

**ADVICE TO MINISTER  
ESTIMATES NOTE  
JUNE 14, 2013**

**ISSUE: ANTI MONEY-LAUNDERING AND FINTRAC COMPLIANCE**

**ADVICE AND RECOMMENDED RESPONSE:**

- ◆ **The anti-money laundering policies and procedures in place at all B.C. casinos are among the most stringent of any jurisdiction in Canada.**
- ◆ **The Ministry is working with the gaming industry to prevent criminal attempts to legitimize illegal proceeds of crime in gaming facilities in the province. We remain committed to managing gaming activities to protect the public interest and ensure public safety.**
- ◆ **BCLC conducts internal reviews of its anti-money laundering program, commissions independent audits and is audited by the Gaming Policy and Enforcement Branch (GPEB) and FINTRAC.**
- ◆ **Last year, facility-based gaming generated \$1.6 billion in gross revenue and it remains primarily a cash-based business in B.C.; however, GPEB and BCLC have taken significant measures to provide more cash-free alternatives.**

**SECONDARY MESSAGES:**

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

- ◆ **BCLC has filed an appeal with the Federal Court of the FINTRAC notice of violation. The administrative penalty included violations related to delays in filing reports and clerical errors. The matter is now before the courts.**
- ◆ **BCLC has demonstrated its diligence in addressing each issue identified by FINTRAC and its commitment to comply with Anti-Money Laundering legislation.**

**CURRENT STATUS:**

- ◆ **Facility-based gaming generated \$1.6 billion in gross revenue (net win) in FY 12/13. It remains primarily a cash-based business in B.C.; however, GPEB and BCLC have taken significant measures to initiate more cash-free alternatives.**
- ◆ **BCLC gaming facilities submitted 37,000 large cash transaction reports to FINTRAC in 2009. In 2012, over 70,000 large cash transactions were submitted.**

**FINTRAC Penalty**

- ◆ **On June 15, 2010, BCLC received a notice of violation from FINTRAC advising \$695,750 in Administrative Monetary Penalties would be levied against the corporation for 1,185**

- violations of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. The administrative penalty included violations related to delays in filing reports and clerical errors.
- ◆ On October 29, 2010, BCLC filed an appeal of the penalty levied by FINTRAC in the Toronto registry of the Federal Court on a number of grounds.
  - ◆ In September 2011, the Department of Justice, acting on behalf of FINTRAC, provided BCLC with a disclosure package and determined that 152 of the alleged violations were not violations and reduced the administrative monetary penalty by \$76,060.
  - ◆ No date has been set for the hearing.

#### KEY FACTS REGARDING THE ISSUE

- ◆ Following a 2011 review (commissioned by the Province) of anti-money laundering (AML) practices in B.C. gaming facilities, recommendations were made to strengthen the existing AML regime.
- ◆ Both GPEB and BCLC, in cooperation with gaming service providers, have developed and implemented new measures outlined in the report, specifically moving the industry towards more cash-free alternatives. This includes:
  - ✓ Greater convenience in setting up Patron Gaming Fund Accounts for players
  - ✓ Expanded buy-in options (such as use of a debit card) as alternatives to cash
  - ✓ Revised policies and procedures for issuance of casino cheques
- ◆ A number of policy changes have been made, such as providing more common electronic deposit options and allowing players to transfer verified wins or the amount of their original buy-in back to into their bank account. Cash-free buy-in options are now available for large value transactions, which provide an added convenience for players while aligning with anti-money laundering best practices.
- ◆ These changes help to encourage the use of cash-free alternatives for large value transactions while deterring criminal activities and enhancing player security.
- ◆ In the upcoming year, BCLC will be analyzing the factors that contribute to high currency levels at certain gaming facilities and will be exploring opportunities to incent players to use alternatives to cash.
- ◆ There is ongoing dialogue with the police of jurisdiction and the Provincial and Federal RCMP in order to ensure those agencies better understand the gaming business, where the risks lie as well as keeping them abreast of plans to deter and detect any criminal conduct associated to gaming in the province.

Contact:

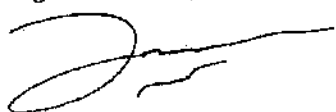
Michael Graydon, CEO, BCLC

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Douglas S. Scott, ADM GPEB

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File Created:

June 11, 2013

File Updated:

File Location:

**ADVICE TO MINISTER  
ESTIMATES NOTE  
MAY5, 2014**

**ISSUE: ANTI-MONEY LAUNDERING**

**ADVICE AND RECOMMENDED RESPONSE:**

- ◆ **The anti-money laundering policies and procedures in place at B.C. gaming facilities are among the most stringent of any jurisdiction in Canada.**
- ◆ **The Ministry is working to prevent criminal attempts to legitimize illegal proceeds of crime through the gaming industry in the province. We remain committed to managing gaming activities to protect the public interest and ensure public safety.**
- ◆ **Since 2011, the Gaming Policy and Enforcement Branch (GPEB), the British Columbia Lottery Corporation (BCLC) and the gaming industry have taken a number of steps to reduce the amount of cash brought into gaming facilities and encourage the use of traceable, non-cash alternatives.**
- ◆ **BCLC continues to comply with the federal anti-money laundering (AML) agency and the Gaming Policy and Enforcement Branch's reporting requirements. BCLC's dedicated compliance team conducts internal reviews of its anti-money laundering program and independent audits are conducted by the Gaming Policy and Enforcement Branch and by the Financial Transaction and Reporting Analysis Centre of Canada (FINTRAC) in their regulatory capacity.**

**SECONDARY MESSAGES:**

**GPEB Investigations Report Privacy Breach**

- ◆ **Government takes the management of information and the protection of privacy very seriously. B.C. has some of the most stringent legislation in Canada to protect personal information.**
- ◆ **As soon as ministry staff became aware of this incident, it was reported to the Office of the Chief Information Officer for investigation. Action was taken to contain the privacy breach and to limit its impact and the incident was reported to the Privacy Commissioner.**
- ◆ **As the Office of the Chief Information Officer is currently investigating**

this incident, it would be inappropriate for me to discuss details of that investigation.

### **Allegations of Money Laundering in Casinos**

- ◆ The Gaming Policy and Enforcement Branch investigates each suspicious currency transaction report by examining the facts surrounding the report, gathering intelligence on suspected criminal activity related to the transaction, and sharing investigative findings with the local police.
- ◆ The number of suspicious transaction reports filed by B.C. casinos has increased since 2009 because the parameters for reporting suspicious financial transactions are broader, training of casino staff in anti-money laundering procedures has improved, and there has been an increase in international visitors to British Columbia who are spending larger amounts of money in our destination-style casinos.
- ◆ Government launched an 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.
- ◆ In addition to investigative work, the Gaming Policy and Enforcement Branch further enhances B.C.'s anti-money laundering efforts through other measures. These include a comprehensive registration process for companies and their senior officials within the gaming industry as well as continual audits of BCLC and gaming service providers to ensure they are following policies and procedures.

### **Integrated Illegal Gaming Enforcement Team (IIGET)**

- ◆ IIGET, which existed from 2003 to 2009, was mandated to investigate illegal gaming activities occurring outside of licensed casinos. This team had no role in tracking or investigating money laundering in casinos.
- ◆ In 2009, it was determined that much of the investigation work conducted by IIGET duplicated investigation work being done by local police.
- ◆ As needed, investigators from GPEB will continue to work with RCMP and local police on matters related to illegal gambling.

### **Financial Transaction and Report Analysis Centre of Canada (FINTRAC)**

- ◆ BCLC has filed an appeal with the Federal Court of Appeal regarding a notice of violation and administrative monetary penalty levied by the Financial Transaction and Report Analysis Centre of Canada, regarding

**violations of the *Proceeds of Crime* (Money Laundering) and *Terrorist Financing Act*. No court date is set.**

- ### KEY FACTS REGARDING THE ISSUE:

s.22

s.22

## Allegations of Money Laundering in Casinos

In addition to investigative work, the Gaming Policy and Enforcement Branch further enhances B.C.'s anti-money laundering efforts through other measures. These include a comprehensive registration process for companies and their senior officials within the gaming industry as well as continual audits of BCLC and gaming service providers to ensure they are following policies and procedures.

BCLC's statistics show that 22.4 per cent (\$1.5 billion) of funded play (\$6.6 billion) in BC Gaming Facilities was generated through secure and traceable cash alternatives such as Electronic Funds Transfers, ATM withdrawals, drafts and other non-cash instruments. This is up from 19 per cent in 2012/13.

BCLC is currently developing a business intelligence and analytics strategy to meet new 'Know Your Customer' requirements of the Federal anti-money laundering regulations. BCLC has also instituted a new requirement that all BCLC investigators attain certification from the Association of Certified Anti-Money Laundering Specialists.

As part of its AML strategy, GPEB is investigating financial services industry due diligence standards on receiving cash from customers.

### **Integrated Illegal Gaming Enforcement Team (IIGET)**

On April 11, 2014, following media coverage on the increase in suspicious currency transaction reports from casinos, the advocacy group "Vancouver not Vegas" spoke to the media about the need for government to bring back a specialized casino police unit, IIGET.

GPEB employs <sup>s.1</sup> investigators who investigate incidents of suspected wrongdoing in legal gaming, including potential money laundering and fraud inside casinos. As money laundering is an offence under the Criminal Code of Canada, it is the RCMP and/or the police of jurisdiction who are responsible for investigating and recommending charges.

