount of \$20 bills noted in SCT's reported decreased from 71% in the previous fiscal to 42% in the current fiscal year to date.

Quarterly SCT vs. PGF Deposits 2012/2013 to 2016/2017 (YTD)



PREPARED BY: GPEB Compliance Division
CONFIDENTIAL - Updated: January 30, 2017

PGF Program - Emerging Concerns (Page 1 of 2)

1) s.15

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PGF Program - Emerging Concerns (Page 2 of 2)

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Ministry of Finance Estimates 2016

Gaming Policy and Enforcement Branch (GPEB)

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Suspicious Transactions / Large Cash Transactions Reporting to FINTRAC	Joint	4	B21		Len
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Retailer Compliance and Discipline	Joint	20			Len
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GPEB Audits and Results	GPEB	22			Len



INTERNAL MEMO

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

CC: Anna Fitzgerald, Director, Compliance Division, GPEB
Doug Mayer, Manager of Audit, Compliance Division, GPEB

From: Tim Storms, Commercial Gaming Auditor, Compliance Division, GPEB

Date: April 27, 2016

Subject: Unusual Financial Transaction/Suspicious Transaction Verification Review Phase II (COMM-8629)

EXECUTIVE SUMMARY

The work conducted in this review is a follow up to COMM-8513 Unusual Financial Transaction/Suspicious Transaction Verification Review Phase I which included data for the first six or seven months of 2015, depending on the test conducted.

Two components were brought forward from COMM-8513 to be updated:

- Component I: Review Unusual Financial Transactions (UFT's) entered into iTrak during the period August 1 to December 31, 2015 to determine the split between substantiated and unsubstantiated. Review the criteria used by the BCLC Investigator to support the decision to not to report the incident to FINTRAC as a Suspicious Transaction Report (STR).
- Component II: Review Large Table Buy-in (LTBI) transactions at the River Rock Casino for the period July 1 to December 31, 2015 to determine if these were deemed substantiated UFT's reportable to FINTRAC.

Conclusions

Component I

More than 85% of all UFT's are being treated as substantiated and sent to FINTRAC. While this number is lower than the 95% identified in the first phase of this work (July 2014 to July 2015), it still indicates that



there does not appear to be an intent on the part of BCLC to avoid reporting to FINTRAC those incidents which service provider staff deemed suspicious.

Component II

Based on the analysis of the River Rock data it was noted that a greater percentage of LTBI's are being reported as UFT's than what was noted in the first phase of this analysis. LTBI's consisting of primarily \$100 bills continue to be deemed largely non-suspicious but the number reported as UFT's has more than tripled since Phase I. As was also noted in the Phase I analysis, transactions containing \$50,000 or more in \$20's are reported as UFT's with a greater frequency than those that had less than \$50,000 in \$20's . Overall the number of large volume \$20 LTBI's reported as suspicious has increased.

INTRODUCTION

BACKGROUND

BCLC, through their Anti-Money Laundering (AML) Compliance framework, have the primary responsibility to report suspicious transactions to FINTRAC, the federal AML agency. Gaming service providers are required to record all unusual or suspicious cash transactions, as an Unusual Financial Transaction (UFT), in the Casino Reporting System (iTrak). The BCLC Investigator for the site, in conjunction with the BCLC AML team, makes the determination as to whether a transaction gets reported to FINTRAC. Transactions are classified as "substantiated" or "unsubstantiated" based on this decision.

OBJECTIVE

The objectives of this review were as follows:

1. Further the work conducted in Phase I in identifying transactions flagged as unusual by casino staff but subsequently deemed not reportable to FINTRAC by BCLC Investigators.
2. Quantify the number of large cash only table buy-ins between July 1 and December 31, 2015 that were not designated as a UFT and therefore not reportable to FINTRAC.

SCOPE AND APPROACH

The scope of Component I included all UFT's entered into iTrak for the period August 1 to December 31, 2015.

The scope of Component II included all Large Table Buy-ins documented by River Rock Casino for the period July 1 to December 31, 2015.

The approach undertaken is to:

1. Quantify the number of Unusual Financial Transactions entered into iTrak during the review period to determine the split between substantiated and unsubstantiated.
2. Review Unusual Financial Transactions deemed unsubstantiated by BCLC Investigators to document the criteria used to support the decision.
3. Obtain large table buy-in (LTBI) tracking sheets created for transactions during the review period for the casinos being reviewed. Determine if Unusual Financial Transactions were created in iTrak for these transactions.

ANALYSIS

Component I - Review of Unsubstantiated "Unusual Financial Transactions" in iTrak.

Gaming Service Provider staff receive training which allows them to identify currency transactions which are considered suspicious from a money laundering perspective. The details of these transactions are entered into an Incident Report in the Casino Reporting System (iTrak).

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A review of all UFT's created at BC gaming facilities for the period August 1 to December 31, 2015 was conducted to identify those categorized as "Unsubstantiated". The information provided by the BCLC Investigator to deem the transaction as unsubstantiated was reviewed to see:

- Was a reason provided?
- Was it a valid reason explaining why not suspicious?
- Was there any consistency amongst different investigators as to what criterion was being used?

