
NEWS RELEASE

Not Approved
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos,” said Attorney General David Eby. “During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today.”

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money-laundering activities and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us and I am confident we will succeed, especially with the continued support of our partners: the BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players, but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

A copy of the MNP Report can be found at: https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf

Quick Facts:

- BCLC is responsible for the conduct and management of gambling in B.C.
- GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.
- In 1998, the Province added casino gambling to the responsibilities of the B.C. Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public

Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.

- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Contact:

Government Communications and Public
Engagement
Ministry of Attorney General
778 678-1572

Connect with the Province of B.C. at: www.gov.bc.ca/connect

From: [Sitter, Donna GCPE:EX](#)
To: [McAndrews, Caroline GCPE:EX](#)
Cc: [Roberts, Michelle J GCPE:EX](#)
Subject: For review please! AML materials
Date: Wednesday, September 20, 2017 1:22:00 PM
Importance: High

Hi - CP thinks MMF should have a quote - and that we need to make it clear in the QA that JIGIT falls with SG responsibility - not AG. I'll do it now

From: Enger, Tonia PSSG:EX
Sent: Wednesday, September 20, 2017 11:50 AM
To: Sitter, Donna GCPE:EX; Steenvoorden, Tom PSSG:EX
Subject: RE: For review please! AML materials

Some thoughts – as a reminder JIGIT is a unit under CFSEU-BC and strategic direction and priorities are issues to CFSEU by the Sol Gen not the AG. The AG cannot direct law enforcement, nor does GPEB.

Tom likely will not be reading this til tomorrow s.22

Tonia

From: Sitter, Donna GCPE:EX
Sent: Wednesday, September 20, 2017 11:18 AM
To: Steenvoorden, Tom PSSG:EX; Enger, Tonia PSSG:EX
Cc: Roberts, Michelle J GCPE:EX
Subject: For review please! AML materials
Importance: High

Hi - can you have a look for accuracy please before I send to Clayton? This is being issued by Attorney General tomorrow morning at 8.

From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, September 20, 2017 10:00 AM
To: McAndrews, Caroline GCPE:EX; Watson, Jason GCPE:EX; Sitter, Donna GCPE:EX
Cc: Robins, Shawn GCPE:EX
Subject: For review: AML materials

Hi there – attached are our latest AML report materials (NR and QA), with reference to JIGIT. These are with the GPEB ADM now. Planned release time is 8 a.m. tomorrow.

Can you please review and confirm if all looks good to PSSG? Thank you!

From: [Sitter, Donna GCPE:EX](#)
To: [Butterfield, Nicole PSSG:EX](#); [Dean, Danielle PSSG:EX](#)
Subject: FW: For review please! AML materials
Date: Wednesday, September 20, 2017 12:22:00 PM
Attachments: [QsAs AMLS Review DRAFT Sept19SR \(GPEB draft\) TEr.docx](#)
[NR -AML Report- 19SEPT19 DRAFTSR \(GPEB draft\) TEr.docx](#)
Importance: High

I forgot to cc you guys! I realized it when I saw CP walk out a moment ago. can you please put it in front of him soon as poss - we need to get it to Mark.

From: Sitter, Donna GCPE:EX
Sent: Wednesday, September 20, 2017 11:53 AM
To: Pecknold, Clayton PSSG:EX
Cc: Enger, Tonia PSSG:EX; Steenvoorden, Tom PSSG:EX
Subject: For review please! AML materials
Importance: High

Hi - Tonia has had a look at this - going out from the Attorney General Tomorrow morning at 8. For your review thanks

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Sent: Wednesday, September 20, 2017 11:50 AM
To: Sitter, Donna GCPE:EX; Steenvoorden, Tom PSSG:EX
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Ministry of Attorney General

Report on anti-money laundering efforts in B.C. casino released

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at anti-money laundering (AML) practices at River Rock Casino Resort (RRCR) in Richmond, B.C. The report, prepared by MNP LLP, has been released to show the challenges the province faces related to money laundering.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a briefing that raised concerns about the issue of money laundering at a B.C. casino,” said Attorney General David Eby. “The briefing referenced a report that had been commissioned to combat money laundering at casinos. In the interests of transparency I am releasing that report today.”

The report was commissioned in 2015 by the Gaming Policy and Enforcement Branch (GPEB) in the wake of concerns about unsourced cash entering RRCR. After reports reviewed identified suspicious currency transactions, GPEB found approximately \$13 million in \$20 bills were accepted by RRCR in July 2015 alone.

MNP, one of Canada’s largest full-service chartered accountancy and business advisory firms, analyzed anti-money laundering practices at RRCR and made ^{S.} recommendations directed at GPEB and the BC Lottery Corporation (BCLC). The recommendations focused on training, customer due diligence, technology and monitoring, and issues of broad policy.

In the coming weeks, a terms of reference will be developed to select an independent expert to look at anti-money laundering measures currently in place throughout all gambling facilities in the province. Recommendations are expected to provide additional steps to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities.

“The problem of money laundering is complex and involves an ever-evolving criminal element,” said Eby. “The use of B.C. gambling facilities to launder money that has been obtained through criminal activity hurts our society and undermines the integrity of the gambling industry. We are serious about doing everything we can to identify money laundering activities and ensure policies are in place to prevent it from occurring in our B.C. gambling establishments.”

A full copy of the MNP Report can be found at XXXXXXXXXX.

Quick Facts:

- BCLC is responsible for conduct and management of gambling facilities and GPEB is responsible for regulating the gambling industry.

- MNP were engaged by the ~~Gaming Policy and Enforcement Branch~~GPEB to conduct the review on September 8, 2015 and delivered the report on July 26, 2016.
- In 1998 the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, the ~~Gaming Policy and Enforcement Branch~~GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:
 Government Communications and Public Engagement
 Attorney General
 778-678-1572

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 Attorney General
 778-678-1572

From: [McAndrews, Caroline GCPE:EX](#)
To: [Sitter, Donna GCPE:EX](#)
Cc: [Roberts, Michelle J GCPE:EX](#)
Subject: FW: For review: AML materials
Date: Wednesday, September 20, 2017 12:13:00 PM
Attachments: [QsAs AMLS Review DRAFT Sept19SR \(GPEB draft\).docx](#)
[NR-AML Report- 19SEPT19 DRAFTSR \(GPEB draft\).docx](#)

Hi D: once you run past CP, I will share with Mark and MO.

From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, September 20, 2017 10:00 AM
To: McAndrews, Caroline GCPE:EX; Watson, Jason GCPE:EX; Sitter, Donna GCPE:EX
Cc: Robins, Shawn GCPE:EX
Subject: For review: AML materials
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**Confidential Advice to Minister
DRAFT Sept 19, 2017**

Release of MNP report on anti-money laundering

Questions & Answers

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Page 011 to/à Page 012

Withheld pursuant to/removed as

s.13

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In the coming weeks, a terms of reference will be developed to select an independent expert to look at anti-money laundering measures currently in place throughout all gambling facilities in the province. Recommendations are expected to provide additional steps to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities.

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Media Contact:
Government Communications and Public Engagement
Attorney General
778-678-1572

From: [McAndrews, Caroline GCPE:EX](#)
To: [Sitter, Donna GCPE:EX](#)
Subject: Fwd: FOR APPROVAL: DRAFT: Report on anti-money laundering released, review to follow
Date: Thursday, September 21, 2017 8:02:58 AM
Attachments: [DRAFT.pdf](#)
[ATT00001.htm](#)

Sent from my iPhone

Begin forwarded message:

From: "Horlor, Shannon GCPE:EX" <Shannon.Horlor@gov.bc.ca>
To: "Nelson, Tiffany GCPE:EX" <Tiffany.Nelson@gov.bc.ca>, "McAndrews, Caroline GCPE:EX" <Caroline.McAndrews@gov.bc.ca>, "Harris, Megan A GCPE:EX" <Megan.Harris@gov.bc.ca>
Subject: FOR APPROVAL: DRAFT: Report on anti-money laundering released, review to follow

Here is your draft for review. Upon approval, we'll put this on hair-trigger release, provincewide.

Shannon

-----Original Message-----

Not Approved
Sept. 21, 2017

Ministry of Attorney General

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"On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos," said Attorney General David Eby. "During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today."

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In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money-laundering activities and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us and I am confident we will succeed, especially with the continued support of our partners: the BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players, but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

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778 678-1572

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Subject: Input from elsewhere AML materials
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[NR-AML Report- 19SEPT19 DRAFTSR \(GPEB draft\) TEr.docx](#)
Importance: High

Hi - here is input from Police Services Division - they want to make sure that it is clear JIGIT operates under CFSEU-BC. (for your info - strategic direction and priorities are issued to CFSEU by the Sol Gen not AG.) So we've made a couple of edits to both of these docs. I also have a quote for the SG out for approval - it isn't included here. Thanks and will try to get that back soon as I can

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The report was commissioned in 2015 by the Gaming Policy and Enforcement Branch (GPEB) in the wake of concerns about unsourced cash entering RRCR. After reports reviewed identified suspicious currency transactions, GPEB found approximately \$13 million in \$20 bills were accepted by RRCR in July 2015 alone.

MNP, one of Canada’s largest full-service chartered accountancy and business advisory firms, analyzed anti-money laundering practices at RRCR and made ^{s.1}₃ recommendations directed at GPEB and the BC Lottery Corporation (BCLC). The recommendations focused on training, customer due diligence, technology and monitoring, and issues of broad policy.

s.13

In the coming weeks, a terms of reference will be developed to select an independent expert to look at anti-money laundering measures currently in place throughout all gambling facilities in the province. Recommendations are expected to provide additional steps to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities.

“The problem of money laundering is complex and involves an ever-evolving criminal element,” said Eby. “The use of B.C. gambling facilities to launder money that has been obtained through criminal activity hurts our society and undermines the integrity of the gambling industry. We are serious about doing everything we can to identify money laundering activities and ensure policies are in place to prevent it from occurring in our B.C. gambling establishments.”

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“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a briefing that raised concerns about the issue of money laundering at B.C. casinos,” said Attorney General David Eby. “The briefing referenced a report that had been commissioned to combat money laundering at one casino. In the interests of transparency I am releasing that report today.”

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In the coming weeks, terms of reference will be developed and an independent expert will be selected to look into whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos. The review would also identify the steps required to address the issue, within existing or new laws, at anti-money laundering measures currently in place throughout all gambling facilities in the province. Recommendations are expected to provide additional steps to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities.

“The problem of money laundering is complex and involves an ever-evolving criminal element,” said Eby. “The use of B.C. gambling facilities to launder money that has been obtained through criminal activity hurts our society and undermines the integrity of the gambling industry. We are serious about doing everything we can to identify money laundering activities and ensure policies are in place to prevent it from occurring in B.C. gambling establishments.”

Hold for quote from Minister Farnworth.

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A full copy of the MNP Report can be found at XXXXXXXXXX.

Quick Facts:

- BCLC is responsible for conduct and management of gambling in BC.
- GPEB is responsible for the overall integrity of gambling and horse racing in the Province.
- MNP were engaged by GPEB to conduct the review on ~~September~~ Sept. 8, 2015 and delivered the report on July 26, 2016.
- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:

Government Communications and Public Engagement
Attorney General
778-678-1572

Confidential Advice to Minister
DRAFT Sept 19, 2017

Release of MNP report on anti-money laundering

Questions & Answers

s.13

Page 026 to/à Page 027

Withheld pursuant to/removed as

s.13

From: [Sitter, Donna GCPE:EX](#)
To: [McAndrews, Caroline GCPE:EX](#); [Harrison, Veronica PSSG:EX](#)
Cc: [Roberts, Michelle J GCPE:EX](#)
Subject: Quote Approval Pls! AML materials
Date: Wednesday, September 20, 2017 3:12:00 PM
Attachments: [NR -AML Report- 19SEPT20 DRAFTSR \(GPEB reviewed\) \(2\).docx](#)
Importance: High

Hi - this is an AG news release scheduled to go out tomorrow at 8am. Clayton thought MMF might have a quote - they are holding a space in the NR. Here is the draft quote - for review thanks!

"Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated," said Minister of Public Safety and Solicitor General Mike Farnworth. "These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue."

NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering efforts in B.C. casino released

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities. anti-money laundering (AML) practices at River Rock Casino Resort (RRCR) in Richmond, B.C. The report, prepared by MNP LLP, has been released to show the complex challenges the province faces related to combatting money laundering, including due diligence and regulatory oversight at provincial casinos.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a briefing that raised concerns about the issue of money laundering at B.C. casinos,” said Attorney General David Eby. “The briefing referenced a report that had been commissioned to combat money laundering at one casino. In the interests of transparency I am releasing that report today.”

The report was commissioned in 2015 by the Gaming Policy and Enforcement Branch (GPEB) in the wake of concerns about unsourced cash entering River Rock Casino Resort (RRCR). GPEB found approximately \$13 million in \$20 bills reported as suspicious currency transactions were accepted by RRCR in July 2015 alone.

MNP, one of Canada’s largest full-service chartered accounting and business advisory firms, analyzed anti-money laundering practices at RRCR and made several recommendations directed at the BC Lottery Corporation (BCLC) and GPEB. The recommendations focused on training, customer due diligence, technology and monitoring, and issues of broad policy.

In the coming weeks, terms of reference will be developed and an independent expert will be selected to look into whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos. The review would also identify the steps required to address the issue, within existing or new laws, at anti-money laundering measures currently in place throughout all gambling facilities in the province. Recommendations are expected to provide additional steps to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities.

“The problem of money laundering is complex and involves an ever-evolving criminal element,” said Eby. “The use of B.C. gambling facilities to launder money that has been obtained through criminal activity hurts our society and undermines the integrity of the gambling industry. We are serious about doing everything we can to identify money laundering activities and ensure policies are in place to prevent it from occurring in B.C. gambling establishments.”

Hold for quote from Minister Farnworth.

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A full copy of the MNP Report can be found at XXXXXXXXXX.

Quick Facts:

- BCLC is responsible for conduct and management of gambling in BC.
- GPEB is responsible for the overall integrity of gambling and horse racing in the Province.
- MNP were engaged by GPEB to conduct the review on ~~September~~ Sept. 8, 2015 and delivered the report on July 26, 2016.
- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:

Government Communications and Public Engagement
Attorney General
778-678-1572

From: [McAndrews, Caroline GCPE:EX](#)
To: [Nelson, Tiffany GCPE:EX](#); [Watson, Jason GCPE:EX](#); [Sitter, Donna GCPE:EX](#)
Cc: [Robins, Shawn GCPE:EX](#)
Subject: RE: For review: AML materials
Date: Wednesday, September 20, 2017 1:36:00 PM

We are on it, Clayton has asked for a few edits and quote from MMF so we are working on it.

From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, September 20, 2017 10:00 AM
To: McAndrews, Caroline GCPE:EX; Watson, Jason GCPE:EX; Sitter, Donna GCPE:EX
Cc: Robins, Shawn GCPE:EX
Subject: For review: AML materials

Hi there – attached are our latest AML report materials (NR and QA), with reference to JIGIT. These are with the GPEB ADM now. Planned release time is 8 a.m. tomorrow.

Can you please review and confirm if all looks good to PSSG? Thank you!

From: [McAndrews, Caroline GCPE:EX](#)
To: [Nelson, Tiffany GCPE:EX](#)
Cc: [Watson, Jason GCPE:EX](#); [Sitter, Donna GCPE:EX](#); [Robins, Shawn GCPE:EX](#)
Subject: Re: For review: AML materials
Date: Wednesday, September 20, 2017 10:07:41 AM

Thanks Tiff. We'll loop in with our staff.

Sent from my iPhone

On Sep 20, 2017, at 10:00 AM, Nelson, Tiffany GCPE:EX <Tiffany.Nelson@gov.bc.ca> wrote:

Hi there – attached are our latest AML report materials (NR and QA), with reference to JIGIT. These are with the GPEB ADM now. Planned release time is 8 a.m. tomorrow.
Can you please review and confirm if all looks good to PSSG? Thank you!

From: [Sitter, Donna GCPE:EX](#)
To: [Nelson, Tiffany GCPE:EX](#)
Subject: RE: Input from elsewhere AML materials
Date: Wednesday, September 20, 2017 3:19:00 PM

Thanks Tiff - have sent it to Caroline and MO - will let you know asap!

From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, September 20, 2017 3:06 PM
To: Sitter, Donna GCPE:EX; Robins, Shawn GCPE:EX
Cc: McAndrews, Caroline GCPE:EX; Roberts, Michelle J GCPE:EX
Subject: RE: Input from elsewhere AML materials
Thanks Donna. This latest is with MO reflecting their input (not signed off yet). I've added your edits and placed a hold for your quote, which I'll add once approved.

From: Sitter, Donna GCPE:EX
Sent: Wednesday, September 20, 2017 2:44 PM
To: Nelson, Tiffany GCPE:EX; Robins, Shawn GCPE:EX
Cc: McAndrews, Caroline GCPE:EX; Roberts, Michelle J GCPE:EX
Subject: RE: Input from elsewhere AML materials
Quote for SG in AG NR - This isn't signed off by our MO - could we have the NR when you are ready so we can run by them too?

"Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated," said Minister of Public Safety and Solicitor General Mike Farnworth. "These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue."

From: Sitter, Donna GCPE:EX
Sent: Wednesday, September 20, 2017 2:03 PM
To: Nelson, Tiffany GCPE:EX; Robins, Shawn GCPE:EX
Cc: McAndrews, Caroline GCPE:EX; Roberts, Michelle J GCPE:EX
Subject: Input from elsewhere AML materials
Importance: High

Hi - here is input from Police Services Division - they want to make sure that it is clear JIGIT operates under CFSEU-BC. (for your info - strategic direction and priorities are issued to CFSEU by the Sol Gen not AG.) So we've made a couple of edits to both of these docs. I also have a quote for the SG out for approval - it isn't included here. Thanks and will try to get that back soon as I can

From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, September 20, 2017 10:00 AM
To: McAndrews, Caroline GCPE:EX; Watson, Jason GCPE:EX; Sitter, Donna GCPE:EX
Cc: Robins, Shawn GCPE:EX
Subject: For review: AML materials
Hi there – attached are our latest AML report materials (NR and QA), with reference to JIGIT. These are with the GPEB ADM now. Planned release time is 8 a.m. tomorrow.
Can you please review and confirm if all looks good to PSSG? Thank you!

From: [Sitter, Donna GCPE:EX](#)
To: [McAndrews, Caroline GCPE:EX](#)
Subject: RE: Quote Approval Pls! AML materials
Date: Wednesday, September 20, 2017 4:31:00 PM

Great!

From: McAndrews, Caroline GCPE:EX
Sent: Wednesday, September 20, 2017 4:26 PM
To: Sitter, Donna GCPE:EX
Subject: FW: Quote Approval Pls! AML materials
There you go! It went well, he did a good job. Did it inside as we were pressed for time.

From: Harrison, Veronica PSSG:EX
Sent: Wednesday, September 20, 2017 4:22 PM
To: Sitter, Donna GCPE:EX
Cc: McAndrews, Caroline GCPE:EX; Roberts, Michelle J GCPE:EX
Subject: Re: Quote Approval Pls! AML materials
This is good to go.
Thanks.

Sent from my iPhone

On Sep 20, 2017, at 3:12 PM, Sitter, Donna GCPE:EX <Donna.Sitter@gov.bc.ca> wrote:

Hi - this is an AG news release scheduled to go out tomorrow at 8am. Clayton thought MMF might have a quote - they are holding a space in the NR. Here is the draft quote - for review thanks!

"Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated," said Minister of Public Safety and Solicitor General Mike Farnworth. "These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue."

Smith, Justin GCPE:EX

From: Godfrey, Sam AG:EX
Sent: Monday, September 18, 2017 11:30 AM
To: Harris, Megan A GCPE:EX
Subject: AML issue

Follow Up Flag: Follow up
Flag Status: Flagged

Hi Megan,

As you know MDE wants the MNP report released asap. He would like it done this week, with a media release and media availability. He mentioned that there are government-wide calendars you have for scheduling such items. Can you please coordinate the timing with his Tanera?

Regarding the release, key points as I understand them:

- On assuming responsibility for gaming in BC, the Attorney General was briefed by law enforcement and BC's gaming regulators, the Gaming Policy Enforcement Branch (GPEB).
 - These briefings raised concerns by the Minister regarding the issue of money-laundering at casinos in BC.
 - One of the briefings referenced a report 25 page report by consulting firm MNP LLP, entitled "AML Report". It was submitted to the GPEB on July 27 2016.
 - Consistent with the principle of transparency, this report is being released today.
 - In the coming weeks the Minister will be releasing Terms of Reference to select an independent expert who will: Review if there is an issue of money laundering at casinos in BC.
- If there is an issue, what is the nature and timeline of the issue, and what steps should be considered in order to address it.

Please advise as to next steps.

Best, Sam

Sam Godfrey

Ministerial Assistant, Ministry of Attorney General
Mobile: 250 208 1359 | Office: 250 925 7613
Rm 232, Parliament Buildings, 501 Belleville St., Victoria, B.C. V8V 1X4

This message, including any attachments to it, is not to be disclosed outside of the Provincial Government without prior written approval from the Ministry of Attorney General. If you have received this communication in error, please destroy the email message and any attachments immediately and notify me by telephone or by email.

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Wednesday, September 20, 2017 4:41 PM
To: Howlett, Tim GCPE:EX; Zadravec, Don GCPE:EX
Cc: McGregor, Cara GCPE:EX
Subject: AML QA and NR
Attachments: QsAs AMLS Review - 20SEPT17 - DRAFT.docx; NR -AML Report- 20SEPT17 - DRAFT.DOCX

Importance: High

Hi all,

Here is what is currently sitting with the MO for approval. We are still aiming to go for 8 am if we can get it approved in time. We are also waiting on the final report so that GPEB can create the link to it from the NR.

Megan

**Confidential Advice to Minister
DRAFT Sept 20, 2017**

**Release of MNP report
Questions & Answers**

s.13

Page 038 to/à Page 039

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NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos,” said Attorney General David Eby. “During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today.”

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

Insert BCLC quote here

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

A copy of the MNP Report can be found at https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf.

Add links to: BCLC response plan to initial report, FINTRAC annual review, internal audit

Quick Facts:

- BCLC is responsible for conduct and management of gambling in B.C.

- GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.
- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:
 Government Communications and Public Engagement
 Ministry of Attorney General
 778 678-1572

**Confidential Advice to Minister
DRAFT Sept 19, 2017**

**Appointment of Independent Third-Party to Assess
Effectiveness of Anti Money Laundering Strategy by BC Lottery Corporation**

Questions & Answers

s.13

Page 043 to/à Page 044

Withheld pursuant to/removed as

s.13

Release of 2016 MNP report on anti-money laundering

SUGGESTED RESPONSE:

- The Gaming Policy and Enforcement Branch (GPEB) commissioned the MNP report because there were concerns about unsourced cash entering the River Rock Casino [Resort \(RRCR\)](#).
- The report analyzed anti-money laundering practices at the casino and made recommendations to address any gaps in B.C.'s anti-money laundering strategy.
- The report was completed in July 2016, but was not made public.
- GPEB has provided direction to BCLC to go beyond meeting federal reporting requirements and establish source of funds before accepting cash.
- GPEB also worked with the RCMP and Ministry of Public Safety and Solicitor General (PSSG) to establish the Joint Illegal Gaming Investigation Team (JIGIT).
- Despite these efforts, intelligence and the ongoing work of law enforcement indicates that money laundering is still occurring in B.C. casinos.
- That's why we're developing the terms of reference for a review of the provincial Anti-Money Laundering Strategy to determine what additional action should be taken.

BACKGROUND:

Government will make public a 2016 report on anti-money laundering (AML) practices in B.C.'s gambling facilities. The report, conducted by consulting firm MNP, was completed on July 26, 2016 but was not released. At the same time the report is released, government will also announce ~~the that~~ terms of reference for a review of B.C.'s anti-money laundering strategy [are being developed](#).

In 2015, the Gaming Policy and Enforcement Branch (GPEB) engaged financial consulting firm MNP to review current practices regarding large volumes of unsourced cash being accepted at River Rock Casino Resort (RRCR). GPEB had found that approximately \$13 million in \$20 bills were accepted by RRCR in July 2015. This was determined through reviews of suspicious currency transactions reported to GPEB by casino service providers.

MNP was asked to analyze current practices at RRCR and identify immediate near-term actions to address gaps. BCLC questioned the data used in the analysis and the credentials of MNP, and raised concerns about some of the recommendations made by MNP.

Of the report's ^{s.13} recommendations, many were directed to BCLC with regards to training, customer

due diligence, and technology and monitoring. The most significant recommendation directed at government is for: *GPEB, at the direction of the Minister responsible for gaming, to consider implementing a policy requirement for service providers to refuse unsourced cash deposits exceeding an established dollar limit, or refuse frequent unsourced cash deposits exceeding an established threshold and time period.*

S.14

The General Manager, however, has provided direction to BCLC, emphasizing the need for BCLC to go beyond meeting federal AML reporting requirements and establish the source of funds before accepting cash.

GPEB worked with the RCMP and Ministry of Public Safety and Solicitor General (PSSG) to establish the Joint Illegal Gaming Investigation Team (JIGIT) in Spring 2016. JIGIT is an integrated and dedicated law enforcement team with a focus on disrupting organized crime and gang involvement in illegal gaming and preventing money laundering in BC gaming facilities. It is housed within the RCMP's Combined Forces Special Enforcement Unit (CFSEU-BC).

While the specific terms of reference for the review of BC's existing AML measures are yet to be developed, the review is intended to~~The review of B.C.'s anti-money laundering measures will~~ look at AML measures currently in place and may make recommendations about ~~any~~ additional steps that could be taken by government to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities. ~~The terms of reference are under development.~~

Program Area	Deputy / ADM	GCPE
N. Pandachuck – Sept. 12/17 J. Hazel – Sept. 15/17 L. Meilleur – Sept. 15/17 A. Fitzgerald – Sept. 15/17 D. Boychuk – Sept. 15/17 K. Bruce – Sept. 15, 2017	J. Mazure – Sept. 15/17	X. XX – XX/17 T. Nelson – XX/17 M. Harris – XX/17

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Tuesday, September 19, 2017 11:34 AM
To: Smith, George AG:EX
Subject: FW: Communications materials
Attachments: IN - MNP report release - 15Sept18SR comments.docx; NR -AML Report-19SEPT17 DRAFTSR.docx; QsAs AMLS Review DRAFT Sept19SR (GPEB input).docx

My eyes haven't been on these yet.

From: Robins, Shawn GCPE:EX
Sent: Tuesday, September 19, 2017 10:59 AM
To: Harris, Megan A GCPE:EX
Cc: Nelson, Tiffany GCPE:EX; Pandachuck, Niki FIN:EX
Subject: Communications materials

Attached please find the latest drafts of the Q's and As, News Release and Issue Note based on comments from GPEB and MO for the Release of the MNP Report.

**Confidential Advice to Minister
DRAFT Sept 19, 2017**

**Appointment of Independent Third-Party to Assess
Effectiveness of Anti Money Laundering Strategy by BC Lottery Corporation**

Questions & Answers

s.13

Page 049 to/à Page 050

Withheld pursuant to/removed as

s.13

NEWS RELEASE

For Immediate Release
[release number]
Sept. xx, 2017

Ministry of the Attorney General

Report and Recommendations on Anti-Money Laundering Efforts in B.C. Casinos Released

VICTORIA – The Attorney General today released the July 2016 MNP Report analysing anti-money laundering (AML) practices at B.C. casinos. The report also made numerous recommendations to address gaps in B.C.'s anti-money laundering policies.

The report was commissioned by the provincial Gaming Policy and Enforcement Branch (GPEB) in the wake of concerns about unsourced cash entering the River Rock Casino Resort (RRCR). Through reviews of reported suspicious currency transactions in GPEB found that approximately \$13 million in \$20 bills were accepted by RRCR in July 2015. MNP, one of Canada's largest full-service chartered accountancy and business advisory firms was commissioned to analyze current practices at RRCR and identify immediate near-term actions to address gaps in anti-money laundering practices. The report was completed in July 2016.

The report contains^{s.13} recommendations. Many are directed to the BC Lottery Corporation, which has responsibility for the conduct and management of gambling facilities, and focus on training, customer due diligence, and technology and monitoring. Recommendations about issues of broad policy are directed at government.

Government has reviewed the report and feels further work would be warranted to ensure the appropriate policies are in place to prevent the proceeds of crime from entering B.C. gambling facilities. Terms of reference for an additional review by an independent expert are being developed to look at current AML measures, and make recommendations about additional steps that could be taken by government.

A full copy of the MNP Report can be found at XXXXXXXXXXXX.

Quotes:

Attorney General David Eby, QC –

"On assuming responsibility for gaming in B.C. as part of my Ministerial duties I received a briefing that raised concerns about the issue of money laundering at a B.C. casino. The briefing referenced a report that had been commissioned from MNP on initiatives to combat money laundering at casinos. In the interests of transparency I am releasing that report today. Over the next few weeks we will develop terms of reference and select an independent expert to take a hard look at anti-money laundering measures currently in place and make recommendations about additional steps that government can take to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities."

“Use of B.C. gambling facilities to launder money that has been obtained through criminal activity hurts our society and undermines the integrity of the gambling industry. We are serious about doing everything we can to identify money laundering activities and ensure policies are in place to prevent it from occurring in our BC gaming establishments.”

“GPEB and the BCLC have already acted on many of the recommendations in the MNP report, but we believe more needs to be done to combat this continuing illegal practice.”

Quick Facts:

- MNP were engaged by the Gaming Policy and Enforcement Branch to conduct the review on September 8, 2015 and delivered the report on July 26, 2016.
- In 1998 the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In 2016/17 the net return to Government from B.C.'s commercial gaming industry was \$1.3 billion.
- The gaming industry directly and indirectly employs 37,000 people.

Media Contact:

Government Communications and Public Engagement

Attorney General

778-678-1572

Release of 2016 MNP report on anti-money laundering

SUGGESTED RESPONSE:

- The Gaming Policy and Enforcement Branch (GPEB) commissioned the MNP report because there were concerns about unsourced cash entering the River Rock Casino Resort (RRCR).
- The report analyzed anti-money laundering practices at the casino and made recommendations to address any gaps in B.C.'s anti-money laundering strategy.
- The report was completed in July 2016, but was not made public.
- GPEB has provided direction to BCLC to go beyond meeting federal reporting requirements and establish source of funds before accepting cash.
- GPEB also worked with the RCMP and Ministry of Public Safety and Solicitor General (PSSG) to establish the Joint Illegal Gaming Investigation Team (JIGIT).
- Despite these efforts, intelligence and the ongoing work of law enforcement indicates that money laundering is still occurring in B.C. casinos.
- That's why we're developing the terms of reference for a review of the provincial Anti-Money Laundering Strategy to determine what additional action should be taken.

BACKGROUND:

Government will make public a 2016 report on anti-money laundering (AML) practices in B.C.'s gambling facilities. The report, conducted by consulting firm MNP, was completed on July 26, 2016 but was not released. At the same time the report is released, government will also announce ~~the that~~ terms of reference for a review of B.C.'s anti-money laundering strategy are being developed.

In 2015, the Gaming Policy and Enforcement Branch (GPEB) engaged financial consulting firm MNP to review current practices regarding large volumes of unsourced cash being accepted at River Rock Casino Resort (RRCR). GPEB had found that approximately \$13 million in \$20 bills were accepted by RRCR in July 2015. This was determined through reviews of suspicious currency transactions reported to GPEB by casino service providers.

MNP was asked to analyze current practices at RRCR and identify immediate near-term actions to address gaps. BCLC questioned the data used in the analysis and the credentials of MNP, and raised concerns about some of the recommendations made by MNP.

Of the report's ^s₁₃ recommendations, many were directed to BCLC with regards to training, customer

due diligence, and technology and monitoring. The most significant recommendation directed at government is for: *GPEB, at the direction of the Minister responsible for gaming, to consider implementing a policy requirement for service providers to refuse unsourced cash deposits exceeding an established dollar limit, or refuse frequent unsourced cash deposits exceeding an established threshold and time period.*

s.14

The General Manager, however, has provided direction to BCLC, emphasizing the need for BCLC to go beyond meeting federal AML reporting requirements and establish the source of funds before accepting cash.

GPEB worked with the RCMP and Ministry of Public Safety and Solicitor General (PSSG) to establish the Joint Illegal Gaming Investigation Team (JIGIT) in Spring 2016. JIGIT is an integrated and dedicated law enforcement team with a focus on disrupting organized crime and gang involvement in illegal gaming and preventing money laundering in BC gaming facilities. It is housed within the RCMP's Combined Forces Special Enforcement Unit (CFSEU-BC).

While the specific terms of reference for the review of BC's existing AML measures are yet to be developed, the review is intended to~~The review of B.C.'s anti-money laundering measures will~~ look at AML measures currently in place and may make recommendations about ~~any~~ additional steps that could be taken by government to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities. ~~The terms of reference are under development.~~

Program Area	Deputy / ADM	GCPE
N. Pandachuck – Sept. 12/17 J. Hazel – Sept. 15/17 L. Meilleur – Sept. 15/17 A. Fitzgerald – Sept. 15/17 D. Boychuk – Sept. 15/17 K. Bruce – Sept. 15, 2017	J. Mazure – Sept. 15/17	X. XX – XX/17 T. Nelson – XX/17 M. Harris – XX/17

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Thursday, September 21, 2017 8:45 PM
To: Smith, George AG:EX; Godfrey, Sam AG:EX; Milne, Gala AG:EX
Cc: Harris, Megan A GCPE:EX
Subject: Latest MNP NR
Attachments: NR -AML Report- 20SEPT17 - FINAL.docx; ATT00001.htm

Hi George - latest MNP report NR is attached with the BCLC quote included for your review.

We're needing to push the embargo release time to 8:30am tomorrow (with the NR out at 9:50am) to give GPEB time to prepare the report link (as the report is too large to email) and also to give BCLC time to prep the three links they'd like added: ***BCLC response plan to initial report, FINTRAC annual review, and an internal audit done by an external company.***

Will send more detail on all three once we have it.

NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos,” said Attorney General David Eby. “During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today.”

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

Insert BCLC quote here

“BCLC welcomes this review and we will cooperate fully throughout the process,” said BCLC President & CEO Jim Lightbody. “We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices. We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in BC, we’ll do it. ”

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

A copy of the MNP Report can be found at https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf.

Add links to: BCLC response plan to initial report, FINTRAC annual review, internal audit

Quick Facts:

- BCLC is responsible for conduct and management of gambling in B.C.
- GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.
- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:

Government Communications and Public Engagement
Ministry of Attorney General
778 678-1572

Smith, Justin GCPE:EX

From: Pandachuck, Niki FIN:EX
Sent: Tuesday, September 12, 2017 1:59 PM
To: Harris, Megan A GCPE:EX; Hazel, Jillian FIN:EX
Cc: Henderson, Jeff FIN:EX
Subject: RE: AML Review

On it ☺

Niki

Niki Pandachuck · Communications Officer
[Gaming Policy & Enforcement Branch](#)
Ministry of Attorney General
P: 250 387-1151 / C: 778 679-0829

From: Harris, Megan A GCPE:EX
Sent: Tuesday, September 12, 2017 1:53 PM
To: Hazel, Jillian FIN:EX
Cc: Pandachuck, Niki FIN:EX; Henderson, Jeff FIN:EX
Subject: RE: AML Review

Oh yes, that would be fantastic! Thank you.

From: Hazel, Jillian FIN:EX
Sent: Tuesday, September 12, 2017 1:52 PM
To: Harris, Megan A GCPE:EX
Cc: Pandachuck, Niki FIN:EX; Henderson, Jeff FIN:EX
Subject: RE: AML Review

Megan, is it helpful if Niki goes ahead and takes a stab at drafting an IN on this?

We messaging on AML and JIGIT, which can be used.

From: Harris, Megan A GCPE:EX
Sent: Tuesday, September 12, 2017 1:40 PM
To: Mazure, John C FIN:EX; Meilleur, Len FIN:EX
Cc: Hazel, Jillian FIN:EX; Boychuk, Dave FIN:EX; Henderson, Jeff FIN:EX; Pandachuck, Niki FIN:EX
Subject: RE: AML Review

Thanks all... I am between meetings right now and need to get caught up on everything – while also watching QP.

Right now, all I know is that it will be a PVO event at 12:30 on Friday. Sorry... not much more than that and I welcome input and as much as you want to give!

Megan

From: Mazure, John C FIN:EX
Sent: Tuesday, September 12, 2017 1:36 PM
To: Meilleur, Len FIN:EX
Cc: Hazel, Jillian FIN:EX; Harris, Megan A GCPE:EX; Boychuk, Dave FIN:EX; Henderson, Jeff FIN:EX; Pandachuck,

Niki FIN:EX
Subject: Re: AML Review

We will need to provide Megan with language that covers off government's (bcic's) response to the report recommendations.

Sent from my iPhone

On Sep 12, 2017, at 1:24 PM, Meilleur, Len FIN:EX <Len.Meilleur@gov.bc.ca> wrote:

Thanks Jillian and yes that is what Megan relayed to me by phone also saying there would be an "event" on Friday so maybe we can get more detail on that from her as to what is envisioned and who needs to be there. I have copied Meghan in this email response. Len

From: Hazel, Jillian FIN:EX
Sent: September-12-17 1:13 PM
To: Mazure, John C FIN:EX
Cc: Boychuk, Dave FIN:EX; Meilleur, Len FIN:EX; Henderson, Jeff FIN:EX; Pandachuck, Niki FIN:EX
Subject: AML Review

Hi John,

s.13 Government
will be proactively releasing the MNP Report on Friday. s.13
s.13 We will work with AG Comms staff (Megan Harris) to prepare material. Jeff has sent her the MNP Report and BN that went to the Minister.

s.22

Jillian Hazel
Director, Policy and Communications
Strategic Policy and Projects Division
Gaming Policy and Enforcement Branch
Ministry of Attorney General
250-356-2984

Smith, Justin GCPE:EX

From: Boychuk, Dave FIN:EX
Sent: Thursday, September 21, 2017 9:42 PM
To: Harris, Megan A GCPE:EX; Mazure, John C FIN:EX
Cc: Nelson, Tiffany GCPE:EX; Meilleur, Len FIN:EX; Henderson, Jeff FIN:EX; Hazel, Jillian FIN:EX; Pandachuck, Niki FIN:EX
Subject: Re: Update on MNP timing
Attachments: MNP Report - redacted reduced.pdf

I have attached a reduced size version of the PDF, at 5.3MB on my system. I can no longer remember the threshold for our Exchange servers, but this should go.

The quality of this version remains quite good.

This is the last option for changing the file size without access to technical staff and tools, which will have to wait for regular business hours.

Please let me know if this is sufficient for emailing out.

From: Harris, Megan A GCPE:EX
Sent: Thursday, September 21, 2017 8:42 PM
To: Mazure, John C FIN:EX
Cc: Nelson, Tiffany GCPE:EX; Boychuk, Dave FIN:EX; Meilleur, Len FIN:EX; Henderson, Jeff FIN:EX; Hazel, Jillian FIN:EX; Pandachuck, Niki FIN:EX
Subject: Re: Update on MNP timing
Hi all,

Plan is to send the NR and report under embargo to the press gallery at 8:30ish tomorrow and the NR distributed provincewide at 9:50. The issue is we can't send the report at 12MB over email. I'm hoping for suggestions?

If we absolutely have to we may have to make it live at 8:30.

Help!
Megan

On Sep 21, 2017, at 4:50 PM, Mazure, John C FIN:EX <John.Mazure@gov.bc.ca> wrote:

Will do. Thx Tiffany.

Sent from my iPhone

On Sep 21, 2017, at 4:46 PM, Nelson, Tiffany GCPE:EX <Tiffany.Nelson@gov.bc.ca> wrote:

Hi everyone – as an update on the MNP news release, we are looking to issue it at 10 a.m. tomorrow if you could please arrange to have the link live at that time.

We will share the final NR once available.

British Columbia Gaming Policy Enforcement Branch

AML Report

Private & Confidential

PREPARED FOR: Dave Boychuk
Gaming Policy Enforcement Branch
3rd Floor, 910 Government Street
Victoria, BC V8W 1X3

PREPARED BY: MNP LLP
1500, 640 – 5th Avenue SW
Calgary, AB T2P 3G4

DATE: July 26, 2016

TABLE OF CONTENTS

1.0	TERMS OF REFERENCE	3
2.0	BACKGROUND	4
3.0	SCOPE OF REVIEW, APPROACH AND LIMITATIONS	7
4.0	SUMMARY OF FINDINGS/RECOMMENDATIONS	9
5.0	DETAILED FINDINGS/RECOMMENDATIONS	11
	Staffing Observations	11
	Compliance Program observations	12
	Enhanced Due Diligence ("EDD")	12
	Investigative Capabilities	13
	Systems and Data	15
	Reporting	16
	Identification and Reporting of UFTs	18
	Risk Based Approach	19
	Know Your Patron (KYP) or standard CDD	19
	Business Relationship Risk	20
	Industry Practice	21
	Cash Alternatives	22
	Environmental Factors	23
6.0	RESTRICTIONS AND LIMITATIONS	25

1.0 TERMS OF REFERENCE

- 1.1 MNP was engaged by British Columbia's ("BC") Gaming Policy and Enforcement Branch ("GPEB") on September 8, 2015. MNP was directed to work directly with senior GPEB managers to:
- a. Analyze current practices in respect of source of funds, source of wealth, handling of cash, use of cash alternatives and overall Customer Due Diligence ("CDD") in gaming facilities compared to financial institutions;
 - b. Analyze best practices in the gaming sector in relation to 'know your customer' frameworks, particularly in respect of the regulatory framework in British Columbia, as set out in the Gaming Control Act [S.B.C 2002, c. 14];
 - c. Assess British Columbia Lottery Corporation ("BCLC's") Customer Due Diligence ("CDD") regime and overall compliance with the above-noted practices;
 - d. Receive information from the General Manager (as defined in the *Gaming Control Act*) or delegate regarding certain transactions, and assess this information in the context of compliance with a, and b above;
 - e. Identify immediate near term actions to be taken in order to address any gaps and provide recommendations on longer term new solutions or enhancements to current practices; and
 - f. Provide any other recommendations to address any gaps identified in the above-described analysis.
- 1.2 This engagement is not an audit and did not include any control testing. The findings and recommendations are based on information obtained through interviews as well as observations made at the River Rock Casino Resort ("RRCR" or "River Rock") and at BCLC.
- 1.3 We have not independently verified the information provided to us from any source. We reserve the right to review all information included or referred to in our report and, if we consider it necessary, to revise our report in light of any new information which becomes known to us after the date of the report.
- 1.4 Our findings and recommendations are based upon our observations and understanding as at the completion of our field work on January 22, 2016. Actions taken by GPEB, BCLC, or any other party to respond to matters described in our report have not been assessed by MNP.
- 1.5 Our Report is intended to be read in its entirety. We caution against drawing conclusions from any part of our Report in isolation. Our findings are based on procedures performed and information available to us as of the completion of our field work. Instruction to proceed with further analysis and information received subsequent to this date may significantly alter our findings.
- 1.6 The field work, interviews and the corresponding report was prepared independently and objectively by the authors.

2.0 BACKGROUND

- 2.1 The Gaming Policy and Enforcement Branch ("GPEB") Compliance Division compiled a document which identified approximately \$13.5 million in \$20 bills being accepted at RRCR in Richmond during July 2015. Information provided to MNP, containing synopsis details indicated as being sourced from the iTrak system by GPEB, indicated unsourced cash from unknown persons or persons believed to be connected to or participating in illicit activity, was dropped off at the casino or "just-off" casino property for patrons at unusual times, generally late at night. This information caused increased concern and prompted action to be taken by GPEB to review the current practices regarding large volumes of unsourced cash being accepted at RRCR.
- 2.2 Law enforcement intelligence has indicated that this currency may be the direct proceeds of crime. The majority of this cash is being presented by persons commonly referred to as high roller Asian VIP clients. Single cash buy-ins in excess of \$500,000 with no known source of funds have been accepted at RRCR.
- 2.3 GPEB considers the regulatory requirements imposed by the *Gaming Control Act* and the *Federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act* ("PCMLTFA") and its associated regulations to be a minimum standard of conduct. GPEB is mindful of its responsibility for the integrity of gaming including mitigating the risks of money laundering in gaming facilities.
- 2.4 In addition to the regulatory reporting obligations imposed on BCLC by the PCMLTFA in its operation of the casinos in British Columbia ("BC"), GPEB has an interest in reducing the influx of unsourced cash into gaming facilities in BC to protect the integrity of gaming in BC. In our view, this can only be accomplished through the acknowledgement, from all parties, that the proceeds of crime may be being injected into the gaming system despite the controls in place. The reduction of unsourced cash and the expulsion of high risk patrons will contribute to the goal of maintaining the integrity of the gaming system.
- 2.5 In conducting our review we identified that there are three distinct entities in the casino gaming model in BC:
- The Gaming Policy and Enforcement Branch;
 - The British Columbia Lottery Corporation; and
 - The Facility Operator/Service Provider.
- 2.6 GPEB¹ regulates all legal gaming in BC. It ensures the integrity of gaming industry companies, people and equipment, and investigates allegations of wrongdoing. This mandate includes regulatory oversight of BCLC (which conducts and manages lotteries, casinos, community gaming centres and commercial bingo halls), all gaming services providers and gaming workers, BC's horse racing industry and licensed gaming events.