The work that was previously conducted by the IIGET continues to be performed by local law enforcement agencies as it falls under their authority. Currently, local police departments have no plans to reintroduce this enforcement team.

### **FINTRAC Penalty**

On June 15, 2010, BCLC received a notice of violation from FINTRAC advising \$695,750 in Administrative Monetary Penalties would be levied against the corporation for 1,185 violations of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. The administrative penalty included violations related to delays in filing reports and clerical errors.

On October 29, 2010, BCLC filed an appeal of the penalty levied by FINTRAC in the Toronto registry of the Federal Court on a number of grounds. In September 2011, the Department of Justice (DOJ) determined that 152 of the alleged violations were not violations and reduced the administrative monetary penalty by \$76,060.

BCLC is currently awaiting receipt of further disclosure that the Department of Justice has agreed to provide. No date has been set for the appeal to be heard.

Contact: John Mazure  
File Created: February 5, 2014  
File Updated: May 5, 2014  
File Location:

250-953-4482

# Minister of Finance Briefing Anti-Money Laundering (AML) Gaming Facilities

Monday, April 4<sup>th</sup>, 2016

Presented by:

Gaming Policy and Enforcement Branch



Ministry  
of Finance

Original document and its contents are confidential. For a proper response.

*Budget s/p.*

## AML in BC Gaming Facilities

### **Government's response to AML concerns**

In Fall 2011, government approved a strategy to identify and mitigate this potential activity:

- a phased approach was developed by GPEB and communicated to BCLC, and the Industry AML Working Group\*
- based upon 2011 White Paper authored by R. Kroeker

\*BCLC formed an industry working group to develop and implement solutions. The working group is composed of BCLC, GPEB and casino service providers (CSPs).

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The Kroeker Report was released in February 2011 to examine the effectiveness of the AML regime in place by both BCLC and GPEB. Recommendations were one to engage firm to establish independent review of how to conduct electronic fund transfers and develop a cross-agency task force to investigate and gather intelligence on suspicious activities and transactions.



## AML in BC Gaming

### The Strategy

GPEB set the following strategy in place, which has been used to frame the regulatory AML activities:

"The gaming industry will mitigate 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 gambling practices and the health of the industry."

3

As cash particularly the use of \$20 bills was increasing in Casinos there was a concern about the source of the funds, who the customers were relating to their wealth. GPEB and BCLC began to focus on what alternatives for cash could be offered to the player. Bank Drafts, EFT's, Convenience Cheques.

## AML in BC Gaming

### The Approach – A Phased Plan

GPEB and BCLC have worked to mitigate this activity:

- Phase 1: Develop and implement 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, which involves conducting a study and potential direct intervention for customer due diligence (CDD) of cash entering gaming facilities. (Where we are now in the process)

First two phases have been either implemented or are in progress, such as reviews of cash alternative proposals. Delimiting convenience cheques, credit. However the uptake has been limited on using the tools, PGF, cheque hold. <sup>s.13</sup>

s.13

## AML in BC Gaming

### **The Challenge – Suspicious Cash Transactions**

- Continue to see high levels of reporting of suspicious currency transactions (SCTs) at gaming facilities, as reported to GPEB.
- Note, SCTs do not prove the existence of money laundering. Rather these are transactions that may be unusual and warrant reporting to GPEB and the federal regulator FINTRAC.
- Concern is the source of large volumes of cash.
- Police investigation, started in 2015 as a result of a complaint by BCLC, is ongoing.
- High turnover of key compliance management-level positions at gaming facilities.

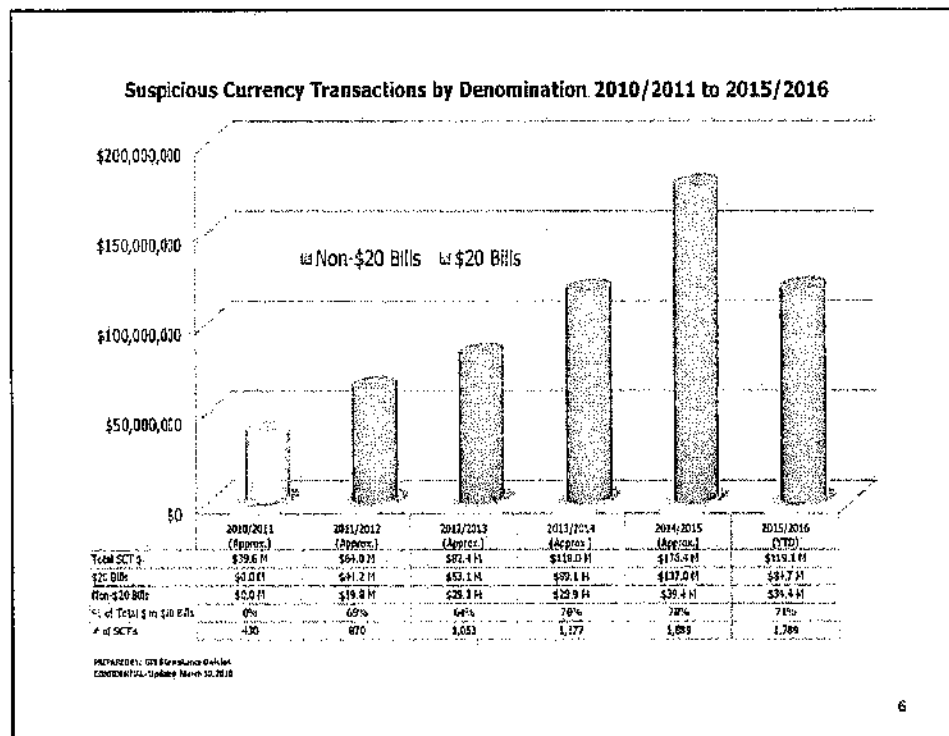
5

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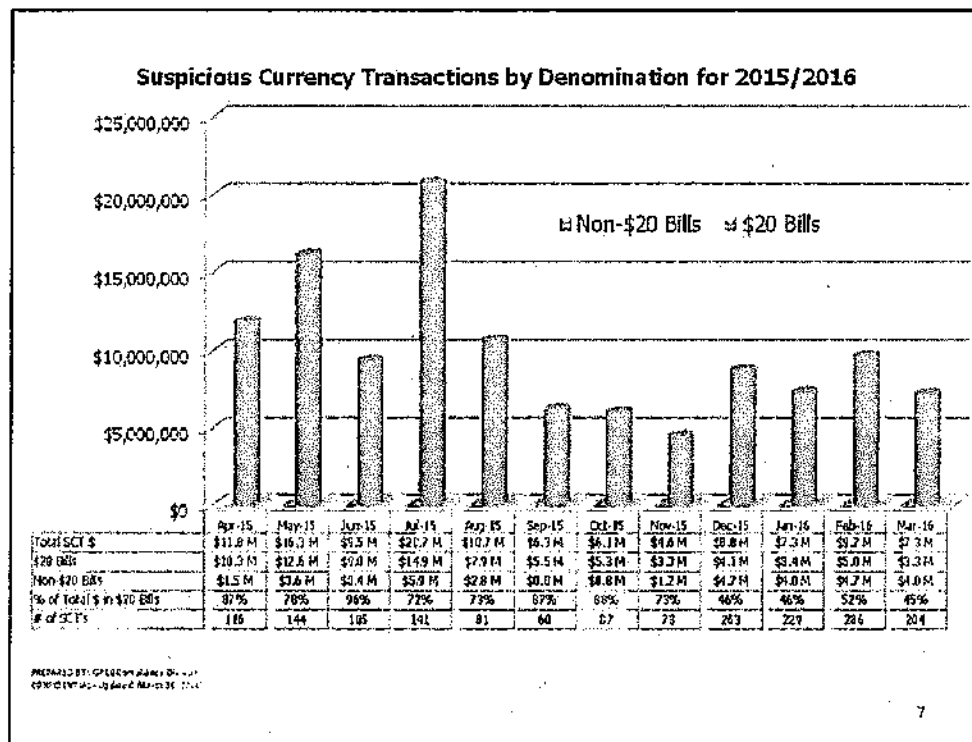
At that

time BCLC began a segmentation process with their high-limit player (VVIP's) to move them away from unsourced cash. This has had an impact on the amount of \$20's being received as portrayed in the next two slides. As identified in the MNP report turnover with senior management and in one instance the Chief Compliance Officer inhibits continuity in compliance programs by gaming services providers.



This slide depicts the amount of \$20 bills (depicted in green) and other denominations (blue) that were received by gaming facilities between fiscal years 10/11 to 15/16. 2014/15 is the area of greatest focus<sup>s.15</sup>

s.15



This slide shows the year 2015/16 and you can see the month of July was a concern. This trend, in concert with the investigation, media and intelligence were examined in detail by GPEB and reported to Senior Leadership and the Minister which lead to a recommendation of the JIGIT.

## AML In Gaming

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

- JIGIT's two objectives include: (1) targeting organized crime and gang involvement in illegal gaming and; (2) mitigating criminal attempts to legalize proceeds of crime through gaming facilities.
- JIGIT will be comprised of two teams; 22 multi-agency law enforcement positions consisting of two operational teams. Four GPEB positions integrated.
- CFSEU-BC will provide reporting metrics based on qualitative and quantitative measures that relate to achieving mission success, impact on society, and demonstrated value for dollar.
- Their comprehensive performance strategy not only captures the key performance metrics related to inputs, activities, and outputs, but also information on outcomes and impacts.
- Funding is 'fenced' – cannot be allocated to other purposes.