This review did not evaluate whether the transaction required submission as an STR or not, primarily as we do not have access to the Know Your Client information that the BCLC Investigators use to assist in making this decision. Rather the review evaluated the completeness and consistency of information provided to make such judgments.

UFT Breakdown: Substantiated vs. Unsubstantiated

There were 734 Unusual Financial Transaction incidents reviewed in iTrak for the period.

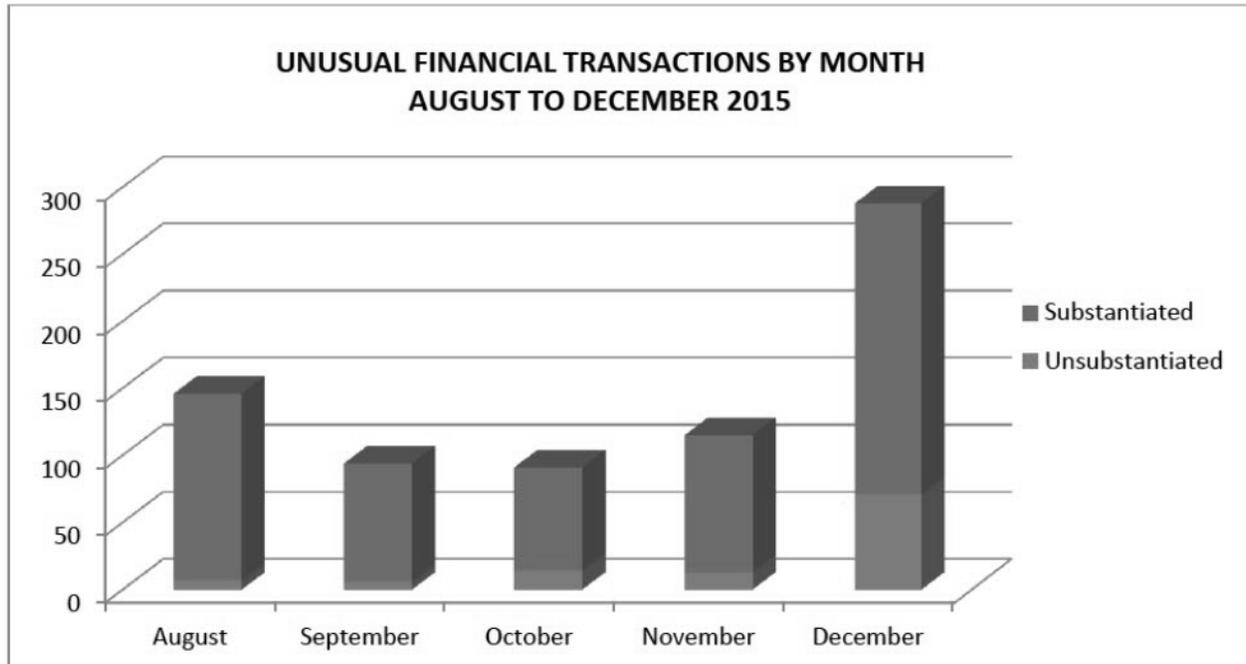
The following table shows a comparison between the first seven month of 2015 (*included in the Phase I review*) and the current review period, in terms of the percentage of UFT's substantiated.

UFT's	Aug - Dec 2015 (phase 2)	%	Jan - Jul 2015 (phase 1)	%
Substantiated	623	84.9%	1,172	93.9%
Unsubstantiated	111	15.1%	76	6.1%
Total	734	100.0%	1,248	100.0%

Total UFT's Substantiated vs. Unsubstantiated by Facility August 1 to December 31, 2015					
Site	Total UFT's	Substantiated	%	Unsubstantiated	%
River Rock	525	448	85.3%	77	14.7%
Grand Villa	60	49	81.7%	11	18.3%
Starlight	35	32	91.4%	3	8.6%
Edgewater	94	90	95.7%	4	4.3%
Hard Rock	3	1	33.3%	2	66.7%
Cascades	1	1	100.0%	0	0.0%
Fraser Downs/Elements	4	1	25.0%	3	75.0%
Other - Lower Mainland	3	0	0.0%	3	100.0%
Other - Vancouver Island	6	1	16.7%	5	83.3%
Other - Interior	1	0	0.0%	1	100.0%
Other - Northern	2	0	0.0%	2	100.0%
Total	734	623	84.9%	111	15.1%

Overall, BCLC deemed 85% of all UFT's to be substantiated and therefore reportable to FINTRAC. As noted in the table, 111 UFT's were deemed to be unsubstantiated by the BCLC Investigator reviewing the circumstances. These 111 were therefore not forwarded to FINTRAC as an STR. The percentage of UFT's deemed "Unsubstantiated" has more than doubled from the first seven months of the year. Service provider staff began reporting a larger volume of lower risk transactions starting in July 2015, leading to more being deemed unsubstantiated.

The following chart and table show the monthly trend of reporting between August and December 2015.