¹ <https://www.gaming.gov.bc.ca/legislation-policies/>

2.7 In addition, GPEB is responsible for the following:

- Conducting audits of charitable and commercial gaming activities to ensure compliance;
- Investigating regulatory offences and providing support to police of local jurisdiction for the investigation of criminal offences connected to gaming facilities²;
- Managing the Province's Responsible Gambling Strategy including the Problem Gambling Program, in order to minimize harm and promote responsible gambling practices; and
- Distributing gaming funds to community organizations.

2.8 According to the BCLC website³, BCLC is a Crown Corporation, owned by the Province of BC it was established to meet the requirements of the Criminal Code of Canada, and balance the need for revenue generation with a commitment to social responsibility and integrity. In 1998, the Province added casino gambling to this mandate and made BCLC responsible for the operation of the casino industry in BC.

2.9 BCLC is responsible for managing the following:

- Setting and overseeing operating standards;
- Creating policies and procedures for all gambling facilities, including security and surveillance;
- Monitoring private sector Service Providers to ensure they conform to policies and procedures, to legislation, regulations and federal anti-money laundering laws; and
- Improving security systems, procedures and employee training programs.

2.10 According the BCLC website, Service Providers⁴ are the companies who own and operate BC gambling facilities. They own or lease gambling facilities like casinos and community gaming centers and maintain the facility operations on a day-to-day basis. With respect to gaming, Service Providers enter into operational service agreements with BCLC and earn commissions based on gambling revenues. They must operate in strict adherence to the rules and regulations set out by both BCLC and GPEB.

2.11 Service Providers are responsible for:

- Complying with terms of registration and reporting matters as required under the *Gaming Control Act* and *Gaming Control Regulations*;
- Providing and maintaining facilities;
- Hiring qualified staff;

² <https://www.gaming.gov.bc.ca/legislation-policies/docs/regulatory-responsibility-gpeb-bclc.pdf>

³ <http://corporate.bclc.com/what-we-do/casinos/our-role.html>

⁴ <http://corporate.bclc.com/what-we-do/casinos/service-providers.html>

- Following BCLC gambling standards, policies and procedures;
- Implementing the anti-money laundering program as prescribed by BCLC;
- Providing and operating surveillance equipment;
- Managing slot machines, table games and bingo games;
- Providing accounting and financial management; and
- Participating in compliance reviews and audits.

2.12 Service Providers are paid a commission based on the net gambling revenue for providing day-to-day services in casinos, community gaming centres and bingo halls. There are two different kinds of commissions:

- An operating commission for operating the facility; and
- A facility development commission which provides incentive for Service Providers to develop high quality facilities.

2.13 The Service Provider implements procedures in response to BCLC's policies, however, as the profit of the operator would be adversely impacted by implementing any control procedures that may reduce revenue, there is an inherent risk that the implemented procedures are designed to meet minimum regulatory requirements. Any guidance from the Province on the reduction of bulk cash will need to be implemented through additional policy from BCLC.

3.0 SCOPE OF REVIEW, APPROACH AND LIMITATIONS

3.1 MNP relied on the following documents and information sources for reference throughout the engagement:

- Background documents provided by GPEB related to the subject matter;
- BCLC organizational charts (November 2015);
- RRCR organizational charts (November 26, 2015);
- BCLC Policies and Procedures (2015);
- BCLC internal procedure documents (2015);
- Data extracts regarding regulatory reports filed between September 1, 2013 and August 31, 2015;
- Website information from BCLC;
- *Gaming Control Act BC*; and
- *PCMLTFA and Regulations*.

3.2 To obtain independent information on the current regime and the prevalence of bulk cash, MNP conducted a total of 23 interviews with employees and management of both RRCR and BCLC. These interviews, with the exception of one conducted with senior management of BCLC, were all done in conjunction with a GPEB Compliance Division auditor assigned by GPEB. Some interviews and operational walkthroughs at RRCR were also observed by a second member of the GPEB Compliance Division. MNP also conducted onsite observations at RRCR which included process walkthroughs for activities relating to acceptance of bulk cash, record keeping and regulatory reporting. MNP also conducted limited statistical analysis of cash transactions related to VIP patron activity at the RRCR.

3.3 Information was gathered through 11 interviews with management level staff from a number of relevant areas of the operations at RRCR including table games, slots, cash cage, VIP Hosts, surveillance and security. Senior Management was interviewed to obtain insight into the operations and policies of accepting large amounts of unsourced cash from patrons. In addition to the interviews, we observed operations on the gaming floor and in the cash cages on both the main gaming floor and VIP gaming areas (Salon Privé and Salon Phoenix) asking questions of staff to confirm documented policies and confirm information provided through the interview process.

3.4 12 interviews were conducted at BCLC to provide staff and management an opportunity to provide feedback, clarify policies and procedures and gain insight into the issues at hand.

3.5 Data regarding reportable cash transactions or play records was provided by BCLC for trending analysis. The period of data used for trending was September 1, 2013 to August 31, 2015. The data was used to identify trends and correlations between the frequencies of Large Cash Transaction Reports ("LCTRs"), the filing of Suspicious Transaction Reports ("STRs") and the ultimate banning of some players due in part to large and frequent play with unsourced cash.

- 3.6 During our analysis an error in the statistical reporting was identified and communicated to BCLC. This error related to the over reporting of non-cash transactions deposited to Patron Gaming Fund Accounts ("PGF") and the redeposit of funds from cashed out chips back into the PGF. BCLC advised they were aware of the issue and was in the process of obtaining a Policy Interpretation from the Financial Transactions and Analysis Centre of Canada ("FINTRAC"). This error resulted in significant over reporting of non-cash transactions to FINTRAC. As a result of the over reporting being included in the produced statistical play records, MNP was unable to determine the actual number and amounts of large cash transactions and as such this limited our ability to obtain reliable results from our data analytics. Due to the complexity of the reporting issue, it is not possible to segregate and remove duplicate transactions. There is no identifier to confirm new cash to the facility versus funds previously played and retained in the PGF for future game-play.
- 3.7 This report does not represent a comprehensive review of all aspects of the existing AML compliance processes. As such, we are not expressing an opinion regarding the adequacy, completeness or effectiveness of existing compliance activities as they relate to anti-money laundering or anti-terrorist financing activities. This engagement was not designed to nor does this report provide any analysis about whether money laundering or terrorist financing is actually occurring, nor does it provide any analysis about the potential that money laundering or terrorist financing will occur through the organization in the future.

4.0 SUMMARY OF FINDINGS/RECOMMENDATIONS

GPEB:

- 4.1 Regulatory regimes for gaming typically seek to balance revenue generation with risk mitigation. Contemplated changes to the gaming regulatory regime must recognize the unique role of each of the main participants, as these roles may create conflicting mandates. Specifically:
- GPEB is the regulator, primarily responsible for ensuring that gaming is conducted with integrity;
 - BCLC is the manager of gaming, primarily responsible to the Province for revenue generation and risk management and responsible to FINTRAC for regulatory compliance; and
 - The Service Providers are the gaming operators, and, via contract with BCLC, are primarily responsible for revenue generation for both the Province and the companies that own the casinos.
- 4.2 Currently, casinos are only required to report LCTRs after they have accepted the cash transaction. GPEB 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.
- 4.3 GPEB should continue to work with BCLC to support cash-alternatives for Service Providers to receive funds, strengthening the overall compliance regime with minimal impact on revenue generation.
- 4.4 GPEB, BCLC, and to some extent the Service Providers should jointly evaluate the resourcing and functioning of existing investigative units. Effective multi-agency units would promote the sharing of information and resources.

BCLC:

- 4.5 If GPEB implements a policy regarding the refusal of large or frequent unsourced cash deposits, BCLC's procedures to address the policy should include refresher training to Service Providers pertaining to BCLC's reporting requirements of attempted transactions to ensure reports are appropriately identified.
- 4.6 Although a specific compliance effectiveness review of gaming operations was not within the scope of this review, MNP did review a number of processes and did not observe anything material to suggest that the compliance program in effect at BCLC and RRCR is not functionally suitable to meet obligations under the PCMLTFA and implementing regulations.

- 4.7 BCLC's CDD process meets Federal regulatory requirements for standard risk patrons. However, the process could be enhanced from both a risk management and revenue generation perspective with modifications and additional resources to meet Enhanced Due Diligence ("EDD") expectations for high risk patrons. This may include confirmation or verification of key customer data including: source of wealth; source of cash; and occupation by the Service Provider or BCLC for higher risk patrons. The gathering of this additional information may assist the Service Provider in providing enhanced service to high valued patrons.
- 4.8 BCLC should consider whether its risk assessment process adequately reflects current thinking around money laundering and terrorist financing risk. The risks associated to specific facilities should be evaluated, rather than simply drawing geographic boundaries for risk.
- 4.9 BCLC should review its EDD process to ensure it appropriately mitigates identified risks. Additional resources may be required to clear the current backlog and support timely completion of the EDD process as required. BCLC should also identify reliable sources of information for persons and businesses based outside of Canada.
- 4.10 BCLC should prioritize and appropriately resource the ongoing SAS implementation project to improve the quality of the data used for ongoing risk assessment and compliance monitoring and reporting. Data from other sources, particularly slot machine play, should be incorporated into the process. Improved data will support province-wide monitoring of activities posing compliance risks.
- 4.11 BCLC should 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. Facility staff should be regularly trained on the completion of the forms. This will encourage consistent and appropriate reporting across the Province.
- 4.12 BCLC's anti-money laundering training programs should be evaluated for up-to-date content and effectiveness. Emphasis should be placed on behavioural red flags, as facility staff have the direct customer interaction. Training should be provided in the primary language of the candidate.
- 4.13 MNP identified instances where non-cash transactions processed to RRCR'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. BCLC advised they were aware of the over-reporting issue and were working with FINTRAC to obtain a Policy Interpretation and determine action to be taken regarding the issue.
- 4.14 While generally consistent with the regulatory requirements, the Know Your Patron ("KYP") framework at River Rock is a task-driven compliance activity rather than a risk management activity. Given the Service Provider's inherent motivation to maximize revenue, it should not be expected to lead compliance and risk management efforts within the gaming industry. BCLC should provide further guidance as the manager and responsible entity for AML regulatory obligations to enhance and enforce appropriate KYP measures.

5.0 DETAILED FINDINGS/RECOMMENDATIONS

Staffing Observations

BCLC:

- 5.1 Operating levels for BCLC Investigators may need to be reviewed as the current staffing levels assigned to River Rock do not appear to be sufficient to address the volume of reports and incidents on a timely basis. In interviews with BCLC, investigators have self-assessed that approximately 95% of their time is focused on AML reporting activities. Non-compliance tasks which used to be completed by investigators located at RRRCR are now being assigned to other investigators with the Lower Mainland region. Additional duties included in the mandates of the investigators at RRRCR may not be being completed or may not be adequately completed to manage the risk associated with the activity at River Rock.

Service Provider:

- 5.2 Experienced managers and supervisory staff who are fully engaged and fully executing on their entire position mandate are able to identify risks within their areas of supervision and apply reasonable assessments and measures to address activity which may be considered unusual. This becomes a first line of defense when identifying potential compliance issues. However, due to high turnover at the Service Provider, management level positions are held by incumbents who have been in the positions less than one year. When asked about issues and risks related to large volumes of unsourced cash being accepted, they advise they are still learning the positions, and feel they are meeting all requirements associated with AML compliance.
- 5.3 Positions with recent turnover at RRRCR include: Interim Chief Compliance Officer, Table Games Manager, Cage Manager, Slot Director, and the Manager of Player Relations. RRRCR has undergone significant turn over in staff ^{s. 22}

At the time of the onsite interviews eight of ten Relief Gaming Manager positions were staffed.

- 5.4 RRRCR employs VIP hosts who report to the manager of Marketing. VIP Hosts are responsible for managing the client experience, which includes managing the amounts of complementary items and services given to players (commonly referred to as player comps), and providing custom gaming experiences with the intention of maximizing patron play. 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. Due to the reporting structure, we would expect that the VIP Hosts have a primary responsibility for revenue generation rather than regulatory compliance or a social responsibility to reduce illicit cash flow. 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.

- 5.5 It was noted on the Service Provider Organizational Chart, dated November 26, 2015 that the Manager, Player Relations did not have a direct reporting relationship to Senior Management. The Director, Surveillance does not show a reporting line to Senior Management. A VP Compliance position reporting to the President and CEO also did not exist on the Chart.

Compliance Program observations

GPEB:

- 5.6 GPEB should 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

BCLC:

- 5.7 BCLC is the reporting entity for the purpose of compliance with PCMLTFR obligations to FINTRAC. AML programs were the responsibility of the Casino Investigations Unit up to 2013. The AML unit was created in 2013 and at that time took over responsibility for all aspects of the AML Program.

Enhanced Due Diligence (“EDD”)

BCLC:

- 5.8 Through iTrak, BCLC has access to all Know You Patron/Player (“KYP”) due diligence, activity records and incident reports including Unusual Financial Transactions (“UFTs”), Suspicious Transaction Reports (“STRs”), and Section 86 reports submitted to GPEB regardless of the facility of play. This allows BCLC to identify patrons at a provincial level who represent higher risks and then perform EDD, risk assessment and ongoing monitoring of these patrons.
- 5.9 BCLC has identified two segments of patrons who have been assessed as requiring EDD to manage the risk of the frequency and value of play. The first segment is comprised of the Top 100 players by volume. The second list, known as the Conditions List, relates to known associates of a high risk player who has been identified by law enforcement to be involved in the provision of large volumes of unsourced bulk cash to VIP patrons. In some instances, the lists overlap. For example, at the time of the review, 36 patrons identified on the Conditions List also appear on the Top 100 list.
- 5.10 All EDD efforts undertaken by BCLC are manual investigations. At the current time, systems do not identify higher risk patterns through an automated alert system. iTrak does not have capabilities for business analytics.
- 5.11 The EDD or “Deep Dive Dossiers” are created using open source information to identify owned properties and business ownership. The one file reviewed during the interviews with BCLC did not include key information such as a synopsis of overall activity, play value or frequency, determined or verified source of funds or wealth information, or an indication of whether the player was cleared for play or had restrictions in place. The file did not present any negative findings, however, the player was indicated as being “on watch.”

- 5.12 There is limited open source information available for Chinese Nationals, which comprise the majority of the identified high risk demographic at RRRC. As, most of the VIP patrons are Asian and many are recent immigrants to Canada or Chinese Nationals there is limited Canadian open source information on which to base risk assessment determinations.
- 5.13 Based on staffing levels and time required to complete an EDD file in the current manner there is a considerable backlog of files to be completed which may increase the risk to all stakeholders as appropriate actions may not be taken in a timely manner. It is anticipated that the volume of patrons requiring ongoing EDD will increase over time.
- 5.14 The Service Provider facilitates gaming through slot machines as well as table games. As at the time of the review, we were not made aware of any EDD on business relationships created due to slot play. In addition there is no review or analytics on slot play including ongoing review of Cash Disbursement Reports ("CDRs") to identify possible anomalies which require further investigation.
- 5.15 BCLC's EDD program for high risk patrons was reviewed to identify if improvements are warranted. EDD measures could be more qualitative, and a formal response to specified risk ratings, similar to other jurisdictions such as Alberta, could be created.
- 5.16 Outsourcing the EDD process for higher risk patrons should be considered to clear the current backlog.

Service Provider:

- 5.17 The Service Provider gathers required information from patrons at particular trigger events during play. This would include when a patron reaches the threshold for the reporting of large cash transactions, which is \$10,000. The Service Provider is responsible for requesting that an acceptable identification document be produced and then recording the type, number and place of issuance as well as gathering mandatory information required for BCLC to file regulatory reports with FINTRAC. Information includes name, address, occupation and date of birth. Policy indicates that the ID document is scanned into the iTrak system. Information gathered at the facility, other than the ID document, is not verified by the Service Provider.
- 5.18 The iTrak system is universal to all facilities under BCLC's supervision. s. 15

Investigative Capabilities

GPEB:

- 5.19 The establishment of a dedicated, cooperative inter-agency AML investigations unit comprised of GPEB and BCLC investigators would delineate the roles between operational and AML investigations and regulatory compliance investigations. This would allow for improved tracking of activities related to regulatory compliance and ensure that employees tasked with compliance and risk management are suitably resourced.

BCLC:

- 5.20 BCLC has three onsite investigators at RRRCR. This was a result of the recognition of the increased risk at the facility as well as the volume of play that requires ongoing BCLC oversight. These investigators have access to iTrak and the facility's surveillance recordings which allow for prompt investigations. AML compliance investigations are supposed to be a component of the investigators duties as defined by BCLC procedures, however the significant volume of reportable transactions at RRRCR and the required reporting due diligence are consuming upwards of 95-100% of investigators' time. Regional investigators not assigned to RRRCR are now being regularly assigned all non AML duties at RRRCR such as theft or patron complaint investigations as the local investigators do not have time to deal with non-regulatory matters.
- 5.21 BCLC investigators regularly provide information to law enforcement on ongoing investigations^{s. 15}
- 5.22 BCLC has entered into an information sharing agreement with the RCMP that allows both parties to share intelligence on ongoing investigations and high risk patron activity.

Service Provider:

- 5.23 MNP has significant experience working with gaming operators and as such has observed numerous surveillance operations including infrastructure and investigative methodologies and procedures. The RRRCR's infrastructure is comparable to other large Canadian casino surveillance operations such as Casino Montreal or Manitoba's combined provincial facility. The operators and supervisors have significant experience in surveillance operations and utilize iTrak to monitor and report all suspicious activity. iTrak is the most common investigative and operations management software utilized by Canadian Casinos.

ITrak

Systems and Data

BCLC:

5.24 BCLC identified a growing need for enhanced capabilities in relation to analytics and the ability to conduct meaningful analysis on the data in its custody. As a result, the AML Operational Analysis Group was formed in 2013 with the mandate to perform statistical analysis of patron transaction data as well as to identify high risk patrons and perform enhanced due diligence on those individuals. With the hire of an AML data analyst in February 2014 it was determined that the data analytics capabilities of iTrak were limited and that exporting the data and using third party tools such as Excel were the preferred method. These limitations led to the identified need for a formal analytics solution and an RFP was issued. SAS was selected as the vendor. The implementation of this software tool is ongoing and has been subject to numerous delays and a work stoppage to clarify scope and estimate over runs. We understand that SAS is scheduled for roll out in the fall of 2016. This is 18 months later than initially anticipated. The successful implementation of this tool should be a priority for BCLC as the current processes are contributing to delays in effectively conducting transactional analysis.

5.25 Despite the limitations of the current tools s. 15

This information was then shared with law enforcement agencies for the purpose of investigating criminal activity related to the large volumes of unsourced cash. After several attempts by BCLC to refer information, law enforcement undertook an investigation into the activities identified through the BCLC analytics. s. 15 This is a positive effort by BCLC to detect and report suspicious activity with the intent of reducing unsourced cash from entering the gaming facilities.

5.26 BCLC provided data to MNP for the period September 1, 2013 to August 31, 2015 ("the Period") to analyze transactional data regarding the volumes of unsourced cash being accepted at River Rock. The analysis would also address efforts taken by BCLC and the Service Provider to gather Know Your Player ("KYP") or CDD information and perform EDD where appropriate; file STRs; and where appropriate impose bans on high risk patrons for participating in suspicious activity. After conducting significant analytical work it was determined, and confirmed by BCLC, that the data was not accurate and included significant numbers over-reported LCTRs and CDRs making trending analysis unreliable. For further details on the reporting issue, refer to 5.32. We were able to make the following limited observations:

- Play with significant volumes of cash was being conducted by patrons with non-Canadian addresses and identification, primarily Chinese; and
- While significant volumes of LCTRs were filed during the Period the number of STRs filed was relatively small and the number of bans for potential money laundering activity was few.
 - 41,187 LCTRS filed during the period;

- 1,194 STRs filed during the period⁵;
- 1,209 BCLC Prohibition Bans⁶.

- 5.27 The limitations of the current analytics tools and the time required to manually process transactions diminishes the effectiveness of a monitoring program for slot disbursements. The risk of money laundering is significantly lower with slots than with table games, due to the limits on how much money can be fed into a machine in one session as well as the limits on single payouts for Ticket In Ticket out ("TITO") ticket redemption at Ticket Redemption Kiosk ("TRK") machines. Although the risk is lower than table games, due diligence on large volumes of slot CDRs should be monitored for suspicious activity.
- 5.28 Completion of the SAS implementation should remain a high priority for BCLC. Improved data analytics and systems for transaction monitoring and reporting will allow for the early detection of potential money laundering or high risk transactions.
- 5.29 The analytic capability of the iTrak system limits BCLC's AML Operational Analysis group in its ability to identify suspicious activity. The reporting is primarily restricted to the identification of thresholds that aid in the identification of mandatory record keeping or reporting. BCLC has made significant investments in advanced analytics in the proposed SAS solution. The continued development and rollout of this product needs to be a priority for BCLC to allow it to conduct meaningful assessment of the data collected in iTrak.

Reporting

BCLC:

- 5.30 Casinos are required to file the following reports with FINTRAC:
- Large Cash Transaction Reports;
 - Casino Disbursement Reports;
 - Suspicious Transaction Reports; and
 - Terrorist Property Reports.
- 5.31 MNP did not conduct an audit of the processes surrounding reporting requirements, nor of the accuracy or timeliness of the reports submitted to FINTRAC. Through interviews and observation MNP is able to make summary comments on the reporting requirements at the Service Provider and by BCLC, who is responsible for filing the reports from information provided by the facility operators.

⁵ STRs identified by incident number which could relate to multiple people.

⁶ Bans are also based on incident numbers and could relate to multiple people and include site bans.