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There is evidence based on police investigations that the use of legal and illegal gambling by organized crime for the purpose of laundering money is substantial. There is currently no dedicated or integrated 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 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, GPEB, 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).

## AML in BC Gaming

### **Ministerial and GPEB Direction to BCLC (Aug–Sept 2015):**

- Introduce additional Customer Due Diligence (CDD) policies and practices constructed around financial industry standards and robust Know Your Customer (KYC) requirements, with a focus on identifying source of wealth and funds as integral components to client risk assessment.
- Introduce additional cash alternatives: Develop a broader strategy for increasing the use of cash alternatives in gaming facilities, including implementing a performance measurement framework and an evaluation plan to determine service provider participation.
- Clarify roles and responsibilities around AML intelligence, analysis, audit and compliance activities with GPEB.
- Develop a BCLC public information and education strategy and action plan for government's review and approval, including coordinated messaging about anti-money laundering activities in gaming facilities.

Direction reflects outcomes from stakeholder workshop "Exploring Common Ground" on AML in May 2015.

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GM Letter to CEO on August 7<sup>th</sup>, 2015 and Minister's Mandate Letter 2016-17 with 4 particular areas to be addressed.

## AML in BC Gaming

### **GPEB AML Strategy Phase 3 – (Current work)**

- Develop a thorough understanding of customer due diligence (CDD) standards conducted by businesses (banks, brokerage houses, money services, etc.) that deal with customer cash. Malysh Report (Sep 2015)
- An AML report was commissioned with a firm (MNP) that has experience in this realm.

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GPEB needed to be certain that any guidelines implemented would be practicable and not cripple the revenue stream. A decision to conduct reviews of industry best practices, Malysh Report in Sep 2015 outlined a need for more work around source of funds and Enhanced Due Diligence (EDD) around the customer and a continued effort on moving patrons to non-cash alternatives such electronic fund transfers, and enhanced training of front-line staff.



## AML in BC Gaming

### **MNP Report: Opportunities for improvement**

- More questions on source of funds, source of wealth.
- Know your customer (EDD) is not sufficient. Need to examine the risk the patron poses to the facility. Training of staff at the facilities.
- Reject funds where the source of cash, beyond an identified threshold, cannot be determined and verified.
- Cash alternative initiatives alone are not sufficient. Requires consultation and regulator approval.
- Increase monitoring of slot disbursements (e.g., recent charges by Civil Forfeiture Office)

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MNP has identified areas of opportunity. In short what has been learned is that BCLC is not as advanced in the area of sufficiently review STR's and there systems/data requires effort. If cash alternatives are to move forward they will need to comply with GPEB standards, as well as FINTRAC and JIGIT input.

## AML in BC Gaming

### **MNP Report: Opportunities for improvement Cont'd:**

- VIP hosts focused more on income generation than AML compliance.
- BCLC fully leveraging data systems. (i.e. new SAS tool)
- Cultural differences between GPEB/BCLC around unsourced cash and potential AML activities in BC have undermined collaboration.
- BCLC/GPEB joint evaluation of resources and funding of existing investigation units.

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GPEB and BCLC continue to work on clarifying roles and responsibilities. s.13  
s.13

## AML in BC Gaming

### **GPEB Next Steps (In Progress)**

- Present MNP findings to GPEB and BCLC Executive.
- Implement transition plan and resources to JIGIT.
- Continue to develop GPEB Intelligence Unit.
- Ensure BCLC implements standards to ensure an enhanced source of funds and KYC regime.
- Clarify roles and responsibilities between GPEB and BCLC.
- Monitor and report concerns.

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## AML in Casinos

### **Next Steps (Requiring Consideration)**

- Presentation of MNP Report to Minister.
- Implementation of a cash threshold.
- Establishment of an inter-agency AML investigation unit to delineate roles.
- Increase BCLC focus on slot disbursements.
- Policy decision on enhanced Cash Alternatives.
- Balance revenue generation with risk mitigation.

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The MNP report is lengthy but provides a valuable independent analysis of the current situation. Tough decisions need to be made around limitations on cash coming into the facilities, the need for a more thorough examination of combined working unit involving police, GPEB and BCLC. The Civil Forfeiture file brought to light that there may be risk in the area of anonymous play on slots. Gaming Services Providers have expressed interest in other cash alternatives such as International EFT's and/or credit. A main challenge in the area of culture, being the Crown and Regulator is to find balance around revenue generation. The implementation of certain recommendations will impact the bottom line.

## Emerging Issues

- Real estate
  - On Feb 2016, the Real Estate Council of BC announced the establishment of an independent advisory group mandated to examine how Council responds to licensee conduct that could pose a risk to consumers or that fails to meet the standards expected by the public.
- Liquor and other retailers
  - Liquor stores (and retail) are not sectors covered by the Proceeds of Crime and Money Laundering Terrorist Financing Act (PCMLTFA)
- Bodies compelled to report are dictated by statute (PCMLTFA) and the Department of Finance is the lead on any changes to this legislation.
- Entities that are not compelled to report can submit (public) Voluntary Information Records (VIRs) to FINTRAC if they suspected money laundering or terrorist financing.

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FINTRAC Regional Manager was consulted and advised that only certain bodies are compelled to report, others can do so voluntarily.<sup>s.13</sup>

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

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

**Date Requested:** March 24, 2016  
**Date Required:** April 8, 2016

**Initiated by:** John Mazure  
ADM & General Manager  
Gaming Policy and Enforcement Branch

**Date Prepared:** March 24, 2016

**Ministry Contact:** John Mazure  
ADM & General Manager  
Gaming Policy & Enforcement Branch

**Phone Number:** 250-893-5270  
**Email:** [John.Mazure@gov.bc.ca](mailto:John.Mazure@gov.bc.ca)

**350292**

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**TITLE:** BC Anti-Money Laundering Strategy

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**PURPOSE:**

(X) FOR INFORMATION

**DATE PREPARED:** March 24, 2016

**TITLE:** BC Anti-Money Laundering Strategy

**ISSUE:** In preparation for the announcement of JIGIT on Friday April 8, 2016. This note summarizes the BC Anti-Money Laundering Strategy.

**BACKGROUND:**

- 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"<sup>1</sup> 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 cheque;
  - 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";

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<sup>1</sup> 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.

- 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;
  - 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 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 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. Investigations and enforcement of illegal gambling activities have been conducted by individual police departments, dependent on departmental priorities and resources, with assistance from GPEB's compliance division where requested.

## **Wenezenki-Yolland, Cheryl FIN:EX**

**From:** Edwardson, Jamie GCPE:EX  
**Sent:** Monday, April 4, 2016 10:05 AM  
**To:** Chandler, Penelope E FIN:EX; Edwardson, Jamie GCPE:EX; McLachlin, Jessica GCPE:EX; Menzies, Brian FIN:EX; Miniaci, Mario FIN:EX; Snider, Marty C FIN:EX  
**Cc:** Wenezenki-Yolland, Cheryl FIN:EX  
**Subject:** FW: MEDIA REQUEST: Civil Forfeiture Case - CHNL  
**Importance:** High

Flagging for you

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**From:** Angela Law [mailto:ALaw@BCLC.com]  
**Sent:** Monday, April 4, 2016 10:02 AM  
**To:** Edwardson, Jamie GCPE:EX; McLachlin, Jessica GCPE:EX  
**Cc:** Angela Koulyras; Angela Law; Ingram, Ben GCPE:EX; Clarke, Brennan GCPE:EX; Doug Cheng; Henderson, Jeff FIN:EX; Jaggi-Smith, Michele FIN:EX; Jessica Gares; XT:Piva-Babcock, Laura FIN:IN; Pandachuck, Niki FIN:EX; Yu, Quinn FIN:EX; DeMott, Rachel FIN:EX; Sarah Morris; Speed, Brittney FIN:EX; XT:Dolinski, Susan GCPE:IN  
**Subject:** MEDIA REQUEST: Civil Forfeiture Case - CHNL

Good morning,

CHNL will be doing an interview with gaming critic, David Eby today regarding the Civil Forfeiture case and Mancini. BCLC has been contacted to participate in a short interview.

**Reporter / Outlet / Contact:** Jim Harrison, CHNL, [jharrison@radionl.com](mailto:jharrison@radionl.com)

**Deadline:** ASAP

**Request:**

Would like BCLC's comment regarding the Civil Forfeiture case about Mancini.

**Response:** Laura Piva-Babcock to provide interview using these messages from our response to The Province request last week

- BCLC is deeply concerned by the money laundering allegation in the Civil Forfeiture Office (CFO) civil claim. It is completely unacceptable to BCLC that our facilities be targeted in any way to launder money and we have a number of measures in place to fulfil our duties to the federal anti-money laundering regulator FINTRAC, our Provincial Regulator (GPEB) and police to help them combat money laundering.
- We are not aware of all the details or extent of the evidence the CFO intends to use to prove its case. However, we have used the information we do have about the case to review our money laundering countermeasures. When the CFO matter proceeds to trial, BCLC will closely monitor the proceedings and evidence to determine opportunities to further strengthen our anti-money laundering program.
- In the course of this review we are consulting with the federal anti-money laundering regulator FinTRAC and the provincial gaming regulator, the Gaming Policy and Enforcement Branch. We are cooperating with a GPEB-led investigation into the circumstances of this case as well.
- As this matter is presently before the courts, BCLC will not be commenting on evidence yet to be presented.