Unusual Financial Transactions August to December 2015			
	Unsubstantiated	Substantiated	Total
August	7	139	146
September	6	88	94
October	14	77	91
November	13	102	115
December	71	217	288
Total	111	623	734

Analysis was conducted on the reasoning why BCLC Investigators felt the circumstances surrounding the unsubstantiated transactions did not meet the criteria for a reportable STR. Quite often an investigator will provide multiple indicators as to why he felt the transaction was not substantiated. There was commonality between the different gaming facilities.

The top 10 reasons are detailed below:

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These reasons were similar to what was identified in the first phase of this review.

Component II - Review of Large Table Buy-In's to determine UFT reporting rates

Patrons wishing to buy-in for table games play with large amounts of currency have the option of presenting their funds directly to the cage as opposed to a chip purchase at the table. These Large Table Buy-in's are tracked in order to document the volume of specific denominations used for the buy-ins and to document the patron's information.

Large table buy-in tracking sheets received from the River Rock Casino for the period July 1 to December 31, 2015 were analyzed to determine if an Unusual Financial Transaction had been created in iTrak for the buy-in. These UFT's were then reviewed to determine if the transaction had been substantiated (leading to an STR being filed with FINTRAC).

It is important to note that this analysis does not intend to pass judgment on whether a UFT/STR should have been created for each of the LTBI's reviewed. The large number (1,780) of LTBI's reviewed, combined with the absence of other critical information (i.e. surveillance footage, BCLC KYC information and the history of the patron's previous gaming activity) made such a determination very difficult and impractical given the parameters of this review. The intent of this analysis is therefore to provide a snapshot of the statistics surrounding LTBI's and what has been reported.

A threshold was established to determine reasonableness as to whether a UFT was appropriate. This was based on the volume of the denomination. The thresholds amount to \$10,000 or greater and are broken out as follows:

- LTBI's including 500+ \$20's
- LTBI's including 200+ \$50's – *with less than 500 \$20's and less than 100 \$100's*
- LTBI's including 100+ \$100's – *with less than 500 \$20's and less than 200 \$50's*
- All other LTBI's greater or equal to \$10,000 that were not captured in the three categories above.

These thresholds intended to isolate the effect of each denomination on the decision to report. In order to determine if an incident report had been created, a test was done to create a unique field combining the transaction date and the iTrak subject ID of the patron from the LTBI worksheet. This was then compared to iTrak Incident Reports for the same period. This lookup returned two results, either a match indicating

there was an UFT incident report for that patron on the date of the LTBI or no match indicating that there was no UFT created in iTrak.

There were 1,780 cash only (i.e. not from a Patron Gaming Fund account or through a debit card) LTBI's identified during the review period.

For those LTBI's where a match was returned – the incidents were reviewed in iTrak to confirm they specifically related to the LTBI. 876 LTBI's were returned with a match.

There were 904 LTBI's where there was no match. Given the large volume and the effort it would take to search each LTBI in iTrak for confirmation no incident existed, a random sample of 284 or approximately 30% of the no matches were reviewed to gain assurance that no incident existed. A further sample was added which included all remaining LTBI's made up of \$10,000 or more in \$20 bills not already reviewed. With this additional sample added, 46% of all LTBI's where there was no date/subject ID match were manually reviewed to confirm that a UFT had not been created.

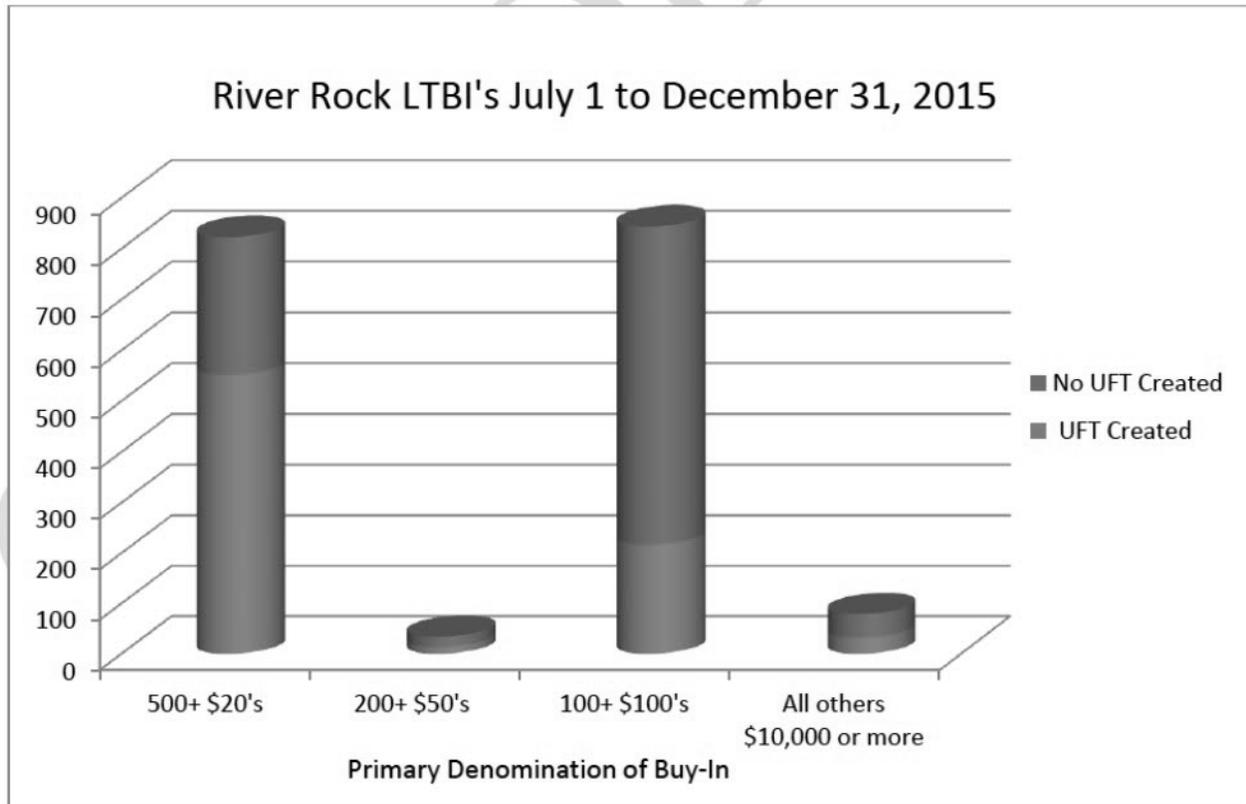
The analysis identified the following breakdown:

Primary Denomination (LTBI's ≥ \$10k)	Total # of Transactions	UFT Created	%	UFT Substantiated	%	No UFT Created
Cash LTBI's with 500+ \$20's <i>(regardless of volume of \$50's and \$100's)</i>	823	552	67.1%	550	99.6%	271
Cash LTBI's with 200+ \$50's <i>(no large volume of \$20's or \$100's - <\$10,000)</i>	34	14	41.2%	14	100.0%	20
Cash LTBI's with 100+ \$100's <i>(no large volume of \$20's or \$50's - <\$10,000)</i>	844	217	25.7%	186	85.7%	627
Remaining Cash LTBI's ≥ \$10,000 <i>(not included in above categories)</i>	79	32	40.5%	30	93.8%	47
Total	1,780	815	45.8%	780	95.7%	965

A comparison was done between the results from the Phase II analysis (Jul to Dec 2015) against the work previously conducted in Phase I (Jan to Jun 2015):

Primary Denomination	% of LTBI's Where UFT Created	
	Jan - Jun	Jul - Dec
Cash LTBI's with 500+ \$20's <i>(regardless of volume of \$50's and \$100's)</i>	59.7%	67.1%
Cash LTBI's with 200+ \$50's <i>(no large volume of \$20's or \$100's - <\$10,000)</i>	8.5%	41.2%
Cash LTBI's with 100+ \$100's <i>(no large volume of \$20's or \$50's - <\$10,000)</i>	7.7%	25.7%
Remaining Cash LTBI's ≥ \$10,000 <i>(not included in above categories)</i>	n/a	40.5%
Total	34.5%	45.8%

The following chart illustrates the breakdown by primary denomination between LTBI's where an UFT was created versus those where there was not:



Given the higher risk associated with \$20 bills, further analysis was conducted on the LTBI's made primarily with that denomination.

Volume of \$20's in LTBI	Total	UFT	%	No UFT	%
≥ \$100,000	151	145	96.0%	6	4.0%
\$50,000 to \$99,999	217	203	93.5%	14	6.5%
\$25,000 to \$49,999	156	100	64.1%	56	35.9%
\$10,000 to \$24,999	299	104	34.8%	195	65.2%
Grand Total	823	552	67.1%	271	32.9%

Transactions containing \$50,000 or more in \$20's are reported as UFT's with a greater frequency than those that had less than \$50,000 in \$20's. This was also noted in the analysis previously conducted for the period January to June 2015.

The following points need to be taken into consideration:

- LTBI's with \$100's and no UFT/STR do not necessarily indicate an issue. Casinos frequently cash out patrons in \$100's. LTBI's could be made with \$100's sourced from previous disbursements and therefore not considered suspicious.
- Patrons involved in the LTBI's reviewed may have had UFT's created for other gaming activity that same day. The analysis above was looking for specific mention of the LTBI transaction in question. If there was no mention in the related UFT of the LTBI then it was treated as "no UFT incident".

Conclusions from the data:

- A greater percentage of LTBI's are being reported as Unusual Financial Transactions than was noted in the review conducted on data for the first six months of 2015.
- 96% of those LTBI UFT's were deemed substantiated by the BCLC Investigators for River Rock and therefore reportable as an STR to FINTRAC. It is interesting to note that this percentage is considerably higher than the 85% noted for all UFT's deemed substantiated at River Rock (*as noted in Component I*). The overall number contains numerous unsubstantiated lower dollar transactions for which an LTBI was not created.
- Few UFT's are being created for LTBI's consisting primarily of \$100 bills. This reaffirms previous work we have done that indicates that buy-ins of \$100 bills are generally not considered suspicious based solely on volume. The reason behind this may be that the funds used in the buy-ins were sourced from previous disbursements and therefore not considered suspicious.