- 5.32 Observed processes appear to be in place to track instances where cash transactions require the completion and filing of reports. This may be done through buy-ins at the table or through transactions at the cash cage. However, it was ascertained that funds credited to a player's PGF, regardless of the source of funds (Cash, drafts or EFTs from a Canadian bank) are being over-reported as cash. This is resulting in a significant number of unnecessary LCTR and CDR reports. In addition, withdrawals from the PGF account for play are being reported as CDRs and appear to be re-reported as cash based on table buy-ins. Review of the transaction and reporting process for all PGF enabled facilities should be done immediately to stop the number of unnecessary and incorrect reports. This over reporting has been disclosed to FINTRAC.
- 5.33 During our interviews with the Service Provider, BCLC, and GPEB, there was ongoing reference to a historical undocumented threshold of \$50,000 which was the trigger value to consider a transaction suspicious at the Service Provider location. The issue of the threshold preceded this report. FINTRAC guidelines confirm there is no minimum dollar value related to the filing of an STR. Suspicious transactions are financial transactions where there is reasonable grounds to suspect they are related to the commission of a money laundering offence. This includes transactions that you have reasonable grounds to suspect are related to the attempted commission of a money laundering offence. As a result, BCLC has undertaken a review of LCTR transactions to determine if STR transactions had been overlooked. BCLC made a self-disclosure to FINTRAC regarding the issue in December 2015.
- 5.34 BCLC's Internal Audit group conducts a Quality Assurance ("QA") of STR and unfiled UFTs. Audit conducts a review regarding timeliness of filings on LCTRs. The BCLC Investigations group also has a process and procedure in place to verify reports for mandatory information. It was noted through our data analysis of the data provided by BCLC that 385 (0.1%) of LCTRs did not contain one of the mandatory fields such as address, occupation or a unique identifier. Of the 41,187 reports contained in the data file:
- 297 addresses were reported as Null
 - 49 occupations were reported as Null
 - 39 reports contained no unique identification number, but rather a generic BCDL or similar descriptor.
- 5.35 A review of the BCLC policy and procedure documents allows for Service Provider staff to accept cash transactions at the cash cage and submit files with certain missing mandatory occupation information if the patron declines to provide full information⁷. Currently casinos are only required to report LCTRs after they have accepted the cash transaction. A directive from GPEB may support BCLC in the creation of a policy which would mandate the Service Provider to decline a transaction or issue a stop play when mandatory occupation data is not provided on the casino floor or at the cash cage. Submitting reports with missing mandatory information is contrary to the PCMLTFA and Regulations.

⁷ Reference to BCLC Casino and Community Gaming Centre Standards, Policies and Procedures section 1-2.3.

5.36 BCLC should review all of the FINTRAC reporting (LCTR/CDR) for non-cash for all facilities which offer PGF accounts due to over-reporting of LCTRs and CDRs in relation to churn⁸ within the patron gaming accounts.

5.37 Review of Terrorist Property reports was out of scope for the review.

Identification and Reporting of UFTs

BCLC:

5.38 BCLC is the reporting entity for gaming activities in BC and is responsible for filing all required reports with FINTRAC. BCLC operates at an arm's length from the facility and relies heavily on the Service Provider to identify instances where UFTs should be submitted for further review and decision making regarding suspicious activity that would require filing. As the Service Provider only has visibility to the patron's activity at its own facility (or facilities) within the iTrak system it may under- or over-report based on restricted intelligence.

5.39 BCLC Internal Audit provided feedback that UFT/STR reports are inconsistent in the assessment approach and narrative format from the Service Providers which may lead to valid UFTs not being reported by BCLC.

5.40 The BCLC investigators assigned to gaming facilities are currently reviewing 10-15% of LCTRs to determine if STR reports should be filed. This method of review does not appear to be effective as it did not identify the existence of the ongoing practice of only reporting transactions above an undocumented \$50,000 threshold.

5.41 BCLC has access to complete patron activity records, however does not conduct facility or province-wide monitoring and analytics due to system capability restrictions and resourcing.

5.42 BCLC's and the Service Provider's monitoring and reporting activities did identify the issue of large volumes of unsourced and unusual cash activity in October 2014, which resulted in an ongoing law enforcement investigation and the 60+ high risk patron registry.

5.43 Other industries, such as Money Service Businesses ("MSBs") have similar reporting models. The reporting entity (BCLC) with access to full data information should be conducting the bulk of the comprehensive monitoring and identifying transactions for review based on analytical indicators. The Service Provider should be responsible for filing UFTs that involve behavioural information or indicators for money laundering activity to BCLC. In many instances, the behavioural red flag information will supplement the data report which will provide valuable and wholesome information to FINTRAC when submitted by BCLC.

5.44 BCLC should create a template for UFT reports to ensure that all required information is included and to create consistency in the quality of submissions between facilities.

⁸ Churn is the terminology where a patron buys in with the same cash which they previously played with and cashed out. As a result, an active player can appear to be bringing in and cashing out large amounts of cash, which the iTRAK system records as new and separate funds for each transaction.

Service Provider:

- 5.45 From observations and interviews conducted with RRCR staff, the majority of UFTs are identified by surveillance rather than floor staff who have direct interaction with the patron. Employees (floor staff) are not required to document UFT interactions or provide narratives. Relying only on Surveillance observations increases the risk of missing behavioral red flags from direct interactions.
- 5.46 UFT witness narratives (form/document) are not completed by floor staff. Floor staff should have more active involvement in the reporting process as surveillance only has limited information based on video surveillance.
- 5.47 The Service Provider indicated that additional guidance on UFT reporting would be beneficial to meet the needs and expectations of BCLC and would make the process more effective for both entities. Additional on-site training was provided by BCLC in December 2015. Review of the training materials for the on-site training was not in the scope of the current engagement.

Risk Based Approach

BCLC:

- 5.48 As the FINTRAC reporting entity, BCLC is required to take on the role of conducting facility risk assessments. This is consistent with other Canadian jurisdictions. BCLC has developed its risk assessments by region. RRCR is included in the Lower Mainland risk assessment. This is not consistent with other jurisdictions in Canada who conduct their reviews by facility. As facilities are not operated by a single vendor they have inherent differences in their internal procedures. The patron base varies by facility as well, including a wide variance in the number of VIP patrons and their volume of play. We recommend that these risk assessments include factors specific to the facility. RRCR, for example is unique in its VIP play and warrants specific attention to its risks and the ongoing mitigation measures.
- 5.49 We also observed that the risk register is not as granular as other jurisdictions we have reviewed. We recommend that BCLC consider if the risk register reflects the current environment.

Know Your Patron (KYP) or standard CDD

- 5.50 Understanding the patrons using BC's gaming facilities is a line of defense against the use of illicit funds. KYP goes beyond recognizing a frequent player or knowing the time of day that they come into play and details about their family. It is about understanding the potential money laundering risk the patron poses to the facility and managing that risk accordingly.
- 5.51 PCMLTF Regulations⁹ require the identification of business relationships, ongoing monitoring and risk assessment of the business relationships as well as the implementation of appropriate special measures to mitigate high risk relationships. One measure is the gathering and verification of source of funds and source of wealth information.

⁹ Reference PCMLTFR 71.1

GPEB:

- 5.52 GPEB, at the direction of the Minister responsible for gaming, should consider issuing a directive pertaining to the rejection of funds where the source of cash cannot be determined or verified at specific thresholds. This would then provide specific guidance for BCLC to create policies and procedures for compliance by all operators.

BCLC:

- 5.53 BCLC investigators do not investigate to confirm the source of funds or source of wealth unless specifically requested at the time an EDD file is created.
- 5.54 BCLC AML manuals and training content appears to be sufficient, however additional training for employees in the VIP area focused specifically on suspicious indicators and required actions to improve independent thinking would be beneficial.
- 5.55 It was observed that most of the employees in the high limits rooms at RRCR speak Cantonese or Mandarin as a first language. Although the game play must be conducted in English, the language of general communication amongst the employees was not English. The mastery of a technical subject as defined in the BCLC Anti Money Laundering online training may be impacted by the presentation of the materials solely in English. BCLC should consider providing training in the primary language of its high risk exposed employees.
- 5.56 Based on the results of GPEB and the Minister responsible for gaming's risk assessment and risk threshold for large unsourced cash transactions, BCLC should revise policies regarding tolerance of high risk play and consequences of unacceptable high risk activity.

Service Provider:

- 5.57 From interviews and observations at the Service Provider, it is determined that source of funds and/or source of wealth information is not gathered for high risk, high volume cash players. Customer profiles do not require this information for continued play except when opening a PGF.
- 5.58 KYP at the Service Provider is based on repetitive observation of high limit player behaviour (no information is verified), and the expectation that BCLC is responsible for all due diligence activities. Additional information on the player is not shared with the Service Provider and is maintained in the iTrak system, to which only BCLC has full access. This process, and the associated accountability gaps, may have contributed to an organizational de-sensitization to cash through continued exposure to high volume bulk cash, especially in the VIP areas.

Business Relationship Risk**BCLC:**

- 5.59 BCLC is in the process of fully implementing the Business Relationship requirements and has identified a list of 670+ high risk patrons. This list is in addition to the previously referenced Top 100 list and the Conditions list which currently includes 75 patrons. The AML and Operational Analysis team is in the process of doing deep dives, however there is a considerable backlog.

- 5.60 At the time of the review, the Top 100 list contained 36 names also appearing on the Conditions list of 75 patrons. Of the 36 names, only 13 had received a comprehensive EDD review. Of all the patrons appearing on Top 100 list, a total of 34 files had received Comprehensive EDD review.
- 5.61 BCLC is working on enhancements to their loyalty program, "Encore" which is intended to increase the amount of carded play which will provide additional KYP for analytics especially for slot play.
- 5.62 As a result of the BCLC's identification of patrons associated to the criminal investigation of unsourced cash utilization, 60+ individuals associated with the activity have been identified for EDD, restricted play and interviews with the BCLC's staff.

Industry Practice

- 5.63 The objectives of the PCMLTFA include:

*"to implement specific measures to detect and deter money laundering... ",
"to respond to the threat posed by organized crime by providing law enforcement officials with the information they need to investigate and prosecute money laundering or terrorist financing offences" and "to assist in fulfilling Canada's international commitments to participate in the fight against transnational crime, particularly money laundering..."*

The PCMLTFA does not specifically legislate the requirements of an entity in relation to how it handles high risk transactions outside of record keeping and reporting obligations.

- 5.64 It is difficult to compare best practices for the management of AML/ATF risk to other industries. We do not believe that the banking sector is a good comparison as there is a significant difference in how banks handle account based risk when compared to transient casino play that is often anonymous. Where reportable transactions do occur, the Casino often only has limited information on which to base its risk assessment. Due to the significant volume of cash and the transient nature of its patrons Casinos are most similar to MSBs in their AML/ATF risk management models. In the absence of specific guidance, other industries regulated under the Act have developed controls and measures to reduce or eliminate the risk associated to the receipt of unsourced bulk cash.
- 5.65 The implementation of controls around bulk cash vary by industry:
- MSBs – Money Services Businesses place limits on the amount of bulk cash accepted from clients. This practice forces alternative funding such as bank drafts, certified cheques or wire transfers.
 - Financial Institutions – Although most financial institutions will not refuse a cash deposit they will close client accounts that exceed their defined risk thresholds. Account based relationships also offer greater monitoring capabilities which aid in managing risk.
 - Security Dealers – The majority of Securities Dealers place outright bans on cash deposits. This is impractical in the gaming industry.

- 5.66 In gaming models where casinos are provincially operated, the ability to implement revenue impacting, socially guided controls and restrictions is simplified in that the revenue of the private operator is not a consideration. Implementing cash controls on private operated facilities requires a greater assessment of revenue impact and how best to ensure the operators remain reasonably compensated.

Cash Alternatives

GPEB:

- 5.67 BCLC's mandate of revenue generation, and GPEB's mandate to ensure the overall integrity of gambling in the province requires a balanced approach to support a restriction or significant reduction in the amount of cash accepted at the casino facilities. The review of proposed cash alternative solutions and the impact of these solutions should remain a priority for both entities to promote gaming integrity and reduce the amount of unsourced cash being used in game play.
- 5.68 We understand that a concept document addressing extension of credit to VIP patrons has been put before GPEB. This concept has not yet been approved or denied as additional information is required by GPEB. Once the information is provided by BCLC, it should be a priority for GPEB to determine feasibility and the implementation criteria.
- 5.69 GPEB and BCLC should undertake a review of large cash transactions to determine if a bulk cash limit can be reasonably set for transactions where no source of funds can be determined. Currently patrons who have not been placed on a watch list can buy in with unlimited cash until flagged for an interview by BCLC.

BCLC:

- 5.70 BCLC has staffed a position to investigate the viability of a number of cash alternative options which need GPEB's approval to move forward. Considerations in developing cash alternative programs and products should include:
- The ability for non-Canadian players to fund PGF accounts if they are subject to cash restrictions in their home country (i.e. China)
 - The ability for non-Canadian player to repay credit extended at facilities if they are subject to cash restriction in their home country (i.e. China)
 - Allocating how defaults on repayments will be determined.(i.e. between BCLC and Service Provider and potentially the tax payer)
- 5.71 It is understood that any controls placed on the acceptance of bulk cash may reduce the volume of play and subsequently the revenue generated for both the operator and the province. BCLC reports that high limit play is a small part of BCLC revenue. As such, it will marginally impact BCLC revenues overall. However these controls may have a significant impact on revenue for the RRRCR operator, Great Canadian Gaming Corporation. The level of acceptable risk, impact on revenue generation and reducing the facilitation of layering of bulk cash must all be considered when determining adequate controls.

5.72 The implementation of cash alternatives is likely to bring the greatest reduction in unsolicited cash while having the least impact on overall level of play for VIP patrons. Although we cannot recommend specific options without additional analysis we do acknowledge that the most common options are:

- Domestic and international wires to fund PGFs;
- The ability to transfer funds between PGFs;
- Specified limits on chip passing amounts;
- Front Money accounts and the extension of credit;
- Removing the current limits for Convenience Cheques for non-verified wins and return of funds.

5.73 The Cheque Hold program has been approved, developed and implemented as a cash alternative. However, there has been no utilization to date by Service Providers due to the risk of non-payments.

5.74 A verifiable source of funds determination for cash amounts above a defined threshold to be obtained prior to game play should be mandated by GPEB and implemented by BCLC. In our opinion, the only way to verify funds is to obtain documentation for the withdrawal of cash from a financial institution (bank) or entity covered under the PCMLTFA such as a MSB.

Environmental Factors

5.75 The issue of casinos, RRCR in particular, accepting large volumes of cash has been a growing issue in the province for a number of years. The source of the cash is now in question, and social and moral responsibility around the unsourced cash has resulted in negative media around gaming operations in BC. A number of factors within the regulatory and guidance documents can be identified as the root cause of the issue.

- There are inherent conflicts between the mandates of GPEB and BCLC and the Service Provider. GPEB is responsible for regulation and the integrity of the gaming industry in BC. BCLC has statutory obligations under the *Gaming Control Act* to GPEB, is accountable to the Province for revenue generation, manages the Service Providers, and responsible to FINTRAC for regulatory compliance. Service Providers, are not covered entities under the PCMLTFA and therefore have limited regulatory obligations and exposure, instead focusing on revenue generation.
- From discussion with staff and management, examples provided by both GPEB and BCLC identify 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. This has contributed to an increased risk of compliance short-falls, misaligned priorities for implementing cash alternatives, and gaps in the oversight of day-to-day processes.

5.76 The PCMLTFA and implementing regulations require that reporting entities report prescribed transactions and identify suspicious transactions. There is no provision within the regulation that requires that funds which may be associated with a predicate offense to be rejected by a reporting entity.

- 5.77 The ongoing investigation by law enforcement into the potential use of proceeds of crime to fund VIP gaming activities prompted BCLC to implement a list of patrons who would be restricted from playing using unsourced cash.
- 5.78 In other industries, such as banking, securities dealers and MSBs, internal policies and procedures are developed based on the entity's risk based approach to determine when transactions should be rejected. Through review of policies and procedures at GPEB, BCLC and the Service Provider, it was noted that there has been no directives made to reject funds where the source of the cash cannot be determined and verified.
- 5.79 Reasonable grounds to suspect Money Laundering activity through the use of unsourced funds has been confirmed by the Service Providers and BCLC through the EDD processes. Interviews have confirmed that players are indeed wealthy non-residents, or business persons with interests both in Vancouver and China, coming to Vancouver to gamble. While the patron may be bona fide, the unsourced cash being accepted by the casino may be associated with criminal activity and poses significant regulatory, business and reputational risk.
- 5.80 The use of possible underground banking operations using large volumes of unsourced cash have become increasingly common and accepted as a convenience feature for VIP players who may not be able to send funds to Canada due to currency restrictions in their own country. The funding arrangements have been confirmed through interviews conducted by BCLC investigators with targeted patrons. The patron advises that they are provided with a contact in Vancouver, either locally or prior to arriving in Vancouver. The contact the person via phone for cash delivery. The funds are later repaid through cash holdings in China. This transaction flow forms an underground or unregistered Hawala type operation using unsourced cash into the casino.
- 5.81 River Rock staffs have fostered a culture accepting of large bulk cash transactions. Through interviews and conversations with facility staff, there is a false reliance of the KYP process, which is developed through the frequency of transactions dealing with large cash values rather than any verified information. This has resulted in a desensitization to the inherent AML risks associated to cash transactions. This was identified by a number of staff at various levels in GPEB, BCLC and the Service Providers.
- 5.82 BCLC's current systems and technology do not allow for analytics or system alerts for activity which is deemed to be suspicious or excessive. There is a reliance on the Operator to file UFTs which may prompt the need for EDD. The implementation of SAS has been significantly delayed due to vendor customization issues which has hindered BCLC's ability to perform efficient and effective monitoring.
- 5.83 Staffing levels do not allow for EDD or deep dive investigations to be completed in a timely manner which allows activity to continue at the facility supporting the apathy to large cash transactions.
 - The EDD process should be reviewed to ensure that data collected and information gleaned from various sources provide a clear picture of the risks and profile of the patron for risk assessment and mitigation purposes.

- 5.84 EDD "Deep dives" have indicated that the players who have been subject of UTFs are themselves are not directly associated with criminal activity. Further actions or reporting is then not deemed suspicious based on reasonable grounds to suspect ML/TF activity. The use of bulk unsourced cash, and the possible use of proceeds of criminal activity, is not clearly identified in the BCLC Risk Assessment.

6.0 RESTRICTIONS AND LIMITATIONS

- 6.1 This report is private and confidential. It is not intended for general circulation or publication. For certainty, this report may not be disclosed, copied, quoted, or referred to in whole or in part, whether for the purposes of litigation, disciplinary proceedings or otherwise, without our prior written consent in each specific instance. It is not to be distributed to any other persons without the prior express written consent of MNP. Such consent, if given, may be on conditions, including without limitation an indemnity against any claims by third parties arising from release of any part of our documents or reports. We do not and will not assume any responsibility or liability for losses incurred by the Gaming Policy Enforcement Branch or their employees or by any other parties as a result of the circulation, publication, reproduction, use of, or reliance upon any reports or documents contrary to the provisions of this paragraph. Further, we understand that this Report may be the subject of a request under the Freedom of Information and Protection of Privacy Act. Should a request be made, MNP will work with GPEB to fulfill the request in accordance with the Act.
- 6.2 Comments in any document or report we produce in the course of this engagement shall not be interpreted to be legal advice or opinion.
- 6.3 BCLC remains solely responsible at all times for adherence with all its compliance obligations.

Yours truly,

MNP LLP



Gregory S. Draper, MBA, DIFA, FCPA, FCGA, CFE, ICD.D
Investigative & Forensic Services

Hayley Howe, CAMS
Investigative & Forensic Services

Thanks,

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Ph: 250 356-6334 | **Cell: 250 858-4680**

Smith, Justin GCPE:EX

From: Pandachuck, Niki FIN:EX
Sent: Tuesday, September 19, 2017 4:40 PM
To: Harris, Megan A GCPE:EX
Cc: Mazure, John C FIN:EX; Hazel, Jillian FIN:EX; Henderson, Jeff FIN:EX
Subject: GPEB: NR, QA, and IN
Attachments: NR -AML Report- 19SEPT17 DRAFTSR (GPEB draft).docx; QsAs AMLS Review DRAFT Sept19SR (GPEB draft).docx; IN - MNP report release - 15Sept18SR comments (GPEB draft).docx

Hi Megan,

Here are drafts of the NR, QA, and IN for tomorrow's announcement. John has reviewed and is comfortable with what's proposed here.

Thank you,
Niki

Niki Pandachuck · Communications Officer
[Gaming Policy & Enforcement Branch](#)
Ministry of Attorney General
P: 250 387-1151 / C: 778 679-0829

Smith, Justin GCPE:EX

From: XT:Piva-Babcock, Laura FIN:IN
Sent: Thursday, September 21, 2017 8:00 PM
To: Harris, Megan A GCPE:EX; Nelson, Tiffany GCPE:EX
Cc: Doug Cheng; XT:Dolinski, Susan GCPE:IN
Subject: NR -AML Report- 20SEPT17 - FINAL.docx
Attachments: NR -AML Report- 20SEPT17 - FINAL.docx

Hi,

Jim Lightbody's quote is inserted. As discussed we will have links in the morning.

Thanks for your assistance. Have a good evening.

Laura Piva-Babcock
Director, Communications
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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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NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos,” said Attorney General David Eby. “During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today.”

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

Insert BCLC quote here

“BCLC welcomes this review and we will cooperate fully throughout the process,” said BCLC President & CEO Jim Lightbody. “We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices. We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in BC, we’ll do it. ”

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

A copy of the MNP Report can be found at https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf.

Add links to: BCLC response plan to initial report, FINTRAC annual review, internal audit

Quick Facts:

- BCLC is responsible for conduct and management of gambling in B.C.
- GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.
- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:

Government Communications and Public Engagement
Ministry of Attorney General
778 678-1572

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Thursday, September 21, 2017 5:01 PM
To: Smith, George AG:EX
Cc: Harris, Megan A GCPE:EX
Subject: RE: NR -AML Report- 20SEPT17 - FINAL
Attachments: NR -AML Report- 20SEPT17 - FINAL.docx; QsAs AMLS Review - 20SEPT17 - DRAFT.docx

Looks good to me. Clean version attached, along with updated QAs to match NR KMs.

From: Smith, George AG:EX
Sent: Thursday, September 21, 2017 4:48 PM
To: Nelson, Tiffany GCPE:EX
Cc: Harris, Megan A GCPE:EX
Subject: NR -AML Report- 20SEPT17 - FINAL

Just swapped the quote from MMF and MDE so that we end with MDE's "complex" line after BCLC quote.

Ok?

NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos,” said Attorney General David Eby. “During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today.”

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

Insert BCLC quote here

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

Insert BCLC quote here

~~“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”~~

A copy of the MNP Report can be found at https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf.

Add links to: BCLC response plan to initial report, FINTRAC annual review, internal audit

Quick Facts:

- BCLC is responsible for conduct and management of gambling in B.C.
- GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.
- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:

Government Communications and Public Engagement
Ministry of Attorney General
778 678-1572

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Thursday, September 21, 2017 4:47 PM
To: Boychuk, Dave FIN:EX; Mazure, John C FIN:EX; Meilleur, Len FIN:EX; Henderson, Jeff FIN:EX; Hazel, Jillian FIN:EX; Pandachuck, Niki FIN:EX
Cc: Harris, Megan A GCPE:EX
Subject: Update on MNP timing

Hi everyone – as an update on the MNP news release, we are looking to issue it at 10 a.m. tomorrow if you could please arrange to have the link live at that time.