*Handwritten note:*  
BCLC Jim - Voice of BCLC  
April 8th  
G End of this week.

- However, contrary to media reports, including statements made by the NDP critic to you on the Simi Sara show on Friday, March 25, 2016, the CFO has made no money laundering allegations in regard to the \$2,189,880 in jackpots the defendant won over a year, and is not seeking the forfeiture of those monies.



The CFO is seeking the forfeiture of \$70,800 in cash and cheques which it alleges are the proceeds of illegal activity.

- BCLC has made substantial investments in technology, training, and certification in its program which is subject to extensive independent reviews and audits to determine its effectiveness.
- The program is subject to regular audits by FinTRAC, while certain aspects of our program are also audited by our provincial regulator, GPEB. Independent, nationally-recognized accounting firms also conduct bi-annual audits of our program to help confirm BCLC is meeting its anti-money laundering obligations.
- BCLC is only one part of the anti-money laundering regime. BCLC's role and authority is to *watch for and report* specified transactions and circumstances to the designated regulatory bodies and enforcement agencies. While BCLC has a role in the prevention of money laundering, it has no authority to investigate or prosecute money laundering offences.
- FinTRAC receives and analyzes transaction reports from BCLC as well as all other reporting entities across Canada (casinos, banks, credit unions, realtors and so on). Where FinTRAC sees indicators of money laundering it will make a disclosure to the police. Due to legislated restrictions that only allow FinTRAC to share information with prescribed enforcement agencies, FinTRAC does not share disclosures made to police or otherwise notify BCLC of the results of its analysis. The police have the ultimate authority to investigate and determine whether charges should be considered.
- As mentioned, BCLC is reviewing its money laundering counter measures, consulting with FinTRAC, and cooperating with a GPEB-led investigation into the circumstances of this case.

*Handwritten notes:*  
 - End until  
 - Canada  
 - BCLC  
 - saw  
 - agency  
 - GPEB  
 - Mon-  
 - story  
 - info  
 RCLMP-

Angela Law  
 Communications Officer  
 BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6  
 T: 604.228.3112 C: 604.785.5915

Connect with us:  
 Twitter @BCLC | Twitter @BCLCGameSense | YouTube | Blog | bclc.com

Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

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This email is intended only for the addressee. It may contain confidential or proprietary information that cannot be disclosed without BCLC's permission. If you have received this email in error, please notify the sender immediately and delete the email.

## Nicholson, Riley FIN:EX

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**From:** Today's News Online GCPE:EX  
**Sent:** Friday, March 25, 2016 4:53 PM  
**Subject:** CKNW: Eby - money laundering

CKNW (Vancouver)  
CKNW Simi Sara  
25-Mar-2016 12:35

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TNO...

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## FACT SHEET

September 9, 2014

Ministry of Finance

### Anti-Money-Laundering Strategies

- Gaming Policy and Enforcement Branch (GPEB) has the legal regulatory mandate and authority to ensure the overall integrity of gaming. It takes 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 organized crime.
- GPEB investigates each suspicious currency transaction report by:
  - Examining the facts surrounding the report.
  - Gathering intelligence on suspected criminal activity related to the transaction.
  - Sharing investigative findings with the local police, who have the legal authority to launch an investigation and, if appropriate, recommend charges to the Crown.
- In January 2011, government commissioned a review to examine AML measures at B.C.'s gaming facilities to ensure existing AML policies, practices and strategies were appropriate, and to find ways to improve these wherever possible.
- At the time of the report, there were a number of AML strategies used by the BC Lottery Corporation (BCLC) and its operators. These measures include:
  - 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.
  - 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.
  - 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.
- The report found that government had a robust AML regime in place, and contained several recommendations aimed at further strengthening AML practices, including transitioning from primarily cash-based transactions to electronic transactions.
- Since the release of the report, GPEB and BCLC have made significant progress addressing these recommendations.
- Improvements under this strategy 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 those 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.
- 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.
- ATM withdrawals inside gaming facilities
- All of these options for accessing funds create additional financial records that may be easily tracked by law enforcement agencies.
- GPEB conducts regular audits of BCLC and casinos in B.C. to ensure they are in full compliance with Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) requirements. These include, but are not limited to:
  - Reporting suspicious and/or large cash transactions, international electronic funds transfers of \$10,000 or more and, casino disbursements involving amounts of \$10,000 or more; and
  - Maintaining records in accordance to FINTRAC requirements.
- In 2013/14, GPEB received 1,377 notifications of suspicious currency transactions. Of these, approximately 1250 were referred to the police of jurisdiction as intelligence or for police involvement. 74 were determined to be unfounded. The remainder were considered to be minor, with no report forwarded to police of jurisdiction.
- In 2013/14, 24 per cent of funded play in B.C. Gaming Facilities was generated through secure and traceable cash alternatives such as Electronic Funds Transfers, ATM withdrawals, drafts and other non-cash instruments.
- In the last six months of 2013, there were nearly 8,000 debit transactions at casinos. When we first introduced this option in 2012, there were only 50 transactions during the first six months. In fiscal year 2013/14, debit transactions at casinos totalled almost \$30M.
- As of June 30, 2014, there were 331 open Patron Gaming Fund accounts, up from 239 as of December 31, 2013.

Contact:     Jamie Edwardson  
                   Communications Director  
                   250 356-2821

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

**353271**

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

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**PURPOSE:**

**(X) FOR INFORMATION**

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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 RRCR 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. *Difficult follow up*

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 of 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
<b>Risk</b>		
<b>GPEB</b>	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 not 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.
<b>BCLC</b>	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.
<b>Training</b>		
<b>BCLC</b>	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 RROR 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.
<b>Enhanced Due Diligence (EDD)</b>		
<b>BCLC</b>	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.
<b>Technology and Monitoring</b>		
<b>BCLC</b>	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 RROR'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.
<b>Other recommendations</b>		
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 RRRCR 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.

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## FACT SHEET

June 1, 2015

Ministry of Finance

### **Anti-Money-Laundering Strategies**

- The Gaming Policy and Enforcement Branch (GPEB) has the legal regulatory mandate and authority to ensure the overall integrity of gaming. It takes 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 organized crime.
- GPEB investigates each suspicious currency transaction report by:
  - Examining the facts surrounding the report.
  - Gathering intelligence on suspected criminal activity related to the transaction.
  - Sharing investigative findings with the local police, who have the legal authority to launch an investigation and, if appropriate, recommend charges to the Crown.
- Under regulations prescribed by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), BC Lottery Corporation (BCLC) is required to report all international electronic funds transfers of \$10,000 or more, casino disbursements involving amounts of \$10,000 or more, all foreign exchanges over \$3,000 and all other “suspicious” transactions.
- BCLC forwards this information to GPEB and to FINTRAC, a federal body that works with police to help identify patterns of criminal activity.
- An information-sharing agreement with law enforcement allows BCLC to ban patrons with known links to criminal organizations, who pose a threat to public safety, or who are involved in criminal conduct likely to generate proceeds of crime.
- High stakes gamblers at B.C. gaming facilities do not play anonymously. FINTRAC’s “Know Your Customer” program requires BCLC to collect photo identification and the name, address, occupation and source of wealth of players who complete transactions of \$10,000 or more.
- GPEB conducts regular audits of BCLC and gaming facilities in B.C. to ensure they are in full compliance with FINTRAC reporting and record-keeping requirements.
- Between 2010 and 2013 in B.C., 97 percent of large cash transaction reports were submitted by financial entities, while less than 2% were submitted by casinos, according to FINTRAC data).
- In 2013-14, GPEB received 1,376 notifications of suspicious currency transactions, 1,276 of which were referred to police for follow-up.
- In January 2011, government commissioned a review to examine anti-money laundering (AML) measures at B.C.’s gaming facilities to ensure existing AML policies, practices and strategies were appropriate, and to find ways to improve these wherever possible.
- At the time of the report, AML strategies used by BCLC and its operators 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.
- 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.
- Restricting the movement of gaming chips between players and gaming facilities.
- Issuing cheques only in relation to verified gaming wins.
- The report contained several recommendations intended to further strengthen AML practices, including transitioning from primarily cash transactions to electronic transactions.
- Last year, one-quarter of play in B.C. gaming facilities was generated through secure and traceable cash alternatives.
- Since the release of the report, GPEB and BCLC have made significant progress addressing these recommendations. These improvements include:
  - Increased focus on debit withdrawals at the cash cage and ATM withdrawals inside gaming facilities. From July to September 2014, there was more than \$9M in debit transactions at gaming facility cash cages. Over the same time period in 2013, there was only \$7M in debit transactions.
  - Patron Gaming Fund (PGF) accounts where gaming facility patrons may transfer money into an account that they then use for gambling.
  - The ability to electronically transfer money into those accounts through Canadian and U.S. chartered banks.
  - Customer convenience cheques clearly marked as a verified win or as a “return of funds that are not gaming winnings.” Cheques are more secure than cash and allow players to leave a casino with a cheque up to a maximum of \$10,000.
  - 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 gaming facility cheque.
  - Restricting casino chip use to a single facility and prohibiting chip passing on the casino floor.
  - Any activities on the gaming floor or elsewhere on the property that raise concerns can result in a temporary, 14-day ban while the concerns are investigated.