- The dollar value of the buy-in appear to strongly determine whether a UFT was created for those LTBI's consisting of large volumes of \$20 bills. The overwhelming majority of the large value \$20 LTBI's (\geq \$50,000) did have a UFT created while those under that value tended not to be reported as a UFT as often.

CONCLUSIONS

More than 85% of all UFT's are being treated as substantiated and sent to FINTRAC. While this number is lower than the 95% identified in the first phase of this work (July 2014 to July 2015), it still indicates that there does not appear to be an intent on the part of BCLC to avoid reporting to FINTRAC those incidents which service provider staff deemed suspicious.

Based on the analysis of the River Rock data it was noted that a greater percentage of LTBI's are being reported as UFT's than what was noted in the first phase of this analysis. LTBI's consisting of primarily \$100 bills continue to be deemed largely non-suspicious but the number reported as UFT's has more than tripled since phase I. As was also noted in the Phase I analysis, transactions containing \$50,000 or more in \$20's are reported as UFT's with a greater frequency than those that had less than \$50,000 in \$20's . Overall the number of large volume \$20 LTBI's reported as suspicious has increased.



INTERNAL MEMO

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

CC: Anna Fitzgerald, Director, Compliance Division, GPEB
Doug Mayer, Manager of Audit, Compliance Division, GPEB

From: Tim Storms, Commercial Gaming Auditor, Compliance Division, GPEB
Sue Whittred, Commercial Gaming Auditor, Compliance Division, GPEB

Date: December 19, 2016

Subject: High Volume Slot Play Analysis COMM - 8687

EXECUTIVE SUMMARY

This review was intended to look at the potential for money laundering through slot machine play at BC gaming facilities. While anti-money laundering analysis has typically focused on table game play, as this is where the established risks were deemed the greatest, less information was available on the risks associated with slots.

The overall objectives of the review were to:

- Develop an understanding of the types of indicators that exist for suspicious slot play.
- Identify and evaluate the controls in place to mitigate the risk of money laundering through slot and IVS machines.
- Build a profile and identify patterns of play for the top ten slot machine patrons.

The results of the review found:

- While BCLC has automated controls in place to detect suspicious slot play, they may not be utilized to their full potential.
- Reviews of data from the BCLC Gaming Management (GMS) System and the iTrak Incident Reporting system did not find any material indicators of suspicious activity.
- No significant indicators of suspicious activity were identified during the review of the play of the top ten slot players.
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INTRODUCTION

BACKGROUND

The focus of anti-money laundering activity at BC gaming facilities has traditionally been centered on table games play. Historically, slot machine play has been viewed as a lower risk area to laundering money.

GPEB Compliance had recently conducted a review of the slot play of a patron being investigated for possible criminal activity related to a civil forfeiture case that had been in the media. Through this review concerns were raised as to the effectiveness and/or existence of controls to monitor slots for money laundering or the use of proceeds of crime. s.15

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OBJECTIVE

The objectives of this review were as follows:

1. Develop an understanding of the types of indicators that exist for suspicious slot play.
2. Identify and evaluate controls put in place to mitigate the risk of money laundering through slot machines.
3. Conduct a review of the IVS Ticket Redemption process.
4. Build a profile and identify patterns of play for the top ten slot machine patrons.

SCOPE AND APPROACH

The scope of the review primarily focused on data generated during the first six months of 2016, which included:

1. Analyzing reporting out of the GMS Slot Data System (SDS) module and the Casino Marketplace (CMP) module to quantify the amounts wagered by the top tier slot players during the review period.
2. Reviewing GMS SDS and other BCLC systems to identify the controls in place to reduce the risk of slot machines being used to launder money.
3. Reviewing Ticket Redemption Machine (TRM) reporting to identify any potential for tracking patrons redeeming IVS/TITO tickets. This included documenting what types of controls/reporting

are in place with the TRM machines – i.e. alerts/reporting generated upon suspicious patterns of redemption. Review reporting to identify any suspicious patterns of redemption.

4. Reviewing iTrak Incident Reporting data to quantify incidents of suspicious slot machine activity and evaluate BCLC's response.

ANALYSIS

The analysis was broken down into two components:

- Component I – BCLC Control Environment: Automated and Procedural Controls
- Component II – Top Ten Slot Patron Activity Review – LCT Activity and Slot Machine Transactional Analysis

COMPONENT I – BCLC Control Environment: Automated and Procedural Controls

Discussions were held with BCLC technical staff regarding system controls that were in place to detect and/or deter money laundering through the use of slot machines. One of the primary money laundering risks associated with slot machines is the use of the machines for refining (colouring up) lower denomination bills into higher ones, i.e. changing \$20's into \$100's.