We will share the final NR once available.

Thanks,

Tiffany Nelson | Communications Manager
Ministry of Attorney General
Ph: 250 356-6334 | Cell: 250 858-4680

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Friday, September 22, 2017 8:50 AM
To: Boychuk, Dave FIN:EX; Harris, Megan A GCPE:EX; Mazure, John C FIN:EX
Cc: Meilleur, Len FIN:EX; Henderson, Jeff FIN:EX; Hazel, Jillian FIN:EX; Pandachuck, Niki FIN:EX
Subject: Confirming final report link

Hi everyone – as we finalize the news release, can you confirm the report will be uploaded to the same link provided yesterday? If so, we will drop this back into the NR as it's finalized. Release time is now expected for 9:50 a.m. if you could please ensure link is live a few minutes before then.

Please confirm if this is right: https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf.

Thanks again,
Tiffany

From: Boychuk, Dave FIN:EX
Sent: Thursday, September 21, 2017 9:42 PM
To: Harris, Megan A GCPE:EX; Mazure, John C FIN:EX
Cc: Nelson, Tiffany GCPE:EX; Meilleur, Len FIN:EX; Henderson, Jeff FIN:EX; Hazel, Jillian FIN:EX; Pandachuck, Niki FIN:EX
Subject: Re: Update on MNP timing

I have attached a reduced size version of the PDF, at 5.3MB on my system. I can no longer remember the threshold for our Exchange servers, but this should go.

The quality of this version remains quite good.

This is the last option for changing the file size without access to technical staff and tools, which will have to wait for regular business hours.

Please let me know if this is sufficient for emailing out.

From: Harris, Megan A GCPE:EX
Sent: Thursday, September 21, 2017 8:42 PM
To: Mazure, John C FIN:EX
Cc: Nelson, Tiffany GCPE:EX; Boychuk, Dave FIN:EX; Meilleur, Len FIN:EX; Henderson, Jeff FIN:EX; Hazel, Jillian FIN:EX; Pandachuck, Niki FIN:EX
Subject: Re: Update on MNP timing

Hi all,

Plan is to send the NR and report under embargo to the press gallery at 8:30ish tomorrow and the NR distributed provincially at 9:50. The issue is we can't send the report at 12MB over email. I'm hoping for suggestions?

If we absolutely have to we may have to make it live at 8:30.

Help!

Megan

On Sep 21, 2017, at 4:50 PM, Mazure, John C FIN:EX <John.Mazure@gov.bc.ca> wrote:

Will do. Thx Tiffany.

Sent from my iPhone

On Sep 21, 2017, at 4:46 PM, Nelson, Tiffany GCPE:EX <Tiffany.Nelson@gov.bc.ca> wrote:

Hi everyone – as an update on the MNP news release, we are looking to issue it at 10 a.m. tomorrow if you could please arrange to have the link live at that time. We will share the final NR once available.
Thanks,

Tiffany Nelson | Communications Manager
Ministry of Attorney General
Ph: 250 356-6334 | **Cell: 250 858-4680**

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Thursday, September 21, 2017 5:38 PM
To: XT:Piva-Babcock, Laura FIN:IN
Cc: Harris, Megan A GCPE:EX
Subject: Draft news release for quote
Attachments: NR -AML Report- 20SEPT17 - FINAL.docx; ATT00001.txt

Hi Laura - attached is the draft news release for tomorrow if you could please send over BCLC's quote and report links for inclusion. As Megan mentioned, the plan is to issue this provincewide tomorrow at 10 a.m.

Thanks,

NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos,” said Attorney General David Eby. “During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today.”

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

Insert BCLC quote here

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

A copy of the MNP Report can be found at https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf.

Add links to: BCLC response plan to initial report, FINTRAC annual review, internal audit

Quick Facts:

- BCLC is responsible for conduct and management of gambling in B.C.

- GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.
- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:
Government Communications and Public Engagement
Ministry of Attorney General
778 678-1572

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Friday, September 15, 2017 11:46 AM
To: Nelson, Tiffany GCPE:EX
Subject: FW: IN - MNP report release - 12Sept17
Attachments: IN - MNP report release - 12Sept17.docx

FYI

From: Meilleur, Len FIN:EX
Sent: Friday, September 15, 2017 7:35 AM
To: Hazel, Jillian FIN:EX
Cc: Henderson, Jeff FIN:EX; Pandachuck, Niki FIN:EX; Mazure, John C FIN:EX; Harris, Megan A GCPE:EX
Subject: IN - MNP report release - 12Sept17

Jillian,

Thanks for the work on this. I have one comment and one edit for now.

Len

J.E.L. (Len) Meilleur
Executive Director
Compliance Division
Gaming Policy Enforcement Branch
Ministry of Attorney General
Location: 3rd Floor, 910 Government Street, Victoria BC V8W 1X3
Mailing Address: P.O. Box 9309 Stn Prov Govt, Victoria BC V8W 9N1
Tel: [250-356-6320](tel:250-356-6320) Fax: 250-356-0782
E-mail: len.meilleur@gov.bc.ca
Website: www.gaming.gov.bc.ca

If you believe that you have received this email in error, please notify the sender and delete the email from your mailbox.

Release of 2016 MNP report on anti-money laundering and announcement of a review on anti-money laundering

SUGGESTED RESPONSE:

- The Gaming Policy and Enforcement Branch (GPEB) commissioned the MNP report because there were concerns about unsourced cash entering the River Rock Casino.
- The report was completed in July 2016, but was not made public. s.13
- GPEB has provided direction to BCLC to go beyond meeting federal reporting requirements and establish source of funds before accepting cash.
- GPEB also worked with the RCMP and Ministry of Public Safety and Solicitor General (PSSG) to establish the Joint Illegal Gaming Investigation Team (JIGIT).
- Despite these efforts, intelligence and the ongoing work of law enforcement indicates that money laundering is still happening in B.C. casinos.
- That's why we're going to review the provincial Anti-Money Laundering Strategy and determine what additional action should be taken.
- We are asking s.22 to review the roles and responsibilities of GPEB, BCLC, and gambling service providers as they relate to B.C.'s anti-money laundering strategy to ensure they are clear and aligned.
- We are also asking s.22 to review anti-money laundering policies to ensure they are meeting our expectations and preventing the proceeds of crime from entering gambling facilities.

BACKGROUND:

Government will make public a 2016 report on anti-money laundering (AML) practices in B.C.'s gambling facilities. The report, conducted by consulting firm MNP, was completed on July 26, 2016 but was not released. At the same time the report is released, government will also publicly announce the terms of reference for a review of B.C.'s anti-money laundering strategy. s.13,s.22

In 2015, the Gaming Policy and Enforcement Branch (GPEB) engaged MNP to review current practices regarding large volumes of unsourced cash being accepted at River Rock Casino Resort (RRCR). GPEB had found that approximately \$13 million in \$20 bills were accepted by RRCR in July 2015. This was determined through reviews of suspicious transaction reports (STRs) provided to GPEB by casino service providers.

MNP was asked to analyze current practices at RRCR and identify immediate near-term actions to address gaps. BCLC questioned the data used in the analysis and the credentials of MNP, and raised concerns about some of the recommendations made by MNP.

Of the report's^{8,13} recommendations, many were directed to BCLC with regards to training, customer due diligence, and technology and monitoring. The most significant recommendation directed at government is for: *GPEB, at the direction of the Minister responsible for gaming, to consider implementing a policy requirement for service providers to refuse unsourced cash deposits exceeding an established dollar limit, or refuse frequent unsourced cash deposits exceeding an established threshold and time period.*

s.14

The General Manager, however, has provided direction to BCLC, emphasizing the need for BCLC to go beyond meeting federal AML reporting requirements and establish the source of funds before accepting cash.

GPEB worked with the RCMP and Ministry of Public Safety and Solicitor General (PSSG) to establish the Joint Illegal Gaming Investigation Team (JIGIT) in Spring 2016. JIGIT is an integrated and dedicated law enforcement team with a focus on disrupting organized crime and gang involvement in illegal gaming and preventing money laundering in BC gaming facilities. It is housed within the RCMP's Combined Forces Special Enforcement Unit (CFSEU-BC).

The review of B.C.'s anti-money laundering measures will look at AML measures currently in place and make recommendations about additional steps that could be taken by government to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities. The review will:

- Review the roles and responsibilities of GPEB, BCLC, and gambling facility service providers as they pertain to the AML strategy and make recommendations, as necessary, to clarify roles and responsibilities and ensure alignment and common objectives among these key players;
- Review the relevant legislation, including the Gaming Control Act and Gaming Control Regulation, and make recommendations, as necessary, to ensure that the key players have the requisite authorities to carry out their roles and responsibilities under the AMLs; and
- Review GPEB reports and audits related to AML strategy, Minister and General Manager direction to BCLC with respect to the AML strategy, and BCLC's AML policies, procedures and practices to ensure AML policies and their implementation in B.C. gambling facilities sufficiently mitigate the risk of the proceeds of crime entering gambling facilities and meet government's direction to and expectations of BCLC.

Program Area	Deputy / ADM	GCPE
N. Pandachuck – Sept. 12/17	J. Mazure – XX/17	X. XX – XX/17 T. Nelson – XX/17 M. Harris – XX/17

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Monday, September 18, 2017 2:05 PM
To: Nelson, Tiffany GCPE:EX
Subject: FW: AML issue

I'm thinking Wed. morning first thing for a NR and then blocking 11:30 – 12:30 for media calls.

From: Godfrey, Sam AG:EX
Sent: Monday, September 18, 2017 11:30 AM
To: Harris, Megan A GCPE:EX
Subject: AML issue

Hi Megan,

As you know MDE wants the MNP report released asap. He would like it done this week, with a media release and media availability. He mentioned that there are government-wide calendars you have for scheduling such items. Can you please coordinate the timing with his Tanera?

Regarding the release, key points as I understand them:

- On assuming responsibility for gaming in BC, the Attorney General was briefed by law enforcement and BC's gaming regulators, the Gaming Policy Enforcement Branch (GPEB).
 - These briefings raised concerns by the Minister regarding the issue of money-laundering at casinos in BC.
 - One of the briefings referenced a report 25 page report by consulting firm MNP LLP, entitled "AML Report". It was submitted to the GPEB on July 27 2016.
 - Consistent with the principle of transparency, this report is being released today.
 - In the coming weeks the Minister will be releasing Terms of Reference to select an independent expert who will: Review if there is an issue of money laundering at casinos in BC.
- If there is an issue, what is the nature and timeline of the issue, and what steps should be considered in order to address it.

Please advise as to next steps.

Best, Sam

Sam Godfrey
Ministerial Assistant, Ministry of Attorney General
Mobile: 250 208 1359 | Office: 250 925 7613
Rm 232, Parliament Buildings, 501 Belleville St., Victoria, B.C. V8V 1X4

This message, including any attachments to it, is not to be disclosed outside of the Provincial Government without prior written approval from the Ministry of Attorney General. If you have received this communication in error, please destroy the email message and any attachments immediately and notify me by telephone or by email.

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Tuesday, September 19, 2017 9:54 PM
To: Nelson, Tiffany GCPE:EX
Subject: FW: GPEB: NR, QA, and IN
Attachments: NR -AML Report- 19SEPT17 DRAFTSR (GPEB draft).docx; QsAs AMLS Review DRAFT Sept19SR (GPEB draft).docx; IN - MNP report release - 15Sept18SR comments (GPEB draft).docx

Importance: High

Hi Tiffany,

I got these back from GPEB today and they match the direction the MO wanted. Can you please ensure that Caroline has a look as well as it mentions PSSG and their efforts. It will need to go back past the GPEB team. **s.13**

NR – pretty roughed up by me so view on “final”

QA – I didn’t track edits. Too many.

IN – I didn’t review because my head is spinning. It can be influenced by the other two

Please take this as my review. Unless there are substantial changes, please keep moving these forward. After MO approves them, I will forward on to Don, Cara and Tim at HQ.

Thanks,
Me

From: Pandachuck, Niki FIN:EX
Sent: Tuesday, September 19, 2017 4:40 PM
To: Harris, Megan A GCPE:EX
Cc: Mazure, John C FIN:EX; Hazel, Jillian FIN:EX; Henderson, Jeff FIN:EX
Subject: GPEB: NR, QA, and IN

Hi Megan,

Here are drafts of the NR, QA, and IN for tomorrow’s announcement. John has reviewed and is comfortable with what’s proposed here.

Thank you,
Niki

Niki Pandachuck · Communications Officer
[Gaming Policy & Enforcement Branch](#)
Ministry of Attorney General
P: 250 387-1151 / C: 778 679-0829

NEWS RELEASE

For Immediate Release
[release number]
Sept. 21~~xx~~, 2017

Ministry of ~~the~~ Attorney General

Report on anti-money laundering efforts in B.C. casino released

VICTORIA – The ~~Attorney General~~ Government of B.C. ~~today has~~ released a 2016 report ~~completed in July 2016 that commissioned to~~ looked at anti-money laundering (AML) practices at River Rock Casino Resort (RRCR) in Richmond, ~~one B.C. casino. The~~ report, ~~prepared by MNP LLP, is being~~ has been released ~~to be transparent with the to public about~~ show the challenges ~~the province~~ B.C. faces related to money laundering.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a briefing that raised concerns about the issue of money laundering at a B.C. casino,” said Attorney General David Eby. “The briefing referenced a report that had been commissioned to combat money laundering at casinos. In the interests of transparency I am releasing that report today.”

The report was commissioned in 2015 by the Gaming Policy and Enforcement Branch (GPEB) in the wake of concerns about unsourced cash entering ~~the River Rock Casino Resort (RRCR).~~ ~~Through reviews of~~ After reports ~~reviewed identified~~ suspicious currency transactions, GPEB found ~~that~~ approximately \$13 million in \$20 bills were accepted by RRCR in July 2015 alone.

~~MNP, one of Canada’s largest full-service chartered accountancy and business advisory firms, was commissioned to analyze~~ anti-money laundering practices at RRCR and ~~make~~ made s.13 recommendations.

~~The report included recommendations directed directed at GPEB and the BC Lottery Corporation (BCLC) which is responsible for conduct and management of gambling facilities, and GPEB, which is responsible for regulating the gambling industry.~~ The recommendations focused on training, customer due diligence, technology and monitoring, and issues of broad policy.

In the coming weeks, a terms of reference will be developed to select an independent expert to look at anti-money laundering measures currently in place throughout all gambling facilities in the province. Recommendations are expected to provide additional steps to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities.

~~“In 2016 GPEB worked with the RCMP and Ministry of Public Safety and Solicitor General (PSSG) to establish the Joint Illegal Gaming Investigation Team (JIGIT). The regulator has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.”~~

The problem of money laundering is complex ~~because it and~~ involves an ever-evolving criminal element, ~~,” said Eby. “The use of B.C. gambling facilities to launder money that has been~~

s.13

obtained through criminal activity hurts our society and undermines the integrity of the gambling industry. We are serious about doing everything we can to identify money laundering activities and ensure policies are in place to prevent it from occurring in our B.C. gambling establishments."

~~Government is developing a terms of reference for an additional review by an independent expert to look at current AML measures and make recommendations about additional steps that could be taken.~~

s.13

A full copy of the MNP Report can be found at XXXXXXXXXX.

~~Quotes:~~

~~Attorney General David Eby, QC--~~

~~"On assuming responsibility for gambling in B.C. as part of my Ministerial duties I received a briefing that raised concerns about the issue of money laundering at a B.C. casino. The briefing referenced a report that had been commissioned from MNP on initiatives to combat money laundering at casinos. In the interests of transparency I am releasing that report today. Over the next few weeks we will develop terms of reference and select an independent expert to take a look at anti-money laundering measures currently in place and make recommendations about additional steps to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities."~~

~~"The use of B.C. gambling facilities to launder money that has been obtained through criminal activity hurts our society and undermines the integrity of the gambling industry. We are serious about doing everything we can to identify money laundering activities and ensure policies are in place to prevent it from occurring in our B.C. gambling establishments."~~

Quick Facts:

- BCLC is responsible for conduct and management of gambling facilities and GPEB is responsible for regulating the gambling industry.
- MNP were engaged by the Gaming Policy and Enforcement Branch to conduct the review on September 8, 2015 and delivered the report on July 26, 2016.
- In 1998 the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, the Gaming Policy and Enforcement Branch worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.
- which is responsible for regulating the gambling industry.

Media Contact:

Government Communications and Public Engagement

Attorney General
778-678-1572

Release of 2016 MNP report on anti-money laundering

SUGGESTED RESPONSE:

- We're releasing the MNP report to be transparent with the public about the challenges we're facing related to money laundering in B.C. casinos.
- The Gaming Policy and Enforcement Branch (GPEB) commissioned the MNP report because there were concerns about unsourced cash entering the River Rock Casino Resort.
- The report analyzed anti-money laundering practices at River Rock Casino Resort and made recommendations to improve B.C.'s anti-money laundering policy.
- The report was completed in July 2016, but was not made public.
- GPEB has provided direction to BCLC to go beyond meeting federal reporting requirements and establish source of funds before accepting cash.
- GPEB also worked with the RCMP and Ministry of Public Safety and Solicitor General (PSSG) to establish the Joint Illegal Gaming Investigation Team (JIGIT).
- Despite government's efforts, intelligence and the ongoing work of law enforcement indicates that money laundering is still occurring in B.C. casinos.
- That's why government is developing the terms of reference for a review that inquires into whether there is an inadequately addressed issue of money laundering in casinos.

Background:

Government will make public a 2016 report on anti-money laundering (AML) practices in B.C.'s gambling facilities. The report, conducted by consulting firm MNP, was completed on July 26, 2016 but was not released. At the same time the report is released, government will also announce that terms of reference for a review of B.C.'s anti-money laundering strategy are being developed.

In 2015, the Gaming Policy and Enforcement Branch (GPEB) engaged financial consulting firm MNP to review current practices regarding large volumes of unsourced cash being accepted at River Rock Casino Resort (RRCR). GPEB had found that approximately \$13 million in \$20 bills were accepted by RRCR in July 2015. This was determined through reviews of suspicious currency transactions reported to GPEB by casino service providers.

MNP was asked to analyze current practices at RRCR and identify immediate near-term actions to address gaps. BCLC questioned the data used in the analysis and the credentials of MNP, and raised concerns about some of the recommendations made by MNP.

The report included recommendations directed at the BC Lottery Corporation (BCLC) which is responsible for conduct and management of gambling facilities, and GPEB which is responsible for regulating the gambling industry. The recommendations focused on training, customer due diligence, technology and monitoring, and issues of broad policy.

The most significant recommendation directed at government is for: *GPEB, at the direction of the Minister responsible for gaming, to consider implementing a policy requirement for service providers to refuse unsourced cash deposits exceeding an established dollar limit, or refuse frequent unsourced cash deposits exceeding an established threshold and time period.*

In 2016 GPEB worked with the RCMP and Ministry of Public Safety and Solicitor General (PSSG) to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT is an integrated and dedicated law enforcement team with a focus on disrupting organized crime and gang involvement in illegal gaming and preventing money laundering in BC gaming facilities. It is housed within the RCMP's Combined Forces Special Enforcement Unit (CFSEU-BC). The regulator has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

The General Manager and the previous government provided direction to BCLC to establish source of funds before accepting cash. The General Manager also emphasized the need for BCLC to go beyond meeting federal AML reporting requirements.

While the specific terms of reference for the review of B.C.'s existing AML measures are yet to be developed, the review is intended to look at AML measures currently in place and may make recommendations about additional steps that could be taken by government to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities.

Program Area	Deputy / ADM	GCPE
N. Pandachuck – Sept. 19/17 J. Hazel – Sept. 19/17 L. Meilleur – Sept. 15/17 A. Fitzgerald – Sept. 15/17 D. Boychuk – Sept. 15/17 K. Bruce – Sept. 15, 2017	J. Mazure – Sept. 19/17	X. XX – XX/17 T. Nelson – XX/17 M. Harris – XX/17

**Confidential Advice to Minister
DRAFT Sept 19, 2017**

Release of MNP report on anti-money laundering

Questions & Answers

s.13

Page 111 to/à Page 112

Withheld pursuant to/removed as

s.13

Smith, Justin GCPE:EX

From: XT:Piva-Babcock, Laura FIN:IN
Sent: Friday, September 22, 2017 4:35 PM
To: Harris, Megan A GCPE:EX; Nelson, Tiffany GCPE:EX
Subject: Great Canadian Statement
Attachments: Great Canadian Response -AML.pdf

Hello,

Great Canadian Gaming is releasing this statement shortly.

Regards,

Laura Piva-Babcock
Director, Communications
74 West Seymour Street, Kamloops, B.C. V2C 1E2
T 250 828 5576 s.17

Connect with us:

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

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.

MEDIA STATEMENT FOR IMMEDIATE RELEASE

AML Practices at the River Rock Casino Resort

Great Canadian Gaming Corporation's Response to the Attorney General's AML Report

Richmond, BC (September 22, 2017): Today, Attorney General David Eby released a 2016 MNP report on anti-money laundering practices in BC casinos and announced a review to determine if there are issues pertaining to money laundering in Lower Mainland casinos.

Great Canadian Gaming Corporation (Great Canadian) strictly adheres to all regulatory requirements and maintains the highest standards of reporting at our properties. The British Columbia Lottery Corporation (BCLC), the Gaming Policy Enforcement Branch (GPEB), and FINTRAC have highly detailed and rigorous regulatory obligations that all Great Canadian facilities in BC adhere to and at all times we govern ourselves to meet or exceed those obligations, rules, and standards.

We welcome the Minister's review of the industry and our operations, and along with direction from GPEB and BCLC, we will adopt any further revisions to the regulatory structure should they direct BC casino operators to do so.

River Rock Casino Resort is owned and operated by Great Canadian Gaming Corporation.

-30-

Great Canadian Gaming Corporation is a Canadian based company that operates gaming, entertainment and hospitality facilities in British Columbia, Ontario, New Brunswick, Nova Scotia, and Washington State. A key element of Great Canadian's business model is its commitment to social responsibility. "PROUD of our people, our business, our community" is Great Canadian's brand that unifies the company's community, volunteering and social responsibility efforts. Under the PROUD program, Great Canadian annually invests over \$2.5 million in our communities, and in 2016, over 1,500 charitable organizations were supported by Great Canadian. In each Canadian gaming jurisdiction, a significant portion of gross gaming revenue from gaming facilities is retained by our crown partners on behalf of their provincial government for the purpose of supporting programs like healthcare, education and social services.