Contact:        Jamie Edwardson  
                       Communications Director  
                       250 356-2821

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## FACT SHEET

December 15, 2014

Ministry of Finance

### **Anti-Money-Laundering Strategies**

- The Gaming Policy and Enforcement Branch (GPEB) has the legal regulatory mandate and authority to ensure the overall integrity of gaming. It takes 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 organized crime.
- GPEB investigates each suspicious currency transaction report by:
  - Examining the facts surrounding the report.
  - Gathering intelligence on suspected criminal activity related to the transaction.
  - Sharing investigative findings with the local police, who have the legal authority to launch an investigation and, if appropriate, recommend charges to the Crown.
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- At the time of the report, there were a number of AML strategies used by the BC Lottery Corporation (BCLC) and its operators. These measures include:
  - 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.
  - 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.
  - 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.
- The report found that government had a robust AML regime in place, and contained several recommendations aimed at further strengthening AML practices, including transitioning from primarily cash-based transactions to electronic transactions.
- Since the release of the report, GPEB and BCLC have made significant progress addressing these recommendations.
- Improvements under this strategy 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 those accounts through Canadian and U.S. chartered banks.
- Customer convenience cheques clearly marked as a verified win or as a “return of funds that are not gaming winnings”. Cheques are more secure than cash and allow players to leave a casino with a cheque up to a maximum of \$10,000.
- 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.
- ATM withdrawals inside gaming facilities
- All of these options for accessing funds create additional financial records that may be easily tracked by law enforcement agencies.
- GPEB conducts regular audits of BCLC and casinos in B.C. to ensure they are in full compliance with Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) requirements. These include, but are not limited to:
  - Reporting suspicious and/or large cash transactions, international electronic funds transfers of \$10,000 or more and, casino disbursements involving amounts of \$10,000 or more; and
  - Maintaining records in accordance to FINTRAC requirements.
- In 2012/13, GPEB received 1,062 notifications of suspicious currency transactions. Of these, approximately 987 were referred to the police of jurisdiction as intelligence or for police involvement. Thirty-one were determined to be unfounded. The remainder were considered to be minor, with no report forwarded to police of jurisdiction.
- In 2013/14, 24 per cent of funded play in B.C. Gaming Facilities was generated through secure and traceable cash alternatives such as Electronic Funds Transfers, ATM withdrawals, drafts and other non-cash instruments.
- From July to September 2014, there was more than \$9M in debit transactions at casino cash cages. Over the same time period in 2013, there was only \$7M in debit transactions.

Contact:        Jamie Edwardson  
                       Communications Director  
                       250 356-2821

## ADVICE TO MINISTER

**CONFIDENTIAL  
ISSUES NOTE**

Ministry of Finance  
Date: February 25, 2015  
Minister Responsible: Hon. Michael de Jong

# Anti-Money Laundering Strategy

### RECOMMENDED RESPONSE:

- B.C. has a robust anti-money laundering program that has benefited from significant investments in technology, training and certification in recent years.
- The B.C. government takes money laundering seriously and maintains an ongoing dialogue with BC Lottery Corporation and federal and provincial law enforcement agencies.
- High stakes gamblers at B.C. casinos do not play anonymously. FINTRAC's "Know Your Customer" program requires BCLC to collect photo identification and the name, address, occupation and source of wealth of players who complete transactions of \$10,000 or more.
- The regulations require BCLC to report all large-cash transactions over \$10,000, all foreign exchanges over \$3,000 and all other "suspicious" transactions.
- BCLC forwards this information to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), a federal body that works with police to help identify patterns of criminal activity, and to province's Gaming Policy and Enforcement Branch (GPEB).
- Between 2010 and 2013 in B.C., 97 percent of large cash transaction reports were submitted by financial entities, while less than 2% were submitted by casinos (according to FINTRAC data).
- An information-sharing agreement with law enforcement allows BCLC to ban patrons with known links to criminal organizations, who pose a threat to public safety, or who are involved in criminal conduct likely to generate proceeds of crime.
- To date, 71 people have been banned from gaming facilities in B.C.
- Other anti-money laundering measures include:
  - Actively promoting the use of cash alternatives such as debit cards, convenience cheques and patron gaming fund accounts.
  - Last year, one-quarter of play in B.C. Gaming Facilities was generated through secure and traceable cash alternatives.

- **Casino chips can only be used at a single facility and chip passing on the casino floor is forbidden.**
- **Tight restrictions on the ability of patrons to exchange small bills for large currency denominations.**
- **Any activities on the gaming floor or elsewhere on the property that raise concerns can result in a temporary, 14-day ban while the concerns are investigated.**

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

Money laundering in casinos is a repeated topic of media stories and often focuses on suspicious transactions, security reports or other items obtained via Freedom of Information and Protection of Privacy requests. Coverage often makes the leap that suspicious transactions are criminal acts and police should be called or that transactions involving large amounts of cash indicate that money laundering is taking place and criminals are in casinos. The Opposition claims that government is not doing enough to address the issue and alleged that the decision to cut funding in 2009 to the Integrated Illegal Gaming Enforcement Team (IIGET) limited the province's ability to address money laundering, even though IIGET had no role in arresting and charging suspected money launderers.

Casinos are just one of many venues dealing in currency that may be targeted by money-launderers. They are also just one of a number of industries that must report all large cash transactions and suspicious transactions to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). Critics question why police are not called when casinos spot suspicious transactions. However, reporting entities such as casinos are key contributors to anti-money laundering efforts through the reports they provide to FINTRAC, which in turn create a data trail that is routinely shared with law enforcement. Data obtained from FINTRAC indicates between 2010 and 2013 in B.C., 97 percent of large cash transaction reports were submitted by financial entities; 1.96 percent were submitted by casinos. In that same timeframe, financial entities and money service business submitted 93.5 percent of suspicious transaction reports while casinos submitted 5.9 per cent of suspicious transaction reports.

To combat inaccurate perception that casinos are vulnerable to large-scale money laundering and other criminal activities Gaming Policy and Enforcement Branch and BCLC are developing strategies to better communicate the wide range of anti-money laundering measures that are already in place, along with new measures that will strengthen enforcement efforts. These include:

- GPEB and FINTRAC staff meet regularly to ensure BCLC and gaming service providers are meeting all reporting requirements under current legislation
- GPEB is now an associate member of the BC Association of Chiefs of Police, which will lead to increased collaboration with law enforcement agencies on AML issues
- GPEB and BCLC staff recently attended a one-day forum in Ottawa on dealing with suspicious currency transactions, hosted by FINTRAC in Ottawa.
- GPEB is working with BCLC to organize a summit on financial transactions in gaming aimed at further improving anti-money laundering measures.
- GPEB has recently shifted its focus to target its resources at the areas of highest risk to the integrity of gaming, for example large and suspicious currency transactions.



## ADVICE TO MINISTER

### BACKGROUND

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 gambling facilities – to report large-cash transactions and disbursements over \$10,000, foreign exchanges over \$3,000 and all “suspicious” transactions. In 2011, government commissioned a review to examine AML measures at B.C.'s gaming facilities. At the time of the report, there were a number of AML strategies used by the BC Lottery Corporation (BCLC) and its operators. These include:

- Mandatory training for all staff delivering gaming services.
- Tracking all play that falls within reporting requirements.
- 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.
- Restricting the movement of gaming chips between players and gaming facilities.
- Issuing cheques only in relation to verified gaming wins.

The 2011 review led to additional improvements including:

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

In February 2014, FINTRAC expanded its “Know Your Customer” monitoring requirements. As a result, transactions thought to be related to proceeds of crime or money-laundering require additional collection of data, increased monitoring, client risk analysis and further examination of client’s business relationships. In February 2015, federal legislation will expand to include reporting and identification regulations for eGaming. BCLC has been voluntarily submitting suspicious eGaming transactions to FINTRAC for several years. The corporation is also considering the purchase of facial recognition software, which includes consulting with the Information and Privacy Commissioner.

Communications Contact:	Brennan Clarke	250 387 3514
Program Area Contact:	Michele Jaggi-Smith	250 387 0201
File Created:	February 5, 2015	
File Updated:	February 25, 2015	
File Location:		

Program Area	Communications Director	ADM	Minister's Office
MJS	JE	JM / CWY	

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## FACTSHEET

December 15, 2014

Ministry of Finance

### **Gaming in B.C. - By the Numbers**

#### **Gaming Revenue**

- Commercial gaming in B.C. is a \$2.7-billion-a-year industry, providing an estimated 37,000 direct and indirect jobs.
- The Province receives more than \$1.1 billion annually (\$1.17B in 2013/14) in gaming revenue to support healthcare, local governments and thousands of community organizations.
- Since 2001, the Province has provided more than \$1.7 billion in gaming grants to community organizations. Of all provinces, B.C. distributed the most government gaming revenue to non-profit community organizations.
- Local governments that host a gaming facility receive ten per cent of the revenues from the facility, and have full authority to spend these revenues where there is public benefit to the community. Host Local Governments must submit annual reports to the Gaming Policy and Enforcement Branch using the Host Local Government Revenue and Expenditure Report Form. The reports are due on January 31.

#### **Provincial Policy**

- The Province's gaming strategy has been to have fewer facilities, with better amenities, in a more regulated environment. In 2001 there were 20 casinos and 37 bingo halls. Today there are 17 casinos, 18 community gaming centres and 7 bingo halls in B.C.
- B.C. is one of only two provinces that prohibit video lottery terminals (VLTs) in bars and restaurants, meaning that VLTs are only available at designated gaming facilities.