Identified controls were:

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3) s.15

4) BCLC AML Team monitoring:

Discussions were held with the BCLC AML team around what processes they have in place to monitor slot play. s.15

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The BCLC AML team also indicated that the risk of money laundering is reduced with s.15

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COMPONENT II – Top 10 Slot Patron Activity Review – LCT Activity and Slot Machine Transactional Analysis

Analysis was conducted on the playing activity of the top 10 slot players, which we’ve broken down into the following three sections:

1. LCT’s – cheques vs cash, IVS tickets, playing activity,

The Large Cash Transaction Record (LCTR) history of the top ten slot players, *based on their total LCTR disbursement value between April 1 2015 to March 31, 2016*, was reviewed. Fifty of their most current LCTR’s, as of June 2016, were then selected for each of these patrons to develop a profile of their play. The following table shows the highlights of this analysis:

LCT Analysis - Details of Last 50 LCT's 2015/16 - rounded to nearest \$000's							
Subject ID	Disbursements * (Jackpots & IVS Redemptions)	Nature of Disbursement		Jackpots Paid By Cheque		Remainder of Disbursements Paid By Cash	
		# of Jackpots	# of IVS Tickets	\$ Amount	%	\$ Amount	%
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Total	\$33,146,000	7,500	545	\$472,000	1%	\$32,674,000	99%

* It is important to note that the disbursement number does not indicate the patron’s net win, or how much they were “up” at the end of the period reviewed. This number includes the “churning” of winnings back into the machine and the cashing of IVS tickets redeemed for any credits not played.

Two key take a ways from the table above:

- The overwhelming majority of disbursements are slot jackpots, not the cashing out of IVS tickets. s.15

- 99% of all disbursements are being made in cash. s.15
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The next table contains further details about the top ten slot patrons.

Subject ID	Occupation	Frequency of Play: <i># of days in Jan to Jun 2016 where an LCT was Generated</i>	STR's	PGF?	Primary Gambling Site
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The following table shows some of the key statistics for the top ten slot players:

Encore Play Tracked Through Casino Marketplace

Subject ID	January 1 thru September 15, 2016				January 1 to December 31, 2015			
	Total Bet (\$)	Total Paid (\$)	Win/Loss (\$)	Average Bet (\$)	Total Bet (\$)	Total Paid (\$)	Win/(Loss) (\$)	Average Bet (\$)
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* Patron did not use her Encore card during the period reviewed.

3. Review of Patron Data Captured In the GMS SDS System.

Validator Transaction Reports from the GMS SDS system were requested from BCLC. These reports show activity on s.15

s.15 Activity for nine of the top ten patrons was reviewed, for the period March 1 to June 30, 2016. s.15,s.22
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The reports were first reviewed to determine what denominations the patron was inserting into the slot machine. There is a risk that slot machines could be used for refining or “colouring up” i.e. converting \$20’s into \$100’s. The review noted that overwhelmingly these patrons were using \$100 bills when buying in. It was also identified that these players are predominantly playing \$1.00 machines.

Secondly, the reports were reviewed for suspicious activity, such as:
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This table shows the results of the analysis:

Subject ID #	Main Denomination Used	\$100’s as a % of all bills	Suspicious Activity
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CONCLUSIONS

It appears that while controls are in place within BCLC systems to detect suspicious slot play, they may not be utilized to their full potential. s.15

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No significant issues were found during the review of IVS ticket redemptions. No material evidence of suspicious redemptions was found.

No significant issues were noted with the review of the slot play of the top ten patrons. While their wagering is significant, there is nothing that appears materially suspicious. Patrons overwhelmingly gambled with \$100's so there was no indication of significant colouring up taking place. Patrons are predominantly requesting cash for payouts as opposed to cheques. The extremely frequent and large volume play of the patrons may be an indication of problem gambling but that is outside of the scope of this review.

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AUDIT PRESENTATION

COMPLIANCE DIVISION

By: Doug Mayer, Lynn Li, Parminder Basi

Presentation Overview

- File # 1: RRCR Cash Transfer Analysis Between High Limit Cages and Vault
- File # 2: Review of Provincially Banned Cash Facilitators
- File # 3: China's Skynet List of 100 Most Wanted Fugitives