For further information:

Sonja Mandic

Director, Media Relations & Social Responsibility

Great Canadian Gaming Corporation.

604.889.7114.

smandic@gcggaming.com

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Thursday, September 21, 2017 4:45 PM
To: Smith, George AG:EX
Cc: Harris, Megan A GCPE:EX; Godfrey, Sam AG:EX; Milne, Gala AG:EX
Subject: Latest NR: MNP Report
Attachments: NR -AML Report- 20SEPT17 - FINAL.DOCX

Hi George – here is the latest MNP report NR, with the holds placed for BCLC content.

Thanks,

Tiffany Nelson | Communications Manager
Ministry of Attorney General
Ph: 250 356-6334 | Cell: 250 858-4680

NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos,” said Attorney General David Eby. “During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today.”

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

Insert BCLC quote here

“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

A copy of the MNP Report can be found at https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf.

Add links to: BCLC response plan to initial report, FINTRAC annual review, internal audit

Quick Facts:

- BCLC is responsible for conduct and management of gambling in B.C.

- GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.
- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:
Government Communications and Public Engagement
Ministry of Attorney General
778 678-1572

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Friday, September 22, 2017 9:27 AM
To: Carruthers, Dana GCPE:EX; Harris, Megan A GCPE:EX; Sherlock, Stephanie GCPE:EX
Cc: Zadravec, Don GCPE:EX; Croft, Robyn J GCPE:EX; Horlor, Shannon GCPE:EX
Subject: Link one for MNP NR

Hi Dana - one link can be added so far into our (non-embargo) NR copy. We are awaiting 2-3 other links to add from the BCLC.

Please add, right above "quick facts":

"A copy of the MNP Report can be found at https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf."

Thank you!

-----Original Message-----

From: Carruthers, Dana GCPE:EX
Sent: Friday, September 22, 2017 9:19 AM
To: Harris, Megan A GCPE:EX; Sherlock, Stephanie GCPE:EX
Cc: Zadravec, Don GCPE:EX; Croft, Robyn J GCPE:EX; Horlor, Shannon GCPE:EX; Nelson, Tiffany GCPE:EX
Subject: RE: For final review/approval - Report on anti-money laundering released, review to follow

Excellent - thank you Megan,

We are standing by for links and final approval Tiffany :)

-----Original Message-----

From: Harris, Megan A GCPE:EX
Sent: Friday, September 22, 2017 9:08 AM
To: Carruthers, Dana GCPE:EX; Sherlock, Stephanie GCPE:EX
Cc: Zadravec, Don GCPE:EX; Croft, Robyn J GCPE:EX; Horlor, Shannon GCPE:EX; Nelson, Tiffany GCPE:EX
Subject: RE: For final review/approval - Report on anti-money laundering released, review to follow

Stephanie has forwarded a "not final and under embargo" NR that you provided me. This version does not have the live links to the online report and the BCLC's response to it, in addition to other items. We were not releasing those under the embargo.

Tiffany will be in touch with the links to include as soon as she has confirmation from GPEB and BCLC that they are live and ready to go. It was not a simple task for these groups and we need to ensure the media had a chance to read the report before the rest of it.

If you have further questions, please call me. Please note that releasing this under embargo was the minister's request.

Megan

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Friday, September 22, 2017 9:08 AM
To: Carruthers, Dana GCPE:EX; Sherlock, Stephanie GCPE:EX
Cc: Zdravec, Don GCPE:EX; Croft, Robyn J GCPE:EX; Horlor, Shannon GCPE:EX; Nelson, Tiffany GCPE:EX
Subject: RE: For final review/approval - Report on anti-money laundering released, review to follow

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If you have further questions, please call me. Please note that releasing this under embargo was the minister's request.

Megan

-----Original Message-----

From: Carruthers, Dana GCPE:EX
Sent: Friday, September 22, 2017 9:02 AM
To: Harris, Megan A GCPE:EX; Sherlock, Stephanie GCPE:EX
Cc: Zdravec, Don GCPE:EX; Croft, Robyn J GCPE:EX; Horlor, Shannon GCPE:EX
Subject: RE: For final review/approval - Report on anti-money laundering released, review to follow

Please confirm that we are leaving at 9:50 including Robyn and Shannon as they need to know where we are on this too :) s.13

s.13

Thank you,
Dana

-----Original Message-----

From: Harris, Megan A GCPE:EX
Sent: Friday, September 22, 2017 8:54 AM
To: Sherlock, Stephanie GCPE:EX
Cc: Zdravec, Don GCPE:EX; Carruthers, Dana GCPE:EX
Subject: RE: For final review/approval - Report on anti-money laundering released, review to follow

So I am hearing from my MO to leave it at 9:50 s.13

s.13

-----Original Message-----

From: Sherlock, Stephanie GCPE:EX
Sent: Friday, September 22, 2017 8:52 AM
To: Harris, Megan A GCPE:EX
Cc: Zdravec, Don GCPE:EX; Carruthers, Dana GCPE:EX
Subject: RE: For final review/approval - Report on anti-money laundering released, review to follow

Can we send it out at 10:30 - giving them 90 mins?

-----Original Message-----

From: Harris, Megan A GCPE:EX

Sent: Friday, September 22, 2017 8:50 AM

To: Sherlock, Stephanie GCPE:EX

Cc: Zadravec, Don GCPE:EX

Subject: RE: For final review/approval - Report on anti-money laundering released, review to follow

s.13

Megan

-----Original Message-----

From: Sherlock, Stephanie GCPE:EX

Sent: Friday, September 22, 2017 8:48 AM

To: Harris, Megan A GCPE:EX

Cc: Zadravec, Don GCPE:EX

Subject: RE: For final review/approval - Report on anti-money laundering released, review to follow

s.13

-----Original Message-----

From: Harris, Megan A GCPE:EX

Sent: Friday, September 22, 2017 8:41 AM

To: Carruthers, Dana GCPE:EX

Cc: Nelson, Tiffany GCPE:EX; Sherlock, Stephanie GCPE:EX; Stagg, Linda R GCPE:EX; Kerr, Grant GCPE:EX; Horlor, Shannon GCPE:EX; Platts, Robin GCPE:EX

Subject: RE: For final review/approval - Report on anti-money laundering released, review to follow

Thanks Dana, Can we place, for now, at the top in exchange for "Not Approved" can it read "Not final - under embargo". Not approved will lead to issues with the media.

Megan

-----Original Message-----

From: Carruthers, Dana GCPE:EX

Sent: Friday, September 22, 2017 8:39 AM

To: Harris, Megan A GCPE:EX

Cc: Nelson, Tiffany GCPE:EX; Sherlock, Stephanie GCPE:EX; Stagg, Linda R GCPE:EX; Kerr, Grant GCPE:EX; Horlor, Shannon GCPE:EX; Platts, Robin GCPE:EX

Subject: For final review/approval - Report on anti-money laundering released, review to follow

Hi Megan,

Here is your NR for final review and approval - we understand that there is a link still to be added.

Once approved we will queue to go at 9:50 provincewide including all ethnic media.

Please call me at 250 953-4339 with any edits.

Thank you,
Dana

-----Original Message-----

From: Carruthers, Dana GCPE:EX [mailto:Dana.Carruthers@gov.bc.ca]
Sent: Friday, September 22, 2017 8:38 AM
To: Carruthers, Dana GCPE:EX
Subject: DRAFT: Report on anti-money laundering released, review to follow

Please refer to the files attached to this email. The following is the summary of the News Release

NR Number: Not Approved
NR Type: News Release
State: Planned
Planned Release Date: September 22, 2017 at 9:50 am Media Distribution Lists: ETHALL_ALL ETHNIC, LEGIS_PRESS GALLERY, MEDIA, PROVI_PROVINCE WIDE No Lead Organization
Headline: Report on anti-money laundering released, review to follow

This email was auto-generated.

Not Approved
Sept. 22, 2017

Ministry of Attorney General

NEWS RELEASE
Report on anti-money laundering released, review to follow

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"We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices," said BCLC president and CEO Jim Lightbody. "We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in B.C., we'll do it."

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we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch."

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- * GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Contact:

Government Communications and Public Engagement Ministry of Attorney General
778 678-1572

Connect with the Province of B.C. at: www.gov.bc.ca/connect

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Tuesday, September 19, 2017 10:24 PM
To: Nelson, Tiffany GCPE:EX
Subject: Re: GPEB: NR, QA, and IN

Thursday 8 am as far as I last heard!!

On Sep 19, 2017, at 10:02 PM, Nelson, Tiffany GCPE:EX <Tiffany.Nelson@gov.bc.ca> wrote:

Will do. I missed the final word on release timing but will get on this first thing.

On Sep 19, 2017, at 9:54 PM, Harris, Megan A GCPE:EX <Megan.Harris@gov.bc.ca> wrote:

Hi Tiffany,

I got these back from GPEB today and they match the direction the MO wanted. Can you please ensure that Caroline has a look as well as it mentions PSSG and their efforts. It will need to go back past the GPEB team. **s.13**

s.13

NR – pretty roughed up by me so view on “final”

QA – I didn’t track edits. Too many.

IN – I didn’t review because my head is spinning. It can be influenced by the other two

Please take this as my review. Unless there are substantial changes, please keep moving these forward. After MO approves them, I will forward on to Don, Cara and Tim at HQ.

Thanks,

Me

From: Pandachuck, Niki FIN:EX
Sent: Tuesday, September 19, 2017 4:40 PM
To: Harris, Megan A GCPE:EX
Cc: Mazure, John C FIN:EX; Hazel, Jillian FIN:EX; Henderson, Jeff FIN:EX
Subject: GPEB: NR, QA, and IN

Hi Megan,

Here are drafts of the NR, QA, and IN for tomorrow’s announcement. John has reviewed and is comfortable with what’s proposed here.

Thank you,

Niki

Niki Pandachuck · Communications Officer

[Gaming Policy & Enforcement Branch](#)

Ministry of Attorney General

P: 250 387-1151 / C: 778 679-0829

Smith, Justin GCPE:EX

From: Mazure, John C FIN:EX
Sent: Monday, September 18, 2017 11:04 AM
To: Harris, Megan A GCPE:EX
Subject: Re: MNP/TOR release

Sorry I missed you - later today??

Sent from my iPhone

On Sep 18, 2017, at 9:57 AM, Harris, Megan A GCPE:EX <Megan.Harris@gov.bc.ca> wrote:

Just tried... I'm only available for next 45 min ☹

From: Mazure, John C FIN:EX
Sent: Monday, September 18, 2017 9:53 AM
To: Harris, Megan A GCPE:EX
Subject: MNP/TOR release

Megan, when you have a few minutes can you call me to discuss – anytime today works except 11-noon.

Smith, Justin GCPE:EX

From: XT:Piva-Babcock, Laura FIN:IN
Sent: Thursday, September 21, 2017 10:22 PM
To: Harris, Megan A GCPE:EX; Nelson, Tiffany GCPE:EX
Cc: XT:Dolinski, Susan GCPE:IN; Doug Cheng
Subject: UPDATED VERSION - NR -AML Report- 20SEPT17 - FINAL (005).docx
Attachments: NR -AML Report- 20SEPT17 - FINAL (005).docx

Hi,

After a double-check we were concerned the first line in Jim Lightbody's original quote could confuse the reader as to which review we were referencing (MNP or the new review). We've deleted that first line in the quote to avoid that confusion. The rest of the quote remains the same and is inserted in this version of the release.

Please confirm in the morning that this version of the quote will proceed.

Thanks for your help. Laura

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NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

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Insert BCLC quote here

“We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices,” said BCLC President & CEO Jim Lightbody. “We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in BC, we'll do it.”

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Add links to: BCLC response plan to initial report, FINTRAC annual review, internal audit

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- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:

Government Communications and Public Engagement
Ministry of Attorney General
778 678-1572

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Friday, September 15, 2017 1:15 PM
To: Godfrey, Sam AG:EX
Cc: Nelson, Tiffany GCPE:EX
Subject: AML release

Hi Sam,

Thank you for the call this afternoon. After further reflection I would suggest we issue a NR Thursday afternoon with a link to the full MNP report and outlining the TOR and next steps. We should then make MDE available for media that afternoon and the following day.

By doing this, it allows us to manage the more technical questions on background. I do not believe there is enough "meat" for a presser.

Please let me know your direction.

Thanks,
Megan

Megan Harris
Communications Director
Ministry of Attorney General
Government Communications and Public Engagement
Email: Megan.harris@gov.bc.ca
Phone: 250 953-3677

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Friday, September 22, 2017 11:32 AM
To: 'assignmentdesk@fairchildtv.com'
Cc: Harris, Megan A GCPE:EX
Subject: Clip of Minister Eby

Hi Albert,

Regarding today's MNP report release, is your team available to go to Minister Eby's constituency office for 12:30 p.m.?

Please note that this interview will be conducted outside of his office with an alternate backdrop. Note that other outlets will be joining you.

Thank you,

Tiffany Nelson | Communications Manager
Ministry of Attorney General
Media line: 778 678-1572

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Friday, September 22, 2017 8:12 AM
To: Zadravec, Don GCPE:EX; Lowe, Mike GCPE:EX
Cc: McGregor, Cara GCPE:EX
Subject: Embargoed MNP report
Attachments: MNP Report - redacted reduced.pdf; NR_AML Report_22SEPT17_EMBARGOED.pdf
Importance: High

Good morning Mike and Don,

Attached is the redacted MNP report and embargoed NR that includes watermark and no links to any reports at this time. The full release will go at 9:50. This version will go to press gallery plus a few others.

I will send this to Stephanie to send to the gallery as soon as I hear from you that you are cool with the way I did the NR.

Megan

British Columbia Gaming Policy Enforcement Branch

AML Report

Private & Confidential

PREPARED FOR: Dave Boychuk
Gaming Policy Enforcement Branch
3rd Floor, 910 Government Street
Victoria, BC V8W 1X3

PREPARED BY: MNP LLP
1500, 640 – 5th Avenue SW
Calgary, AB T2P 3G4

DATE: July 26, 2016

TABLE OF CONTENTS

1.0	TERMS OF REFERENCE	3
2.0	BACKGROUND	4
3.0	SCOPE OF REVIEW, APPROACH AND LIMITATIONS	7
4.0	SUMMARY OF FINDINGS/RECOMMENDATIONS	9
5.0	DETAILED FINDINGS/RECOMMENDATIONS	11
	Staffing Observations	11
	Compliance Program observations	12
	Enhanced Due Diligence ("EDD")	12
	Investigative Capabilities	13
	Systems and Data	15
	Reporting	16
	Identification and Reporting of UFTs	18
	Risk Based Approach	19
	Know Your Patron (KYP) or standard CDD	19
	Business Relationship Risk	20
	Industry Practice	21
	Cash Alternatives	22
	Environmental Factors	23
6.0	RESTRICTIONS AND LIMITATIONS	25

1.0 TERMS OF REFERENCE

- 1.1 MNP was engaged by British Columbia's ("BC") Gaming Policy and Enforcement Branch ("GPEB") on September 8, 2015. MNP was directed to work directly with senior GPEB managers to:
- a. Analyze current practices in respect of source of funds, source of wealth, handling of cash, use of cash alternatives and overall Customer Due Diligence ("CDD") in gaming facilities compared to financial institutions;
 - b. Analyze best practices in the gaming sector in relation to 'know your customer' frameworks, particularly in respect of the regulatory framework in British Columbia, as set out in the Gaming Control Act [S.B.C 2002, c. 14];
 - c. Assess British Columbia Lottery Corporation ("BCLC's") Customer Due Diligence ("CDD") regime and overall compliance with the above-noted practices;
 - d. Receive information from the General Manager (as defined in the *Gaming Control Act*) or delegate regarding certain transactions, and assess this information in the context of compliance with a, and b above;
 - e. Identify immediate near term actions to be taken in order to address any gaps and provide recommendations on longer term new solutions or enhancements to current practices; and
 - f. Provide any other recommendations to address any gaps identified in the above-described analysis.
- 1.2 This engagement is not an audit and did not include any control testing. The findings and recommendations are based on information obtained through interviews as well as observations made at the River Rock Casino Resort ("RRCR" or "River Rock") and at BCLC.
- 1.3 We have not independently verified the information provided to us from any source. We reserve the right to review all information included or referred to in our report and, if we consider it necessary, to revise our report in light of any new information which becomes known to us after the date of the report.
- 1.4 Our findings and recommendations are based upon our observations and understanding as at the completion of our field work on January 22, 2016. Actions taken by GPEB, BCLC, or any other party to respond to matters described in our report have not been assessed by MNP.
- 1.5 Our Report is intended to be read in its entirety. We caution against drawing conclusions from any part of our Report in isolation. Our findings are based on procedures performed and information available to us as of the completion of our field work. Instruction to proceed with further analysis and information received subsequent to this date may significantly alter our findings.
- 1.6 The field work, interviews and the corresponding report was prepared independently and objectively by the authors.

2.0 BACKGROUND

- 2.1 The Gaming Policy and Enforcement Branch ("GPEB") Compliance Division compiled a document which identified approximately \$13.5 million in \$20 bills being accepted at RRCR in Richmond during July 2015. Information provided to MNP, containing synopsis details indicated as being sourced from the iTrak system by GPEB, indicated unsourced cash from unknown persons or persons believed to be connected to or participating in illicit activity, was dropped off at the casino or "just-off" casino property for patrons at unusual times, generally late at night. This information caused increased concern and prompted action to be taken by GPEB to review the current practices regarding large volumes of unsourced cash being accepted at RRCR.
- 2.2 Law enforcement intelligence has indicated that this currency may be the direct proceeds of crime. The majority of this cash is being presented by persons commonly referred to as high roller Asian VIP clients. Single cash buy-ins in excess of \$500,000 with no known source of funds have been accepted at RRCR.
- 2.3 GPEB considers the regulatory requirements imposed by the *Gaming Control Act* and the *Federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act* ("PCMLTFA") and its associated regulations to be a minimum standard of conduct. GPEB is mindful of its responsibility for the integrity of gaming including mitigating the risks of money laundering in gaming facilities.
- 2.4 In addition to the regulatory reporting obligations imposed on BCLC by the PCMLTFA in its operation of the casinos in British Columbia ("BC"), GPEB has an interest in reducing the influx of unsourced cash into gaming facilities in BC to protect the integrity of gaming in BC. In our view, this can only be accomplished through the acknowledgement, from all parties, that the proceeds of crime may be being injected into the gaming system despite the controls in place. The reduction of unsourced cash and the expulsion of high risk patrons will contribute to the goal of maintaining the integrity of the gaming system.
- 2.5 In conducting our review we identified that there are three distinct entities in the casino gaming model in BC:
- The Gaming Policy and Enforcement Branch;
 - The British Columbia Lottery Corporation; and
 - The Facility Operator/Service Provider.
- 2.6 GPEB¹ regulates all legal gaming in BC. It ensures the integrity of gaming industry companies, people and equipment, and investigates allegations of wrongdoing. This mandate includes regulatory oversight of BCLC (which conducts and manages lotteries, casinos, community gaming centres and commercial bingo halls), all gaming services providers and gaming workers, BC's horse racing industry and licensed gaming events.

¹ <https://www.gaming.gov.bc.ca/legislation-policies/>

2.7 In addition, GPEB is responsible for the following:

- Conducting audits of charitable and commercial gaming activities to ensure compliance;
- Investigating regulatory offences and providing support to police of local jurisdiction for the investigation of criminal offences connected to gaming facilities²;
- Managing the Province's Responsible Gambling Strategy including the Problem Gambling Program, in order to minimize harm and promote responsible gambling practices; and
- Distributing gaming funds to community organizations.

2.8 According to the BCLC website³, BCLC is a Crown Corporation, owned by the Province of BC it was established to meet the requirements of the Criminal Code of Canada, and balance the need for revenue generation with a commitment to social responsibility and integrity. In 1998, the Province added casino gambling to this mandate and made BCLC responsible for the operation of the casino industry in BC.

2.9 BCLC is responsible for managing the following:

- Setting and overseeing operating standards;
- Creating policies and procedures for all gambling facilities, including security and surveillance;
- Monitoring private sector Service Providers to ensure they conform to policies and procedures, to legislation, regulations and federal anti-money laundering laws; and
- Improving security systems, procedures and employee training programs.

2.10 According the BCLC website, Service Providers⁴ are the companies who own and operate BC gambling facilities. They own or lease gambling facilities like casinos and community gaming centers and maintain the facility operations on a day-to-day basis. With respect to gaming, Service Providers enter into operational service agreements with BCLC and earn commissions based on gambling revenues. They must operate in strict adherence to the rules and regulations set out by both BCLC and GPEB.

2.11 Service Providers are responsible for:

- Complying with terms of registration and reporting matters as required under the *Gaming Control Act* and *Gaming Control Regulations*;
- Providing and maintaining facilities;
- Hiring qualified staff;

² <https://www.gaming.gov.bc.ca/legislation-policies/docs/regulatory-responsibility-gpeb-bclc.pdf>

³ <http://corporate.bclc.com/what-we-do/casinos/our-role.html>

⁴ <http://corporate.bclc.com/what-we-do/casinos/service-providers.html>

- Following BCLC gambling standards, policies and procedures;
- Implementing the anti-money laundering program as prescribed by BCLC;
- Providing and operating surveillance equipment;
- Managing slot machines, table games and bingo games;
- Providing accounting and financial management; and
- Participating in compliance reviews and audits.

2.12 Service Providers are paid a commission based on the net gambling revenue for providing day-to-day services in casinos, community gaming centres and bingo halls. There are two different kinds of commissions:

- An operating commission for operating the facility; and
- A facility development commission which provides incentive for Service Providers to develop high quality facilities.

2.13 The Service Provider implements procedures in response to BCLC's policies, however, as the profit of the operator would be adversely impacted by implementing any control procedures that may reduce revenue, there is an inherent risk that the implemented procedures are designed to meet minimum regulatory requirements. Any guidance from the Province on the reduction of bulk cash will need to be implemented through additional policy from BCLC.

3.0 SCOPE OF REVIEW, APPROACH AND LIMITATIONS

3.1 MNP relied on the following documents and information sources for reference throughout the engagement:

- Background documents provided by GPEB related to the subject matter;
- BCLC organizational charts (November 2015);
- RRCR organizational charts (November 26, 2015);
- BCLC Policies and Procedures (2015);
- BCLC internal procedure documents (2015);
- Data extracts regarding regulatory reports filed between September 1, 2013 and August 31, 2015;
- Website information from BCLC;
- *Gaming Control Act BC*; and
- *PCMLTFA and Regulations*.