#### **Gaming Participation**

- According to the 2012/13 Canadian Gambling Digest, B.C. has the second lowest gambling participation rate among Canadian provinces.
- Almost two-thirds of British Columbians engage in gaming activities, such as visiting a casino or playing the lottery, at least once a month.

In 2013/14, the Province invested \$6.2 million to support its Responsible and Problem Gambling program while BCLC invested \$3.5 million in its responsible gambling programming, advertising and promotion.

- There are approximately 8,400 people currently enrolled in the Voluntary Self-Exclusion (VSE) program.

- A four-year study of participants in B.C., released in 2011, showed 77 per cent thought the VSE program helped them stop gambling, and 93 per cent would recommend the program to others. A follow up study is currently underway, with results expected in 2017.

### **Anti-Money Laundering Measures and Preventing Underage Entry**

- In 2013 more than 84,958 large cash transactions were reported in B.C.
- BCLC maintains a rigorous program to comply with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), the federal anti-money laundering agency, and the provincial regulator, the Gaming Policy and Enforcement Branch (GPEB).
- GPEB and BCLC launched an Anti-Money Laundering strategy in 2011 focused on reducing the reliance on cash, to minimize the opportunity for money laundering to take place through gaming facilities.

Improvements under this strategy include:

- Patron Gaming Fund accounts, which are casino-based accounts that allow customers to transfer money (over \$10,000) conveniently between their casino account and their approved Canadian bank account, eliminating the need to bring cash into a casino.
  - the ability to electronically transfer money into those accounts through Canadian and US chartered banks,
  - the ability to deposit bank drafts into Patron Gaming Fund accounts,
  - buy-ins with cheques from Canadian casinos,
  - internet transfers,
  - customer convenience cheques,
  - a “cheque hold” system for high-volume players, and
  - debit withdrawals at the cash cage.
- Entry into BCLC facilities is restricted to 19 years and up. In 2013/14, minors or patrons without valid ID were turned away from gambling facilities 11,825 times.
- BCLC has introduced a number of measures to help prevent under-aged participation in gaming, including strict age controls on PlayNow.com, ID checks for anyone appearing under 25, funnelling at entryways, enhanced training for security staff and increased staffing during peak times.
- In 2013, BCLC installed 60 ID scanners in gaming facilities throughout B.C. as a tool to help identify anyone who appears under 25.
- In 2012/13, GPEB’s Investigations and Regional Operations Division conducted investigations using minors, hired as agents by the Branch,, to assist investigators in an effort to prevent Lottery Retailers from selling lottery products to minors.

## ADVICE TO MINISTER

<p style="text-align: center;"><b>CONFIDENTIAL</b> <b>GCPE-FIN ISSUE NOTE</b></p> <p>Ministry of Finance Updated: January 13, 2015 Minister Responsible: Michael de Jong</p>	<p style="text-align: center;"><b>Integrated Illegal Gaming Enforcement Team</b></p>
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### **ADVICE AND RECOMMENDED RESPONSE:**

- The Integrated Illegal Gaming Enforcement Team (IIGET) provided an enhanced level of enforcement for illegal gaming outside of casinos.
- The team did not track or investigate money laundering in casinos.
- The British Columbia Lottery Corporation provided the majority of IIGET funding.
- In 2009, the RCMP decided not to seek renewal of the program, citing internal funding pressures and higher priority issues.
- Responsibility for illegal gambling investigations lies with the local police and when requested, assistance from provincial gaming enforcement officers.

### **ADVICE AND RECOMMENDED RESPONSE:**

- The Gaming Policy and Enforcement Branch (GPEB) employs 21 special constables who investigate suspected contraventions to the Gaming Control Act and Regulation and Canada's Criminal Code provisions related to gaming, including suspicious currency transactions inside casinos.
- GPEB is responsible for ensuring the integrity of legal gaming in B.C. and takes reports of suspicious currency transactions seriously.
- GPEB investigates each suspicious currency transaction report by:
  - Examining the facts surrounding the report.
  - Gathering intelligence related to the transaction.
  - Sharing this information with the local police.
- The number of suspicious transaction reports filed by B.C. casinos has increased since 2009 for several reasons:
  - The parameters for reporting suspicious transactions are broader so that even more potentially illegal behaviour is reported.
  - Training of casino staff in anti-money laundering procedures has improved.

## Key Facts Regarding the Issue:

On April 11, 2014, following media coverage on the increase in suspicious currency transaction reports from casinos, Vancouver not Vegas spoke to media about the need for government to bring back a specialized police unit, the Integrated Illegal Gaming Enforcement Team (IIGET).

The Integrated Illegal Gaming Enforcement Team was established by a 2003 Memorandum of Understanding between the RCMP, the Ministry of Public Safety and Solicitor General and GPEB. The IIGET was directed to investigate illegal gaming activities occurring outside of licensed casinos.

The British Columbia Lottery Corporation provided the majority of IIGET funding<sup>s.15</sup>  
s.15 GPEB also provided IIGET with office space and administrative staff.

In 2009, it was determined that the IIGET's effectiveness was not meeting expectations and that some of the investigation work conducted by IIGET overlapped work being done by local police. The RCMP cited funding pressures, criminal activity and other investigative priorities as the reason for not seeking a renewal of the MOU for the IIGET.

The local police have the primary responsibility for illegal gambling investigations, in partnership with gaming enforcement investigators. As needed, investigators from the Gaming Policy and Enforcement Branch will continue to work with RCMP and local police on matters related to illegal gambling.

The Gaming Policy and Enforcement Branch employs 21 investigators, all of whom are special constables, who investigate incidents of suspected wrongdoing in legal gaming, including potential money laundering and fraud inside casinos.

The number of suspicious transaction reports filed by B.C. casinos has increased from 459 in 2010/11 to 1,062 in 2012/13.

Communications Contact:	Brennan Clarke	250 387-3514
Program Area Contact:	Len Meilleur	250.356.6320
File Created:	April 14, 2014	
File Updated:	January 13, 2015	
File Location:		

Program Area	Comm. Director	Deputy	Minister's Office
LM	JE		

## ADVICE TO MINISTER

**CONFIDENTIAL  
GCPE-FIN ISSUE NOTE**

Ministry of Finance

Updated: February 23, 2015

Minister Responsible: Michael de Jong

### **Integrated Illegal Gaming Enforcement Team**

#### **ADVICE AND RECOMMENDED RESPONSE:**

- The Integrated Illegal Gaming Enforcement Team (IIGET) provided an enhanced level of enforcement for illegal gaming outside of casinos.
- Tracking or investigating money laundering in casinos was never part of the team's mandate.
- Enforcement targets within IIGET's mandate included illegal lotteries, illegal video lottery terminals, common gaming houses, animal fights, bookmaking and Internet gaming.
- The British Columbia Lottery Corporation provided the majority of IIGET funding.
- In 2009, the RCMP decided not to seek renewal of the program, citing internal funding pressures and higher priority issues.
- Responsibility for illegal gambling investigations lies with the local police and when requested, assistance from provincial gaming enforcement officers.
- The Gaming Policy and Enforcement Branch (GPEB) employs 21 special constables who investigate suspected contraventions to the Gaming Control Act and Regulation and Canada's Criminal Code provisions related to gaming, including suspicious currency transactions inside casinos.
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  - Examining the facts surrounding the report.
  - Gathering intelligence related to the transaction.
  - Sharing this information with the local police.
- The number of suspicious transaction reports filed by B.C. casinos has increased since 2009 for several reasons:

- **The parameters for reporting suspicious transactions have been broadened so that more activity is monitored and reported than it would have been in the past.**
- **Training of casino staff in anti-money laundering procedures has improved.**

## **KEY FACTS REGARDING THE ISSUE**

On April 11, 2014, following media coverage on the increase in suspicious currency transaction reports from casinos, Vancouver not Vegas spoke to media about the need for government to bring back a specialized police unit, the Integrated Illegal Gaming Enforcement Team (IIGET).

The Integrated Illegal Gaming Enforcement Team was established by a 2003 Memorandum of Understanding between the RCMP, the Ministry of Public Safety and Solicitor General and GPEB. The IIGET was directed to investigate illegal gaming activities occurring outside of licensed casinos.

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LM	JE	CWY	

### Information Note

**British Columbia Lottery Corporation**

**Date: March 9, 2015**

## **FOI 14-069 Board Minutes, Shipment Two**

### **KEY FACTS:**

BCLC is releasing the second and final shipment of documents in response to a request from a political party for: "...all records of BCLC Board of Directors Meeting Agendas and Minutes, including any documents prepared for the meetings. The timeframe of this request is Jan 1, 2014 to present [August 28, 2014]."

BCLC is releasing 43 records (285 pages) with some information withheld. BCLC is withholding 33 records (22 pages) in their entirety under sections 13 and 17.

The records contain the following information of note:

#### **Minutes - December 12, 2013**

Former CEO, Michael Graydon provided an update on Edgewater relocation – no further details are included.

The Executive Dashboard End of 3rd quarter report January 2014 is included. Much of this information is included in the annual report.

#### "Quarterly Risk Report October - December 2013"

This is a routine report developed to provide an update on significant risks identified and managed by BCLC. It is also a mandatory requirement of the Core Policy and Procedures Manual (CPPM) provided by the Ministry of Finance.