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OBJECTIVE

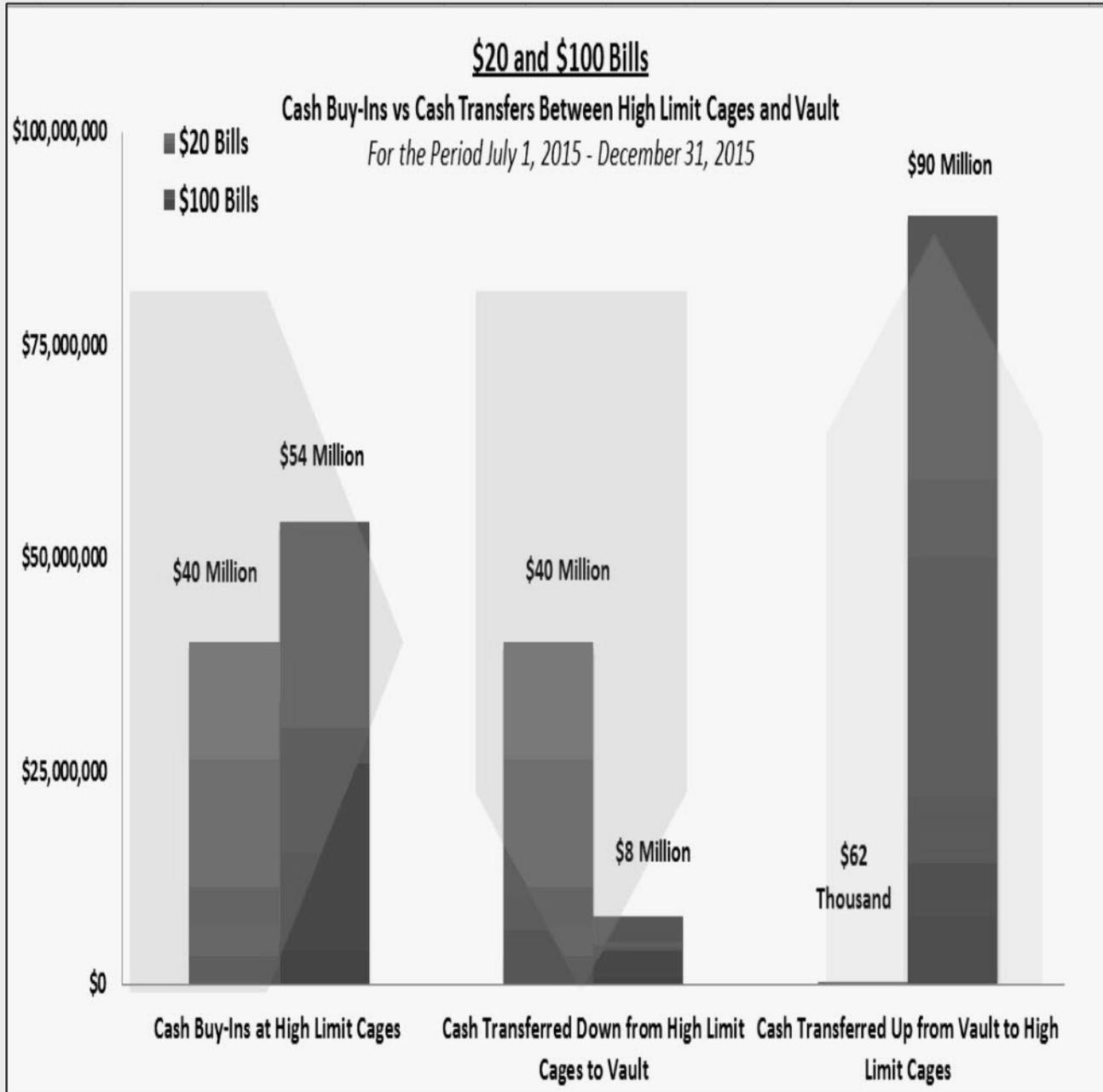
- Determine the extent the high limit cages at the River Rock Casino paid out patrons in the same denomination of bills that they bought in with.
- Evaluate whether refining was occurring through the high limit cages.

SCOPE

- Focused on ^{s.15} [REDACTED] at the River Rock Casino for the period July 1, 2015 – December 31, 2015.

ANALYSIS OF CASH ACTIVITY

Key Highlights from Table



- 99% (\$40 million) of cash buy-ins with \$20s was transferred down to the vault, and less than 1 % (\$62K) transferred back up to the high limit cages.
- Short supply of \$20 bills available at the high limit cages indicated patrons that bought in with \$20 bills were not being paid out in this denomination.
- Total cash buy-ins at the high limit cages with \$100 bills amounted to \$54 million. Of this amount, only \$8 million (15%) was transferred down to the vault; however, an additional \$90 million in \$100 bills was transferred from the vault back up to the high limit cages.
- The excess supply of \$100 bills available at the high limit cages indicated that patrons were primarily being paid out in this denomination.

EMPLOYEE DISCUSSIONS

- RRRCR holds the view that patrons that buy-in with small denomination bills can be paid out with large denomination bills, if the patron engaged in reasonable play. The following is taken into consideration in determining reasonable play:

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REPORT CONCLUSION

- Although, River Rock does have criteria in place to help prevent refining from occurring for the purposes of money laundering, the criterion applied is subject to discretion around what constitutes reasonable play.
- The notion that nearly all patrons were paid out with \$100 bills regardless of the denomination that they bought in with, in part suggests that the controls in place to prevent a patron from refining bills may not be functioning as intended.
- Based on the analysis performed and interviews with site staff it is reasonable to conclude that refining is occurring through the high limit cages at the River Rock Casino accepted.

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OBJECTIVE & SCOPE

- Quantify dollar amount of buy-ins conducted at casinos from cash sites acknowledged was obtained/connected to individuals provincially banned for cash facilitation.
- Scope limited to the review period January 1 - December 31, 2015.