3.2 To obtain independent information on the current regime and the prevalence of bulk cash, MNP conducted a total of 23 interviews with employees and management of both RRCR and BCLC. These interviews, with the exception of one conducted with senior management of BCLC, were all done in conjunction with a GPEB Compliance Division auditor assigned by GPEB. Some interviews and operational walkthroughs at RRCR were also observed by a second member of the GPEB Compliance Division. MNP also conducted onsite observations at RRCR which included process walkthroughs for activities relating to acceptance of bulk cash, record keeping and regulatory reporting. MNP also conducted limited statistical analysis of cash transactions related to VIP patron activity at the RRCR.

3.3 Information was gathered through 11 interviews with management level staff from a number of relevant areas of the operations at RRCR including table games, slots, cash cage, VIP Hosts, surveillance and security. Senior Management was interviewed to obtain insight into the operations and policies of accepting large amounts of unsourced cash from patrons. In addition to the interviews, we observed operations on the gaming floor and in the cash cages on both the main gaming floor and VIP gaming areas (Salon Privé and Salon Phoenix) asking questions of staff to confirm documented policies and confirm information provided through the interview process.

3.4 12 interviews were conducted at BCLC to provide staff and management an opportunity to provide feedback, clarify policies and procedures and gain insight into the issues at hand.

3.5 Data regarding reportable cash transactions or play records was provided by BCLC for trending analysis. The period of data used for trending was September 1, 2013 to August 31, 2015. The data was used to identify trends and correlations between the frequencies of Large Cash Transaction Reports ("LCTRs"), the filing of Suspicious Transaction Reports ("STRs") and the ultimate banning of some players due in part to large and frequent play with unsourced cash.

- 3.6 During our analysis an error in the statistical reporting was identified and communicated to BCLC. This error related to the over reporting of non-cash transactions deposited to Patron Gaming Fund Accounts ("PGF") and the redeposit of funds from cashed out chips back into the PGF. BCLC advised they were aware of the issue and was in the process of obtaining a Policy Interpretation from the Financial Transactions and Analysis Centre of Canada ("FINTRAC"). This error resulted in significant over reporting of non-cash transactions to FINTRAC. As a result of the over reporting being included in the produced statistical play records, MNP was unable to determine the actual number and amounts of large cash transactions and as such this limited our ability to obtain reliable results from our data analytics. Due to the complexity of the reporting issue, it is not possible to segregate and remove duplicate transactions. There is no identifier to confirm new cash to the facility versus funds previously played and retained in the PGF for future game-play.
- 3.7 This report does not represent a comprehensive review of all aspects of the existing AML compliance processes. As such, we are not expressing an opinion regarding the adequacy, completeness or effectiveness of existing compliance activities as they relate to anti-money laundering or anti-terrorist financing activities. This engagement was not designed to nor does this report provide any analysis about whether money laundering or terrorist financing is actually occurring, nor does it provide any analysis about the potential that money laundering or terrorist financing will occur through the organization in the future.

4.0 SUMMARY OF FINDINGS/RECOMMENDATIONS

GPEB:

- 4.1 Regulatory regimes for gaming typically seek to balance revenue generation with risk mitigation. Contemplated changes to the gaming regulatory regime must recognize the unique role of each of the main participants, as these roles may create conflicting mandates. Specifically:
- GPEB is the regulator, primarily responsible for ensuring that gaming is conducted with integrity;
 - BCLC is the manager of gaming, primarily responsible to the Province for revenue generation and risk management and responsible to FINTRAC for regulatory compliance; and
 - The Service Providers are the gaming operators, and, via contract with BCLC, are primarily responsible for revenue generation for both the Province and the companies that own the casinos.
- 4.2 Currently, casinos are only required to report LCTRs after they have accepted the cash transaction. GPEB 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.
- 4.3 GPEB should continue to work with BCLC to support cash-alternatives for Service Providers to receive funds, strengthening the overall compliance regime with minimal impact on revenue generation.
- 4.4 GPEB, BCLC, and to some extent the Service Providers should jointly evaluate the resourcing and functioning of existing investigative units. Effective multi-agency units would promote the sharing of information and resources.

BCLC:

- 4.5 If GPEB implements a policy regarding the refusal of large or frequent unsourced cash deposits, BCLC's procedures to address the policy should include refresher training to Service Providers pertaining to BCLC's reporting requirements of attempted transactions to ensure reports are appropriately identified.
- 4.6 Although a specific compliance effectiveness review of gaming operations was not within the scope of this review, MNP did review a number of processes and did not observe anything material to suggest that the compliance program in effect at BCLC and RRCR is not functionally suitable to meet obligations under the PCMLTFA and implementing regulations.

- 4.7 BCLC's CDD process meets Federal regulatory requirements for standard risk patrons. However, the process could be enhanced from both a risk management and revenue generation perspective with modifications and additional resources to meet Enhanced Due Diligence ("EDD") expectations for high risk patrons. This may include confirmation or verification of key customer data including: source of wealth; source of cash; and occupation by the Service Provider or BCLC for higher risk patrons. The gathering of this additional information may assist the Service Provider in providing enhanced service to high valued patrons.
- 4.8 BCLC should consider whether its risk assessment process adequately reflects current thinking around money laundering and terrorist financing risk. The risks associated to specific facilities should be evaluated, rather than simply drawing geographic boundaries for risk.
- 4.9 BCLC should review its EDD process to ensure it appropriately mitigates identified risks. Additional resources may be required to clear the current backlog and support timely completion of the EDD process as required. BCLC should also identify reliable sources of information for persons and businesses based outside of Canada.
- 4.10 BCLC should prioritize and appropriately resource the ongoing SAS implementation project to improve the quality of the data used for ongoing risk assessment and compliance monitoring and reporting. Data from other sources, particularly slot machine play, should be incorporated into the process. Improved data will support province-wide monitoring of activities posing compliance risks.
- 4.11 BCLC should 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. Facility staff should be regularly trained on the completion of the forms. This will encourage consistent and appropriate reporting across the Province.
- 4.12 BCLC's anti-money laundering training programs should be evaluated for up-to-date content and effectiveness. Emphasis should be placed on behavioural red flags, as facility staff have the direct customer interaction. Training should be provided in the primary language of the candidate.
- 4.13 MNP identified instances where non-cash transactions processed to RRCR'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. BCLC advised they were aware of the over-reporting issue and were working with FINTRAC to obtain a Policy Interpretation and determine action to be taken regarding the issue.
- 4.14 While generally consistent with the regulatory requirements, the Know Your Patron ("KYP") framework at River Rock is a task-driven compliance activity rather than a risk management activity. Given the Service Provider's inherent motivation to maximize revenue, it should not be expected to lead compliance and risk management efforts within the gaming industry. BCLC should provide further guidance as the manager and responsible entity for AML regulatory obligations to enhance and enforce appropriate KYP measures.

5.0 DETAILED FINDINGS/RECOMMENDATIONS

Staffing Observations

BCLC:

- 5.1 Operating levels for BCLC Investigators may need to be reviewed as the current staffing levels assigned to River Rock do not appear to be sufficient to address the volume of reports and incidents on a timely basis. In interviews with BCLC, investigators have self-assessed that approximately 95% of their time is focused on AML reporting activities. Non-compliance tasks which used to be completed by investigators located at RRRCR are now being assigned to other investigators with the Lower Mainland region. Additional duties included in the mandates of the investigators at RRRCR may not be being completed or may not be adequately completed to manage the risk associated with the activity at River Rock.

Service Provider:

- 5.2 Experienced managers and supervisory staff who are fully engaged and fully executing on their entire position mandate are able to identify risks within their areas of supervision and apply reasonable assessments and measures to address activity which may be considered unusual. This becomes a first line of defense when identifying potential compliance issues. However, due to high turnover at the Service Provider, management level positions are held by incumbents who have been in the positions less than one year. When asked about issues and risks related to large volumes of unsourced cash being accepted, they advise they are still learning the positions, and feel they are meeting all requirements associated with AML compliance.
- 5.3 Positions with recent turnover at RRRCR include: Interim Chief Compliance Officer, Table Games Manager, Cage Manager, Slot Director, and the Manager of Player Relations. RRRCR has undergone significant turn over in staff ^{s. 22}

At the time of the onsite interviews eight of ten Relief Gaming Manager positions were staffed.

- 5.4 RRRCR employs VIP hosts who report to the manager of Marketing. VIP Hosts are responsible for managing the client experience, which includes managing the amounts of complementary items and services given to players (commonly referred to as player comps), and providing custom gaming experiences with the intention of maximizing patron play. 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. Due to the reporting structure, we would expect that the VIP Hosts have a primary responsibility for revenue generation rather than regulatory compliance or a social responsibility to reduce illicit cash flow. 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.

- 5.5 It was noted on the Service Provider Organizational Chart, dated November 26, 2015 that the Manager, Player Relations did not have a direct reporting relationship to Senior Management. The Director, Surveillance does not show a reporting line to Senior Management. A VP Compliance position reporting to the President and CEO also did not exist on the Chart.

Compliance Program observations

GPEB:

- 5.6 GPEB should 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

BCLC:

- 5.7 BCLC is the reporting entity for the purpose of compliance with PCMLTFR obligations to FINTRAC. AML programs were the responsibility of the Casino Investigations Unit up to 2013. The AML unit was created in 2013 and at that time took over responsibility for all aspects of the AML Program.

Enhanced Due Diligence (“EDD”)

BCLC:

- 5.8 Through iTrak, BCLC has access to all Know You Patron/Player (“KYP”) due diligence, activity records and incident reports including Unusual Financial Transactions (“UFTs”), Suspicious Transaction Reports (“STRs”), and Section 86 reports submitted to GPEB regardless of the facility of play. This allows BCLC to identify patrons at a provincial level who represent higher risks and then perform EDD, risk assessment and ongoing monitoring of these patrons.
- 5.9 BCLC has identified two segments of patrons who have been assessed as requiring EDD to manage the risk of the frequency and value of play. The first segment is comprised of the Top 100 players by volume. The second list, known as the Conditions List, relates to known associates of a high risk player who has been identified by law enforcement to be involved in the provision of large volumes of unsourced bulk cash to VIP patrons. In some instances, the lists overlap. For example, at the time of the review, 36 patrons identified on the Conditions List also appear on the Top 100 list.
- 5.10 All EDD efforts undertaken by BCLC are manual investigations. At the current time, systems do not identify higher risk patterns through an automated alert system. iTrak does not have capabilities for business analytics.
- 5.11 The EDD or “Deep Dive Dossiers” are created using open source information to identify owned properties and business ownership. The one file reviewed during the interviews with BCLC did not include key information such as a synopsis of overall activity, play value or frequency, determined or verified source of funds or wealth information, or an indication of whether the player was cleared for play or had restrictions in place. The file did not present any negative findings, however, the player was indicated as being “on watch.”

- 5.12 There is limited open source information available for Chinese Nationals, which comprise the majority of the identified high risk demographic at RRRC. As, most of the VIP patrons are Asian and many are recent immigrants to Canada or Chinese Nationals there is limited Canadian open source information on which to base risk assessment determinations.
- 5.13 Based on staffing levels and time required to complete an EDD file in the current manner there is a considerable backlog of files to be completed which may increase the risk to all stakeholders as appropriate actions may not be taken in a timely manner. It is anticipated that the volume of patrons requiring ongoing EDD will increase over time.
- 5.14 The Service Provider facilitates gaming through slot machines as well as table games. As at the time of the review, we were not made aware of any EDD on business relationships created due to slot play. In addition there is no review or analytics on slot play including ongoing review of Cash Disbursement Reports ("CDRs") to identify possible anomalies which require further investigation.
- 5.15 BCLC's EDD program for high risk patrons was reviewed to identify if improvements are warranted. EDD measures could be more qualitative, and a formal response to specified risk ratings, similar to other jurisdictions such as Alberta, could be created.
- 5.16 Outsourcing the EDD process for higher risk patrons should be considered to clear the current backlog.

Service Provider:

- 5.17 The Service Provider gathers required information from patrons at particular trigger events during play. This would include when a patron reaches the threshold for the reporting of large cash transactions, which is \$10,000. The Service Provider is responsible for requesting that an acceptable identification document be produced and then recording the type, number and place of issuance as well as gathering mandatory information required for BCLC to file regulatory reports with FINTRAC. Information includes name, address, occupation and date of birth. Policy indicates that the ID document is scanned into the iTrak system. Information gathered at the facility, other than the ID document, is not verified by the Service Provider.
- 5.18 The iTrak system is universal to all facilities under BCLC's supervision. s. 15

Investigative Capabilities

GPEB:

- 5.19 The establishment of a dedicated, cooperative inter-agency AML investigations unit comprised of GPEB and BCLC investigators would delineate the roles between operational and AML investigations and regulatory compliance investigations. This would allow for improved tracking of activities related to regulatory compliance and ensure that employees tasked with compliance and risk management are suitably resourced.

BCLC:

- 5.20 BCLC has three onsite investigators at RRCR. This was a result of the recognition of the increased risk at the facility as well as the volume of play that requires ongoing BCLC oversight. These investigators have access to iTrak and the facility's surveillance recordings which allow for prompt investigations. AML compliance investigations are supposed to be a component of the investigators duties as defined by BCLC procedures, however the significant volume of reportable transactions at RRCR and the required reporting due diligence are consuming upwards of 95-100% of investigators' time. Regional investigators not assigned to RRCR are now being regularly assigned all non AML duties at RRCR such as theft or patron complaint investigations as the local investigators do not have time to deal with non-regulatory matters.
- 5.21 BCLC investigators regularly provide information to law enforcement on ongoing investigations^{s. 15}
- 5.22 BCLC has entered into an information sharing agreement with the RCMP that allows both parties to share intelligence on ongoing investigations and high risk patron activity.

Service Provider:

- 5.23 MNP has significant experience working with gaming operators and as such has observed numerous surveillance operations including infrastructure and investigative methodologies and procedures. The RRCR's infrastructure is comparable to other large Canadian casino surveillance operations such as Casino Montreal or Manitoba's combined provincial facility. The operators and supervisors have significant experience in surveillance operations and utilize iTrak to monitor and report all suspicious activity. iTrak is the most common investigative and operations management software utilized by Canadian Casinos.

ITrak

Systems and Data

BCLC:

5.24 BCLC identified a growing need for enhanced capabilities in relation to analytics and the ability to conduct meaningful analysis on the data in its custody. As a result, the AML Operational Analysis Group was formed in 2013 with the mandate to perform statistical analysis of patron transaction data as well as to identify high risk patrons and perform enhanced due diligence on those individuals. With the hire of an AML data analyst in February 2014 it was determined that the data analytics capabilities of iTrak were limited and that exporting the data and using third party tools such as Excel were the preferred method. These limitations led to the identified need for a formal analytics solution and an RFP was issued. SAS was selected as the vendor. The implementation of this software tool is ongoing and has been subject to numerous delays and a work stoppage to clarify scope and estimate over runs. We understand that SAS is scheduled for roll out in the fall of 2016. This is 18 months later than initially anticipated. The successful implementation of this tool should be a priority for BCLC as the current processes are contributing to delays in effectively conducting transactional analysis.

5.25 Despite the limitations of the current tools s. 15

This information was then shared with law enforcement agencies for the purpose of investigating criminal activity related to the large volumes of unsourced cash. After several attempts by BCLC to refer information, law enforcement undertook an investigation into the activities identified through the BCLC analytics. s. 15 This is a positive effort by BCLC to detect and report suspicious activity with the intent of reducing unsourced cash from entering the gaming facilities.

5.26 BCLC provided data to MNP for the period September 1, 2013 to August 31, 2015 ("the Period") to analyze transactional data regarding the volumes of unsourced cash being accepted at River Rock. The analysis would also address efforts taken by BCLC and the Service Provider to gather Know Your Player ("KYP") or CDD information and perform EDD where appropriate; file STRs; and where appropriate impose bans on high risk patrons for participating in suspicious activity. After conducting significant analytical work it was determined, and confirmed by BCLC, that the data was not accurate and included significant numbers over-reported LCTRs and CDRs making trending analysis unreliable. For further details on the reporting issue, refer to 5.32. We were able to make the following limited observations:

- Play with significant volumes of cash was being conducted by patrons with non-Canadian addresses and identification, primarily Chinese; and
- While significant volumes of LCTRs were filed during the Period the number of STRs filed was relatively small and the number of bans for potential money laundering activity was few.
 - 41,187 LCTRS filed during the period;

- 1,194 STRs filed during the period⁵;
- 1,209 BCLC Prohibition Bans⁶.

- 5.27 The limitations of the current analytics tools and the time required to manually process transactions diminishes the effectiveness of a monitoring program for slot disbursements. The risk of money laundering is significantly lower with slots than with table games, due to the limits on how much money can be fed into a machine in one session as well as the limits on single payouts for Ticket In Ticket out ("TITO") ticket redemption at Ticket Redemption Kiosk ("TRK") machines. Although the risk is lower than table games, due diligence on large volumes of slot CDRs should be monitored for suspicious activity.
- 5.28 Completion of the SAS implementation should remain a high priority for BCLC. Improved data analytics and systems for transaction monitoring and reporting will allow for the early detection of potential money laundering or high risk transactions.
- 5.29 The analytic capability of the iTrak system limits BCLC's AML Operational Analysis group in its ability to identify suspicious activity. The reporting is primarily restricted to the identification of thresholds that aid in the identification of mandatory record keeping or reporting. BCLC has made significant investments in advanced analytics in the proposed SAS solution. The continued development and rollout of this product needs to be a priority for BCLC to allow it to conduct meaningful assessment of the data collected in iTrak.

Reporting

BCLC:

- 5.30 Casinos are required to file the following reports with FINTRAC:
- Large Cash Transaction Reports;
 - Casino Disbursement Reports;
 - Suspicious Transaction Reports; and
 - Terrorist Property Reports.
- 5.31 MNP did not conduct an audit of the processes surrounding reporting requirements, nor of the accuracy or timeliness of the reports submitted to FINTRAC. Through interviews and observation MNP is able to make summary comments on the reporting requirements at the Service Provider and by BCLC, who is responsible for filing the reports from information provided by the facility operators.

⁵ STRs identified by incident number which could relate to multiple people.

⁶ Bans are also based on incident numbers and could relate to multiple people and include site bans.

- 5.32 Observed processes appear to be in place to track instances where cash transactions require the completion and filing of reports. This may be done through buy-ins at the table or through transactions at the cash cage. However, it was ascertained that funds credited to a player's PGF, regardless of the source of funds (Cash, drafts or EFTs from a Canadian bank) are being over-reported as cash. This is resulting in a significant number of unnecessary LCTR and CDR reports. In addition, withdrawals from the PGF account for play are being reported as CDRs and appear to be re-reported as cash based on table buy-ins. Review of the transaction and reporting process for all PGF enabled facilities should be done immediately to stop the number of unnecessary and incorrect reports. This over reporting has been disclosed to FINTRAC.
- 5.33 During our interviews with the Service Provider, BCLC, and GPEB, there was ongoing reference to a historical undocumented threshold of \$50,000 which was the trigger value to consider a transaction suspicious at the Service Provider location. The issue of the threshold preceded this report. FINTRAC guidelines confirm there is no minimum dollar value related to the filing of an STR. Suspicious transactions are financial transactions where there is reasonable grounds to suspect they are related to the commission of a money laundering offence. This includes transactions that you have reasonable grounds to suspect are related to the attempted commission of a money laundering offence. As a result, BCLC has undertaken a review of LCTR transactions to determine if STR transactions had been overlooked. BCLC made a self-disclosure to FINTRAC regarding the issue in December 2015.
- 5.34 BCLC's Internal Audit group conducts a Quality Assurance ("QA") of STR and unfiled UFTs. Audit conducts a review regarding timeliness of filings on LCTRs. The BCLC Investigations group also has a process and procedure in place to verify reports for mandatory information. It was noted through our data analysis of the data provided by BCLC that 385 (0.1%) of LCTRs did not contain one of the mandatory fields such as address, occupation or a unique identifier. Of the 41,187 reports contained in the data file:
- 297 addresses were reported as Null
 - 49 occupations were reported as Null
 - 39 reports contained no unique identification number, but rather a generic BCDL or similar descriptor.
- 5.35 A review of the BCLC policy and procedure documents allows for Service Provider staff to accept cash transactions at the cash cage and submit files with certain missing mandatory occupation information if the patron declines to provide full information⁷. Currently casinos are only required to report LCTRs after they have accepted the cash transaction. A directive from GPEB may support BCLC in the creation of a policy which would mandate the Service Provider to decline a transaction or issue a stop play when mandatory occupation data is not provided on the casino floor or at the cash cage. Submitting reports with missing mandatory information is contrary to the PCMLTFA and Regulations.

⁷ Reference to BCLC Casino and Community Gaming Centre Standards, Policies and Procedures section 1-2.3.

5.36 BCLC should review all of the FINTRAC reporting (LCTR/CDR) for non-cash for all facilities which offer PGF accounts due to over-reporting of LCTRs and CDRs in relation to churn⁸ within the patron gaming accounts.

5.37 Review of Terrorist Property reports was out of scope for the review.

Identification and Reporting of UFTs

BCLC:

5.38 BCLC is the reporting entity for gaming activities in BC and is responsible for filing all required reports with FINTRAC. BCLC operates at an arm's length from the facility and relies heavily on the Service Provider to identify instances where UFTs should be submitted for further review and decision making regarding suspicious activity that would require filing. As the Service Provider only has visibility to the patron's activity at its own facility (or facilities) within the iTrak system it may under- or over-report based on restricted intelligence.

5.39 BCLC Internal Audit provided feedback that UFT/STR reports are inconsistent in the assessment approach and narrative format from the Service Providers which may lead to valid UFTs not being reported by BCLC.

5.40 The BCLC investigators assigned to gaming facilities are currently reviewing 10-15% of LCTRs to determine if STR reports should be filed. This method of review does not appear to be effective as it did not identify the existence of the ongoing practice of only reporting transactions above an undocumented \$50,000 threshold.

5.41 BCLC has access to complete patron activity records, however does not conduct facility or province-wide monitoring and analytics due to system capability restrictions and resourcing.

5.42 BCLC's and the Service Provider's monitoring and reporting activities did identify the issue of large volumes of unsourced and unusual cash activity in October 2014, which resulted in an ongoing law enforcement investigation and the 60+ high risk patron registry.

5.43 Other industries, such as Money Service Businesses ("MSBs") have similar reporting models. The reporting entity (BCLC) with access to full data information should be conducting the bulk of the comprehensive monitoring and identifying transactions for review based on analytical indicators. The Service Provider should be responsible for filing UFTs that involve behavioural information or indicators for money laundering activity to BCLC. In many instances, the behavioural red flag information will supplement the data report which will provide valuable and wholesome information to FINTRAC when submitted by BCLC.