The report identifies ten operational high risks across BCLC

- Cyber-attack or sabotage – BCLC information systems may be subject to malicious cyber-attacks which could compromise integrity and data, and result in suspended service. Reduced to moderate in next report. Four new standards in place.
- Gaming facility incidents – safety or security at gaming facilities may be perceived as a frequent, poorly managed issue. This includes incidents such as money laundering, loan sharking, theft, robbery and extortion. Reduced to moderate in next report. Reduction of cash has been significant.
- Voluntary self-exclusion (VSE) security – gaming facility staff may not be able to reasonably identify VSE participants attempting to enter and play at gaming facilities. Reduced to moderate in next report.
- Compliance culture – internal employee compliance of laws, policies, rules and standards may not be widely consistent, supported or understood.
- Legacy applications/infrastructure – BCLC's technology infrastructure may become unreliable or no longer supported. This could lead to system failure and loss of revenue.



- Tax compliance – the risk description has been redacted. Reduced to moderate in next report. New tax team in place.
- eGaming regulatory compliance – changing and varied regulations for online gaming may require BCLC to update its systems leading to increased costs. The most significant change will be from Fintrac reporting.
- eGaming infrastructure readiness – the current eGaming infrastructure, processes and support may not be adequate enough to meet current and future business demands. This may inhibit opportunities for development and player base growth.
- Public concern about BCLC initiatives – the introduction of new products, distribution methods or facilities may generate scrutiny from the public and media. Reduced to moderate in next report.
- Municipal decisions about facilities – Municipalities may make decisions about gaming facilities that are not in the best interests of BCLC.

These risks account for ten per cent of the 97 risks identified, while 68 per cent have been identified as medium risk and 22 per cent as low.

### **Minutes - January 30, 2014**

Jim Lightbody is officially appointed as Interim President and CEO and Michael Graydon's resignation is accepted.

CFO Jervis Rodrigues commented on the 2014/15 Business Plan and Budget plans to reduce operating costs and capital spending. He also indicates the potential for income surplus to be used to cover one time restructure costs in Fiscal Year 2013/14.

Former Vice President Human Resources, Peter Charlton, indicated work was underway on FTE containment and PSEC agreements on compensation. The restructuring program earlier this year addressed FTE containment and the variable compensation model was replaced by a salary holdback program for all executive in April 2014.

VP Security and compliance presented on the reorganization and modernization of Anti Money Laundering compliance process, implementation of FINTRAC regulations, the management of GPEB relationship, and cashless play in casinos.

The BCLC Board Manual – Terms of Reference is included. This document is publicly available online.

### **Management Reports (highlights of note)**

#### ***1. Finance and Corporate Services***

The report indicates BCLC monitors the financial performance of all Service Providers, and is looking to enhance and standardize its tactics under the Casino Optimization Program. Edgewater is noted in the report as experiencing delays in raising capital. "Recent credit defaults related to Paragon's Alberta property raised concerns, although there is no direct relationship with the Edgewater property." Chances Prince Rupert is also expected to remain under close scrutiny.

#### ***2. Corporate Security and Compliance***

Corporate Security and Compliance completed 982 lottery investigations during Q3 (October

1 – Dec 31, 2013). Nine alleged retailer improprieties: two substantiated; two unsubstantiated; five remain under investigation. Retailer discipline during the Quarter included 12 written warnings, three of which were caution notifications.

The Third Quarter Risk Report Enterprise Risk Management and Business Continuity January 2014, includes all the same identified high risks from the December 2013 report, except for one addition: Public concern about BCLC initiatives – the introduction of new products, distribution methods or facilities may generate scrutiny from the public and media.

#### **Minutes - March 28, 2014**

This meeting includes details of the Voluntary Termination Plan and indicates it is approved by the board. A discussion followed with respect to: number of roles being reduced in the field and offices, number expected to depart voluntary versus involuntary, resources available for departing people, ensuring organization is positioned for growth, and communications plans.

#### **Minutes - May 8, 2014**

VP HR Peter Charlton noted BCLC met net income thresholds 2013/14 and all variable incentive plan and salary hold back payouts for executive.

Most information in the Executive Dashboard End of 4<sup>th</sup> Quarter Report March 2014 can be found in the Annual Report.

“Quarterly Risk Report January – March 2014” is a routine report developed to provide an update on significant risks identified and managed by BCLC. It is also a mandatory requirement of the Core Policy and Procedures Manual (CPPM) provided by the Ministry of Finance.

The report identifies seven operational high risks across BCLC –

- Service provider viability – service providers may lack financial stability which impacts casino revue, performance and potentially integrity.
- Condition of Kamloops building – the increasing age of the Kamloops building might affect efficiency and productivity. A long-term strategy is being developed and short term work includes repairing the parking deck.
- Compliance culture – internal employee compliance of laws, policies, rules and standards may not be widely consistent, supported or understood.
- Legacy applications/infrastructure – BCLC’s technology infrastructure may become unreliable or no longer supported. This could lead to system failure and loss of revenue.
- eGaming regulatory compliance – changing and varied regulations for online gaming may require BCLC to update its systems leading to increased costs. The most significant change will be from Fintrac reporting.
- eGaming infrastructure readiness – the current eGaming infrastructure, processes and support may not be adequate enough to meet current and future business demands. This may inhibit opportunities for development and player base growth.
- Municipal decisions about facilities – Municipalities may make decisions about gaming facilities that are not in the best interests of BCLC, including expansion, developing new facilities or implementing restrictions.

These risks account for eight per cent of the 90 risks identified, while 59 per cent have been identified as medium risk and 33 per cent as low.

## Management Reports

### 1. *Finance and Corporate Services*

The report indicates Finance is in the process of making changes to policies and procedures for monitoring and managing service providers. These changes include, enhanced risk assessments of financial/operational performance; thorough financial reviews; expanded performance management options for BCLC; and, coordinated approaches to monitoring potential indicators of financial distress.

### 2. *Corporate Security and Compliance*

Corporate Security and Compliance completed 939 lottery investigations during Q4 (Jan 1 - March 31, 2014). Of the 7 alleged retailer improprieties: none were substantiated; four were unsubstantiated; three remain under investigation. Retailer discipline during the Quarter included ten written warnings, three of which were caution notifications.

Security developed a contract for an AML Statistical Analysis System to provide case management, records management and regulatory reporting while increasing the efficiency of current reporting and monitoring. Previously, these processes were manual.

Details in a PowerPoint (AML implementation Plan May 8 2014) presents mission statement, reasoning,, considerations, procurement process, issues/risks, and scope/culture and a proposed completion date of March 2017. Casino logged 2,847 underage entry attempts in Quarter 4 (Jan 1, 2014 to March 31, 2014).

### 3. *Lottery Gaming*

An update on Lottery Transformation includes details on the first phase of the project which will focus on Terminal Replacement and will “include advanced capabilities such as Account Based play at retail, digital integration between players, retailers and BCLC, different game play formats and options and other features.” The timeline for implementation is being considered.

## Minutes - July 31, 2014

Executive Dashboard End of 1<sup>st</sup> Q FY15 Report June 2014. Much of this information is included in the Annual Report.

“Quarterly Risk Report April – June 2014” is a routine report developed to provide an update on significant risks identified and managed by BCLC. It is also a mandatory requirement of the Core Policy and Procedures Manual (CPPM) provided by the Ministry of Finance.

The report identifies five operational high risks across BCLC carried over from the previous Quarter: compliance culture; legacy applications/infrastructure; eGaming regulatory compliance; service provider viability; condition of Kamloops building.

## Management Reports (of note)

### *Corporate Security & Compliance*

Corporate Security and Compliance completed 850 lottery investigations during Q1 (April 1, 2014 – June, 30 2014). Five alleged retailer improprieties: 2 were substantiated; 2 unsubstantiated; 1 remains under investigation. Retailer discipline during the Quarter included 8 written warnings, 2 of which were terminations.

The report indicates that BCLC is using AML batch screening software to review patrons that have business relationships considered an extreme risk. Proactive steps have been taken to terminate relationship and ban patrons for five years. The report states that “BCLC has established a secure file sharing protocol that uses encryption to facilitate effective communication between law enforcement and BCLC. All of these components contribute to BCLC’s ‘Know Your Customer’ (KYC) program which will only improve as new systems are implemented and further resources are employed.”

As part of the RCMP information sharing agreement, staff provided site orientation of RiverRock Casino Resort. Corporate Security held an AML enhancement project meeting with SAS vendor. Details of the meeting include timelines and states the first phase is scheduled to be complete before the end of fiscal 2014/2015.

## **BCLC RESPONSE POINTS:**

### **Risk Reports**

- **As is the case for all government organizations and Crown corporations, BCLC conducts routine, quarterly assessments of various aspects of our business to identify emerging issues, risks or areas of concern.**
- **BCLC also implements risk management action plans to help mitigate serious impacts to business operations.**

### **Kamloops building/land assessment**

- **A comprehensive review of the Kamloops facility is being done to assess its ability to support BCLC's current and future needs.**
- **In the short-term we are upgrading our parking facility.**

### **Edgewater Development Status**

- **The City of Vancouver approved the relocation of the existing Edgewater Casino in 2011, after an extensive public consultation and public hearing.**
- **In December 2014, Parq Holdings Limited Partnership, a joint venture between Dundee Corporation, Paragon Development Ltd. and PBC VUR Limited Partnership, announced it had completed project financing for the development of the urban resort adjacent to the B.C. Place Stadium, which will include the relocated Edgewater Casino.**
- **On January 20, City Council gave final approval of the development permit.**

### **Executive Compensation**

- **Beginning April 1, 2014, the variable compensation model was replaced by a salary holdback program for all executive.**

- A portion of Executive base salary will be held back, pending achievement of annual performance objectives.
- BCLC also eliminated the Perquisite Allowance Program (\$12,000/yr) effective January 1, 2013. BCLC provided executives an 18 month notice period which ended on June 30, 2014.