APPROACH

- Investigations provided list of individuals they had identified as being cash facilitators. List narrowed down to only those individual's that were:
 - Under a current BCLC prohibition; and
 - Facilitated cash to a patron that led to a buy-in at cage.
- Correlation was deemed established if the buy-in occurred due to the following circumstances:
 - Cash was obtained from the banned cash facilitator;
 - Cash was obtained from an associate/runner connected to the banned cash facilitator; or
 - Cash was dropped off or obtained from a vehicle connected to the banned cash facilitator.

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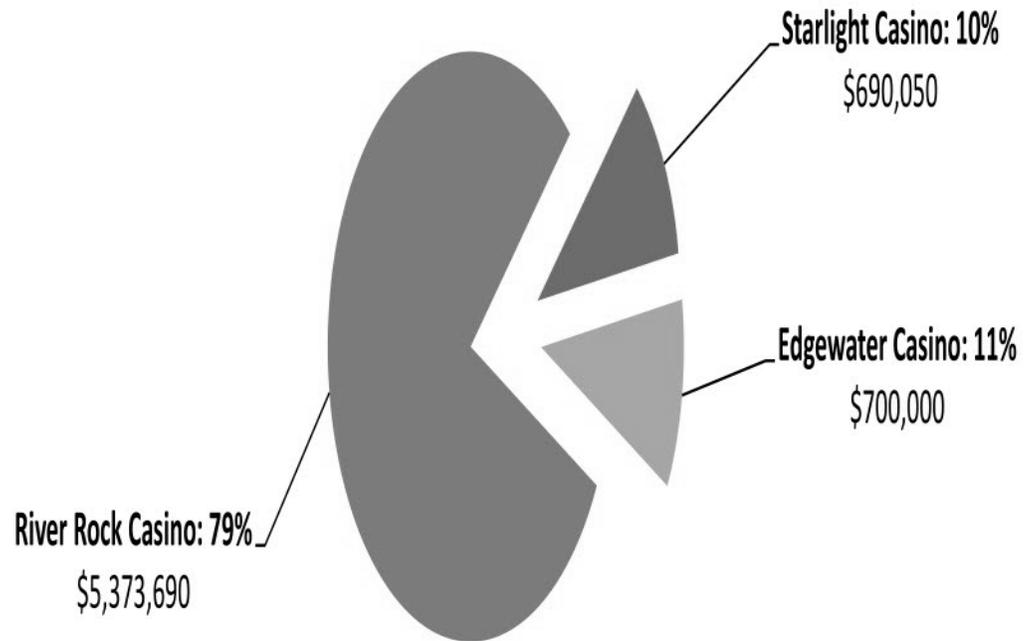
ANALYSIS OF CASINOS ACCEPTING THE CASH

Total Cash Accepted by BC Casinos from Funds Obtained by Patrons from Provincially

Banned Cash Facilitators

For the Period January 1, 2015 - December 31, 2015

Total: \$6,763,740



Bill Denomination	Volume of Bills	Total Dollar Amount	Percentage
\$100	11,388	\$1,138,800	17%
\$50	16,406	\$820,300	12%
\$20	238,275	\$4,765,500	70%
\$10	3,408	\$34,080	<1%
\$5	1,012	\$5,060	<1%
Total		\$6,763,740	

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REPORT CONCLUSION

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- Sites knowingly accepted cash that they acknowledged was obtained from of questionable sources.
- Industry indicators of suspicious activity were present in all incidents in which the cage accepted the cash.
- Casinos are doing an effective job monitoring and documenting the activities of banned cash facilitators (including submitting suspicious transaction reports to FINTRAC). However, prior to the BCLC 'un-sourced' cash directive being issued to patrons, very little was being done to prevent buy-ins with questionable cash from being accepted.

File # 3: China's Skynet List of 100 Most Wanted Fugitives

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OBJECTIVE

- The objective of this review was to determine if any of the individuals identified on the alleged fugitive list are gambling or have gambled in BC gaming facilities and to identify any transactions occurring at BC gaming facilities.

SCOPE

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APPROACH

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Review Summary

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Review Summary *(cont'd)...*

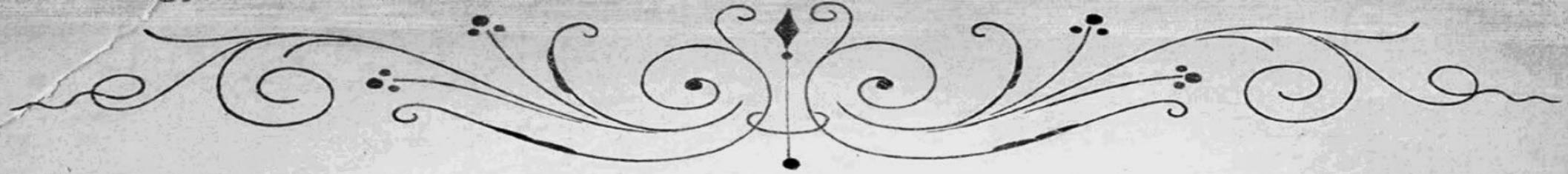
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REPORT CONCLUSION

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Discussion