### Lottery investigations

- The security and integrity of our lottery business is fundamental to BCLC's operations.
- BCLC requires that all lottery retailers and retailer employees follow policies set out in the Lottery Operations Agreement and the retailer code of conduct.
- We investigate every complaint against a retailer and also conduct mystery shops to monitor retailer compliance with our validation policies and customer service standards.

### Voluntary Termination Program

- As part of a longer term cost management strategy, BCLC offered voluntary early retirement to staff over 50 years of age.
- The restructuring program enabled BCLC to bring staffing levels and costs down to what they were in 2009, while absorbing new work related to regulatory requirements.

### Anti- Money Laundering

- BCLC has a robust anti-money laundering program that continues to expand and evolve in order to comply with federal anti-money laundering legislation.
- In addition to policies and processes to report and deter money laundering, BCLC has an information-sharing agreement with the RCMP which allows BCLC to ban patrons with known links to criminal organizations, who pose a threat to public safety, or who are involved in criminal conduct likely to generate proceeds of crime.

Program Area Contact:      Name  
    Laura Piva-Babcock, BCLC

Number  
 T: 250-828-5576  
 C: 250-371-7274

Hon. Rich Coleman  
 Minister of Public Safety and Solicitor General  
 Room 236 Parliament Buildings  
 Victoria, BC V8V 1X4

Dear Mr. Coleman,

I would like to express my concern regarding recent media reports of suspicious gaming transactions, totalling some \$8 million, taking place over a 3 month period in 2010 at two Lottery Corporation casinos in British Columbia. I find it amazing that your government and the Lottery Corporation were not on top of this situation from the beginning and took action forthright to deal with it/curb it.

Of serious concern is why did it take the news media to expose these suspicious transactions at casinos before you took action? Surely it is suspicious for example when a person enters the River Rock Casino with a duffle bag stuffed with \$420,000 worth of \$20 dollar bills and cashes it in for gaming chips. The same thing went on at the Starlight Casino in New Westminster. Why wasn't your Government and the Lottery corporation on top of this situation right from the get go and taken action to end it? Why does it take the media to expose it and you to belatedly take action? This suggests to me that gaming enforcement is wilfully lacking in our Province's casinos.

All of these suspicious transactions make it clear to me that organized crime is part and parcel of our province's casino operations and a serious problem at that. Why is there not a police presence right in our casinos to deal immediately and effectively with any suspicious gaming activity? In the province of Ontario, for example, there are plain clothes police in each casino, at the ready to deal with any suspicious gaming activity. Why can't we adopt the same procedure in our province?

These recent suspicious money transactions also points to the folly of your decision in 2009 to disband the RCMP's integrated illegal gaming enforcement unit. Its demise makes one wonder if your government is really committed to meaningful illegal gaming investigations.

In conclusion, I am very concerned that organized crime has established a deep foothold in our Province's casinos. It is clear to me that they are being targeted by organized crime groups looking to launder drug money. Strong, determined action, enforcement and leadership, now lacking, are needed to combat it.

Thank you for your time and consideration of this letter.

s.22 Yours truly.

cc. Hon. Bill Routley, MLA Cowichan Valley  
 cc. Hon. Shane Simpson, MLA Vancouver-Hastings  
 cc. Hon. Vicki Huntington, MLA Delta South

<b>RECEIVED</b>	
MINISTER OF PUBLIC SAFETY AND SOLICITOR GENERAL	
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s.22

s.22  
Deal

Thank you for your January 11, 2011 letter regarding your concerns about suspicious cash transactions at British Columbia casinos.

My ministry regulates all gaming in the province, ensures the integrity of gaming companies, people and equipment, and investigates allegations of wrongdoing. This includes regulatory oversight of the British Columbia Lottery Corporation (BCLC). BCLC is responsible for the conduct and management of provincial gaming and all related operational decisions.

The provincial government is committed to ensuring that all reports of real or suspected illegal gambling are reviewed and where appropriate, investigated by local police authorities, often in partnership with gaming enforcement investigators and the RCMP.

Money laundering is a world-wide issue for organizations that deal with large sums of cash. The Province works with national and international agencies to reduce the illegal flow of money and continually adapts its methods to thwart it.

Despite what is being reported in the media, there are a number of checks and balances in place to deter criminal activity in British Columbia casinos. The Province continues to work closely with the RCMP, local police authorities and FINTRAC, Canada's financial intelligence unit, to further strengthen existing policies and practices regarding cash transactions in gaming facilities.

.../2

Page 2

As required by federal law, players are required to prove their identity before they can make cash transactions greater than \$10,000. All large cash transactions are reported to FINTRAC. As well, all suspicious transactions of any amount are reported, and investigated by my ministry and/or local police authorities.

A review is currently underway with the BCLC, my ministry, RCMP, and other stakeholders, to identify areas for improvement with regard to the handling of cash transactions.

Sincerely yours,

*Original signed by:*

Rich Coleman  
Solicitor General

455287



s.22

Rich Coleman

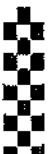
Inefficient money laundering efforts has been brought to attention since 2008, and again last year and now again by the media. Nothing is addressed until after the fact. B.C.L.C. and Gaming control are reactive, not at all proactive. Integrity and transparency, ethics are seriously questionable as major issues continuously occur with no effective/minimal results. Perhaps lots of discussion with folks occurs, but what has that done/do?! Obviously the fox guarding the hen house isn't working. B.C.L.C. is too busy flying out of the country to get new furniture and counting the playnow.com money. I am sure internet money laundering is taking place as well since the increase of \$9999.99 a week will help there also. Nova Scotia and P.E.I chose not to get into internet gambling, at least some provinces are thinking of the harmful impacts for the public instead of greed. Never mind the problem gamblers who are still visiting the B.C. oversaturated market and the vse program still works? the same as last year, nothing has changed there either. Obviously the independent review requested last year hasn't been effective or maybe just selective to suit the out of control corporate spin moves. There is no corporate social, moral, proactive, productive, integrity or public trust at all left in B.C.L.C. or Gaming control.

Fire them all, start over with constructive transparent effective policies and procedures and separate entities to keep in check instead of all together as one greedy trough off the backs of the public at risk. WLA award must be so embarrassing as it has no meaning left with all the continued messiness that goes on with gaming in B.C. Lots of room for criminals to operate here in B.C., its almost like B.C.L.C. has never stepped in a casino lately? Why not a staff hotline/what's happening to the loan sharks...what's next around the corner....Doesn't anyone think ahead! Doesn't anyone effectively have the power to make proactive decisions, prior to media investigations? Why isn't the excess money (9 million to move B.C.L.C./excessive executive's salaries) put back into effective cameras, cash cage procedures, I.D. checks at the door etc..... Something!!!

Shameful, sad and frustrating.

A concerned citizen

<b>RECEIVED</b>	
MINISTER OF PUBLIC SAFETY AND SOLICITOR GENERAL	
JAN 11 2011	
<i>anonymous letter</i>	
REFER TO MAIL REGISTRY	
OTHER 455326	
<input type="checkbox"/> DRAFT REPLY	<input type="checkbox"/> REPLY DIRECT
<input type="checkbox"/> ATTN FILE	FILE <input checked="" type="checkbox"/> INFORMATION <input type="checkbox"/>



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Withheld pursuant to/removed as

s.13

**Ministry of Finance  
SIGN-OFF SHEET**

**Item:** ☐BN for Information ☐BN for Decision ☒Correspondence ☐OIC  
☐Other

**Issue:**

**CLIFF #:**

Money Laundering in BC  
340686

Date initiated: \_\_\_\_\_ Final Due on: \_\_\_\_\_

Approvals Required:	Reviewer	Reviewer Initial	Approval	Date Signed
<b>Drafter</b>				
<b>Director</b>			<input type="checkbox"/> Approved <input type="checkbox"/> Approved w/ Changes <input type="checkbox"/> Needs Rewrite	
<b>Executive Director</b>			<input type="checkbox"/> Approved <input type="checkbox"/> Approved w/ Changes <input type="checkbox"/> Needs Rewrite	
<b>ADM</b>	John Mazure	JM	<input checked="" type="checkbox"/> Approved <input type="checkbox"/> Approved w/ Changes <input type="checkbox"/> Needs Rewrite	May 21
<b>Associate DM</b>	Cheryl Wenezenki-Yolland		<input type="checkbox"/> Approved <input type="checkbox"/> Approved w/ Changes <input type="checkbox"/> Needs Rewrite	
<b>Notes:</b>				

**Included are the following:** (check all that apply)

- ☐ Correspondence
- ☐ Incoming
- ☐ Memo
- ☐ OIC
- ☒ Briefing Note
- ☐ Certificate
- ☐ Other:

BN - Blue  
OIC - Pink  
Correspondence/Other - White