5.44 BCLC should create a template for UFT reports to ensure that all required information is included and to create consistency in the quality of submissions between facilities.

⁸ Churn is the terminology where a patron buys in with the same cash which they previously played with and cashed out. As a result, an active player can appear to be bringing in and cashing out large amounts of cash, which the iTRAK system records as new and separate funds for each transaction.

Service Provider:

- 5.45 From observations and interviews conducted with RRCR staff, the majority of UFTs are identified by surveillance rather than floor staff who have direct interaction with the patron. Employees (floor staff) are not required to document UFT interactions or provide narratives. Relying only on Surveillance observations increases the risk of missing behavioral red flags from direct interactions.
- 5.46 UFT witness narratives (form/document) are not completed by floor staff. Floor staff should have more active involvement in the reporting process as surveillance only has limited information based on video surveillance.
- 5.47 The Service Provider indicated that additional guidance on UFT reporting would be beneficial to meet the needs and expectations of BCLC and would make the process more effective for both entities. Additional on-site training was provided by BCLC in December 2015. Review of the training materials for the on-site training was not in the scope of the current engagement.

Risk Based Approach**BCLC:**

- 5.48 As the FINTRAC reporting entity, BCLC is required to take on the role of conducting facility risk assessments. This is consistent with other Canadian jurisdictions. BCLC has developed its risk assessments by region. RRCR is included in the Lower Mainland risk assessment. This is not consistent with other jurisdictions in Canada who conduct their reviews by facility. As facilities are not operated by a single vendor they have inherent differences in their internal procedures. The patron base varies by facility as well, including a wide variance in the number of VIP patrons and their volume of play. We recommend that these risk assessments include factors specific to the facility. RRCR, for example is unique in its VIP play and warrants specific attention to its risks and the ongoing mitigation measures.
- 5.49 We also observed that the risk register is not as granular as other jurisdictions we have reviewed. We recommend that BCLC consider if the risk register reflects the current environment.

Know Your Patron (KYP) or standard CDD

- 5.50 Understanding the patrons using BC's gaming facilities is a line of defense against the use of illicit funds. KYP goes beyond recognizing a frequent player or knowing the time of day that they come into play and details about their family. It is about understanding the potential money laundering risk the patron poses to the facility and managing that risk accordingly.
- 5.51 PCMLTF Regulations⁹ require the identification of business relationships, ongoing monitoring and risk assessment of the business relationships as well as the implementation of appropriate special measures to mitigate high risk relationships. One measure is the gathering and verification of source of funds and source of wealth information.

⁹ Reference PCMLTFR 71.1

GPEB:

- 5.52 GPEB, at the direction of the Minister responsible for gaming, should consider issuing a directive pertaining to the rejection of funds where the source of cash cannot be determined or verified at specific thresholds. This would then provide specific guidance for BCLC to create policies and procedures for compliance by all operators.

BCLC:

- 5.53 BCLC investigators do not investigate to confirm the source of funds or source of wealth unless specifically requested at the time an EDD file is created.
- 5.54 BCLC AML manuals and training content appears to be sufficient, however additional training for employees in the VIP area focused specifically on suspicious indicators and required actions to improve independent thinking would be beneficial.
- 5.55 It was observed that most of the employees in the high limits rooms at RRCR speak Cantonese or Mandarin as a first language. Although the game play must be conducted in English, the language of general communication amongst the employees was not English. The mastery of a technical subject as defined in the BCLC Anti Money Laundering online training may be impacted by the presentation of the materials solely in English. BCLC should consider providing training in the primary language of its high risk exposed employees.
- 5.56 Based on the results of GPEB and the Minister responsible for gaming's risk assessment and risk threshold for large unsourced cash transactions, BCLC should revise policies regarding tolerance of high risk play and consequences of unacceptable high risk activity.

Service Provider:

- 5.57 From interviews and observations at the Service Provider, it is determined that source of funds and/or source of wealth information is not gathered for high risk, high volume cash players. Customer profiles do not require this information for continued play except when opening a PGF.
- 5.58 KYP at the Service Provider is based on repetitive observation of high limit player behaviour (no information is verified), and the expectation that BCLC is responsible for all due diligence activities. Additional information on the player is not shared with the Service Provider and is maintained in the iTrak system, to which only BCLC has full access. This process, and the associated accountability gaps, may have contributed to an organizational de-sensitization to cash through continued exposure to high volume bulk cash, especially in the VIP areas.

Business Relationship Risk

BCLC:

- 5.59 BCLC is in the process of fully implementing the Business Relationship requirements and has identified a list of 670+ high risk patrons. This list is in addition to the previously referenced Top 100 list and the Conditions list which currently includes 75 patrons. The AML and Operational Analysis team is in the process of doing deep dives, however there is a considerable backlog.

- 5.60 At the time of the review, the Top 100 list contained 36 names also appearing on the Conditions list of 75 patrons. Of the 36 names, only 13 had received a comprehensive EDD review. Of all the patrons appearing on Top 100 list, a total of 34 files had received Comprehensive EDD review.
- 5.61 BCLC is working on enhancements to their loyalty program, "Encore" which is intended to increase the amount of carded play which will provide additional KYP for analytics especially for slot play.
- 5.62 As a result of the BCLC's identification of patrons associated to the criminal investigation of unsourced cash utilization, 60+ individuals associated with the activity have been identified for EDD, restricted play and interviews with the BCLC's staff.

Industry Practice

- 5.63 The objectives of the PCMLTFA include:

*"to implement specific measures to detect and deter money laundering... ",
"to respond to the threat posed by organized crime by providing law enforcement officials with the information they need to investigate and prosecute money laundering or terrorist financing offences" and "to assist in fulfilling Canada's international commitments to participate in the fight against transnational crime, particularly money laundering..."*

The PCMLTFA does not specifically legislate the requirements of an entity in relation to how it handles high risk transactions outside of record keeping and reporting obligations.

- 5.64 It is difficult to compare best practices for the management of AML/ATF risk to other industries. We do not believe that the banking sector is a good comparison as there is a significant difference in how banks handle account based risk when compared to transient casino play that is often anonymous. Where reportable transactions do occur, the Casino often only has limited information on which to base its risk assessment. Due to the significant volume of cash and the transient nature of its patrons Casinos are most similar to MSBs in their AML/ATF risk management models. In the absence of specific guidance, other industries regulated under the Act have developed controls and measures to reduce or eliminate the risk associated to the receipt of unsourced bulk cash.
- 5.65 The implementation of controls around bulk cash vary by industry:
- MSBs – Money Services Businesses place limits on the amount of bulk cash accepted from clients. This practice forces alternative funding such as bank drafts, certified cheques or wire transfers.
 - Financial Institutions – Although most financial institutions will not refuse a cash deposit they will close client accounts that exceed their defined risk thresholds. Account based relationships also offer greater monitoring capabilities which aid in managing risk.
 - Security Dealers – The majority of Securities Dealers place outright bans on cash deposits. This is impractical in the gaming industry.

- 5.66 In gaming models where casinos are provincially operated, the ability to implement revenue impacting, socially guided controls and restrictions is simplified in that the revenue of the private operator is not a consideration. Implementing cash controls on private operated facilities requires a greater assessment of revenue impact and how best to ensure the operators remain reasonably compensated.

Cash Alternatives

GPEB:

- 5.67 BCLC's mandate of revenue generation, and GPEB's mandate to ensure the overall integrity of gambling in the province requires a balanced approach to support a restriction or significant reduction in the amount of cash accepted at the casino facilities. The review of proposed cash alternative solutions and the impact of these solutions should remain a priority for both entities to promote gaming integrity and reduce the amount of unsourced cash being used in game play.
- 5.68 We understand that a concept document addressing extension of credit to VIP patrons has been put before GPEB. This concept has not yet been approved or denied as additional information is required by GPEB. Once the information is provided by BCLC, it should be a priority for GPEB to determine feasibility and the implementation criteria.
- 5.69 GPEB and BCLC should undertake a review of large cash transactions to determine if a bulk cash limit can be reasonably set for transactions where no source of funds can be determined. Currently patrons who have not been placed on a watch list can buy in with unlimited cash until flagged for an interview by BCLC.

BCLC:

- 5.70 BCLC has staffed a position to investigate the viability of a number of cash alternative options which need GPEB's approval to move forward. Considerations in developing cash alternative programs and products should include:
- The ability for non-Canadian players to fund PGF accounts if they are subject to cash restrictions in their home country (i.e. China)
 - The ability for non-Canadian player to repay credit extended at facilities if they are subject to cash restriction in their home country (i.e. China)
 - Allocating how defaults on repayments will be determined.(i.e. between BCLC and Service Provider and potentially the tax payer)
- 5.71 It is understood that any controls placed on the acceptance of bulk cash may reduce the volume of play and subsequently the revenue generated for both the operator and the province. BCLC reports that high limit play is a small part of BCLC revenue. As such, it will marginally impact BCLC revenues overall. However these controls may have a significant impact on revenue for the RRRCR operator, Great Canadian Gaming Corporation. The level of acceptable risk, impact on revenue generation and reducing the facilitation of layering of bulk cash must all be considered when determining adequate controls.

5.72 The implementation of cash alternatives is likely to bring the greatest reduction in unsolicited cash while having the least impact on overall level of play for VIP patrons. Although we cannot recommend specific options without additional analysis we do acknowledge that the most common options are:

- Domestic and international wires to fund PGFs;
- The ability to transfer funds between PGFs;
- Specified limits on chip passing amounts;
- Front Money accounts and the extension of credit;
- Removing the current limits for Convenience Cheques for non-verified wins and return of funds.

5.73 The Cheque Hold program has been approved, developed and implemented as a cash alternative. However, there has been no utilization to date by Service Providers due to the risk of non-payments.

5.74 A verifiable source of funds determination for cash amounts above a defined threshold to be obtained prior to game play should be mandated by GPEB and implemented by BCLC. In our opinion, the only way to verify funds is to obtain documentation for the withdrawal of cash from a financial institution (bank) or entity covered under the PCMLTFA such as a MSB.

Environmental Factors

5.75 The issue of casinos, RRCR in particular, accepting large volumes of cash has been a growing issue in the province for a number of years. The source of the cash is now in question, and social and moral responsibility around the unsourced cash has resulted in negative media around gaming operations in BC. A number of factors within the regulatory and guidance documents can be identified as the root cause of the issue.

- There are inherent conflicts between the mandates of GPEB and BCLC and the Service Provider. GPEB is responsible for regulation and the integrity of the gaming industry in BC. BCLC has statutory obligations under the *Gaming Control Act* to GPEB, is accountable to the Province for revenue generation, manages the Service Providers, and responsible to FINTRAC for regulatory compliance. Service Providers, are not covered entities under the PCMLTFA and therefore have limited regulatory obligations and exposure, instead focusing on revenue generation.
- From discussion with staff and management, examples provided by both GPEB and BCLC identify 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. This has contributed to an increased risk of compliance short-falls, misaligned priorities for implementing cash alternatives, and gaps in the oversight of day-to-day processes.

5.76 The PCMLTFA and implementing regulations require that reporting entities report prescribed transactions and identify suspicious transactions. There is no provision within the regulation that requires that funds which may be associated with a predicate offense to be rejected by a reporting entity.

- 5.77 The ongoing investigation by law enforcement into the potential use of proceeds of crime to fund VIP gaming activities prompted BCLC to implement a list of patrons who would be restricted from playing using unsourced cash.
- 5.78 In other industries, such as banking, securities dealers and MSBs, internal policies and procedures are developed based on the entity's risk based approach to determine when transactions should be rejected. Through review of policies and procedures at GPEB, BCLC and the Service Provider, it was noted that there has been no directives made to reject funds where the source of the cash cannot be determined and verified.
- 5.79 Reasonable grounds to suspect Money Laundering activity through the use of unsourced funds has been confirmed by the Service Providers and BCLC through the EDD processes. Interviews have confirmed that players are indeed wealthy non-residents, or business persons with interests both in Vancouver and China, coming to Vancouver to gamble. While the patron may be bona fide, the unsourced cash being accepted by the casino may be associated with criminal activity and poses significant regulatory, business and reputational risk.
- 5.80 The use of possible underground banking operations using large volumes of unsourced cash have become increasingly common and accepted as a convenience feature for VIP players who may not be able to send funds to Canada due to currency restrictions in their own country. The funding arrangements have been confirmed through interviews conducted by BCLC investigators with targeted patrons. The patron advises that they are provided with a contact in Vancouver, either locally or prior to arriving in Vancouver. The contact the person via phone for cash delivery. The funds are later repaid through cash holdings in China. This transaction flow forms an underground or unregistered Hawala type operation using unsourced cash into the casino.
- 5.81 River Rock staffs have fostered a culture accepting of large bulk cash transactions. Through interviews and conversations with facility staff, there is a false reliance of the KYP process, which is developed through the frequency of transactions dealing with large cash values rather than any verified information. This has resulted in a desensitization to the inherent AML risks associated to cash transactions. This was identified by a number of staff at various levels in GPEB, BCLC and the Service Providers.
- 5.82 BCLC's current systems and technology do not allow for analytics or system alerts for activity which is deemed to be suspicious or excessive. There is a reliance on the Operator to file UFTs which may prompt the need for EDD. The implementation of SAS has been significantly delayed due to vendor customization issues which has hindered BCLC's ability to perform efficient and effective monitoring.
- 5.83 Staffing levels do not allow for EDD or deep dive investigations to be completed in a timely manner which allows activity to continue at the facility supporting the apathy to large cash transactions.
 - The EDD process should be reviewed to ensure that data collected and information gleaned from various sources provide a clear picture of the risks and profile of the patron for risk assessment and mitigation purposes.

- 5.84 EDD "Deep dives" have indicated that the players who have been subject of UTFs are themselves are not directly associated with criminal activity. Further actions or reporting is then not deemed suspicious based on reasonable grounds to suspect ML/TF activity. The use of bulk unsourced cash, and the possible use of proceeds of criminal activity, is not clearly identified in the BCLC Risk Assessment.

6.0 RESTRICTIONS AND LIMITATIONS

- 6.1 This report is private and confidential. It is not intended for general circulation or publication. For certainty, this report may not be disclosed, copied, quoted, or referred to in whole or in part, whether for the purposes of litigation, disciplinary proceedings or otherwise, without our prior written consent in each specific instance. It is not to be distributed to any other persons without the prior express written consent of MNP. Such consent, if given, may be on conditions, including without limitation an indemnity against any claims by third parties arising from release of any part of our documents or reports. We do not and will not assume any responsibility or liability for losses incurred by the Gaming Policy Enforcement Branch or their employees or by any other parties as a result of the circulation, publication, reproduction, use of, or reliance upon any reports or documents contrary to the provisions of this paragraph. Further, we understand that this Report may be the subject of a request under the Freedom of Information and Protection of Privacy Act. Should a request be made, MNP will work with GPEB to fulfill the request in accordance with the Act.
- 6.2 Comments in any document or report we produce in the course of this engagement shall not be interpreted to be legal advice or opinion.
- 6.3 BCLC remains solely responsible at all times for adherence with all its compliance obligations.

Yours truly,

MNP LLP



Gregory S. Draper, MBA, DIFA, FCPA, FCGA, CFE, ICD.D
Investigative & Forensic Services

Hayley Howe, CAMS
Investigative & Forensic Services

NEWS RELEASE

Draft provided under embargo
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos,” said Attorney General David Eby. “During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today.”

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

“We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices,” said BCLC President and CEO Jim Lightbody. “We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in BC, we’ll do it.”

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

Quick Facts:

- BCLC is responsible for conduct and management of gambling in B.C.
- GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.
- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:

Government Communications and Public Engagement
Ministry of Attorney General
778 678-1572

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Monday, September 18, 2017 2:05 PM
To: Nelson, Tiffany GCPE:EX
Subject: FW: AML issue

I'm thinking Wed. morning first thing for a NR and then blocking 11:30 – 12:30 for media calls.

From: Godfrey, Sam AG:EX
Sent: Monday, September 18, 2017 11:30 AM
To: Harris, Megan A GCPE:EX
Subject: AML issue

Hi Megan,

As you know MDE wants the MNP report released asap. He would like it done this week, with a media release and media availability. He mentioned that there are government-wide calendars you have for scheduling such items. Can you please coordinate the timing with his Tanera?

Regarding the release, key points as I understand them:

- On assuming responsibility for gaming in BC, the Attorney General was briefed by law enforcement and BC's gaming regulators, the Gaming Policy Enforcement Branch (GPEB).
 - These briefings raised concerns by the Minister regarding the issue of money-laundering at casinos in BC.
 - One of the briefings referenced a report 25 page report by consulting firm MNP LLP, entitled "AML Report". It was submitted to the GPEB on July 27 2016.
 - Consistent with the principle of transparency, this report is being released today.
 - In the coming weeks the Minister will be releasing Terms of Reference to select an independent expert who will: Review if there is an issue of money laundering at casinos in BC.
- If there is an issue, what is the nature and timeline of the issue, and what steps should be considered in order to address it.

Please advise as to next steps.

Best, Sam

Sam Godfrey
Ministerial Assistant, Ministry of Attorney General
Mobile: 250 208 1359 | Office: 250 925 7613
Rm 232, Parliament Buildings, 501 Belleville St., Victoria, B.C. V8V 1X4

This message, including any attachments to it, is not to be disclosed outside of the Provincial Government without prior written approval from the Ministry of Attorney General. If you have received this communication in error, please destroy the email message and any attachments immediately and notify me by telephone or by email.

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Friday, September 22, 2017 10:31 AM
To: Jack, Carolyn GCPE:EX; Jones, Shannon GCPE:EX
Cc: Harris, Megan A GCPE:EX
Subject: FYI: Minister Eby's scrum today

Hi Carolyn, and welcome to GCPE!

A heads up that Minister Eby will be taking questions today on an anti-money laundering report we released this morning (news release below). We are working with various outlets to arrange his interviews, including with CTV who I understand is at the National Soccer Centre event now.

If you have a chance and access to this info, can you send us the list of media in attendance at the event?

Thanks,

Tiffany Nelson | Communications Manager
Ministry of Attorney General
Ph: 250 356-6334 | Cell: 250 858-4680

From: noreply.newsondemand@gov.bc.ca [mailto:noreply.newsondemand@gov.bc.ca]
Sent: Friday, September 22, 2017 9:58 AM
To: Nelson, Tiffany GCPE:EX
Subject: BC Gov News - Report on anti-money laundering released, review to follow

For Immediate Release

2017AG0024-001625

Sept. 22, 2017

Ministry of Attorney General

NEWS RELEASE

Report on anti-money laundering released, review to follow

VICTORIA - The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

"On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos," said Attorney General David Eby. "During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today."

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

"Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated," said Minister of Public Safety and Solicitor General Mike Farnworth. "These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue."

"We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices," said BCLC president and CEO Jim Lightbody. "We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in B.C., we'll do it."

"The problem of money laundering is complex, but a committed government can make a difference," said Eby. "We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch."

A copy of the MNP Report can be found at: https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf

For a link to BCLC's response to the MNP report and other relative reports:
<http://corporate.bclc.com/who-we-are/corporate-reports/reports-disclosures.html>

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- * GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Contact:

Government Communications and Public Engagement
Ministry of Attorney General
778 678-1572

► [READ MORE](#)

Attorney General, Government Operations

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, September 20, 2017 2:51 PM
To: Pandachuck, Niki FIN:EX
Cc: Robins, Shawn GCPE:EX
Subject: Next review: AML Report
Attachments: NR -AML Report- 19SEPT20 DRAFTSR (GPEB reviewed).docx

Importance: High

Hi Niki – can you quickly review these latest edits, with feedback from MO (not yet signed off)? Thanks for flagging any concerns ASAP please.

Tiffany Nelson | Communications Manager
Ministry of Attorney General
Ph: 250 356-6334 | Cell: 250 858-4680

NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering efforts in B.C. casino released

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities. anti-money laundering (AML) practices at River Rock Casino Resort (RRCR) in Richmond, B.C. The report, prepared by MNP LLP, has been released to show the complex challenges the province faces related to combatting money laundering, including due diligence and regulatory oversight at provincial casinos.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a briefing that raised concerns about the issue of money laundering at B.C. casinos,” said Attorney General David Eby. “The briefing referenced a report that had been commissioned to combat money laundering at one casino. In the interests of transparency I am releasing that report today.”

The report was commissioned in 2015 by the Gaming Policy and Enforcement Branch (GPEB) in the wake of concerns about unsourced cash entering River Rock Casino Resort (RRCR). GPEB found approximately \$13 million in \$20 bills reported as suspicious currency transactions were accepted by RRCR in July 2015 alone.

MNP, one of Canada’s largest full-service chartered accounting and business advisory firms, analyzed anti-money laundering practices at RRCR and made several recommendations directed at the BC Lottery Corporation (BCLC) and GPEB. The recommendations focused on training, customer due diligence, technology and monitoring, and issues of broad policy.

In the coming weeks, terms of reference will be developed and an independent expert will be selected to look into whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos, and if there is, the nature and extent of this issue, and the history of the issue. The review will also identify what steps would be required to address the issue, within existing or new laws. at anti-money laundering measures currently in place throughout all gambling facilities in the province. Recommendations are expected to provide additional steps to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities.

“The problem of money laundering is complex and involves an ever-evolving criminal element,” said Eby. “The use of B.C. gambling facilities to launder money that has been obtained through criminal activity hurts our society and undermines the integrity of the gambling industry. We are serious about doing everything we can to identify money laundering activities and ensure policies are in place to prevent it from occurring in B.C. gambling establishments.”

Hold for quote from Minister Farnworth.

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A full copy of the MNP Report can be found at XXXXXXXXXX.

s.13

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- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:

Government Communications and Public Engagement
Attorney General
778-678-1572

Smith, Justin GCPE:EX

From: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Sent: Thursday, September 21, 2017 8:00 PM
To: Harris, Megan A GCPE:EX; Nelson, Tiffany GCPE:EX
Cc: Doug Cheng; XT:Dolinski, Susan GCPE:IN
Subject: NR -AML Report- 20SEPT17 - FINAL.docx
Attachments: NR -AML Report- 20SEPT17 - FINAL.docx

Hi,

Jim Lightbody's quote is inserted. As discussed we will have links in the morning.

Thanks for your assistance. Have a good evening.

Laura Piva-Babcock
Director, Communications
74 West Seymour Street, Kamloops, B.C. V2C 1E2
T 250 828 5576 [s.17](#)

Connect with us:
[Twitter @BCLC](#) | [Facebook](#) | [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.

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.

NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

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In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

Insert BCLC quote here

“BCLC welcomes this review and we will cooperate fully throughout the process,” said BCLC President & CEO Jim Lightbody. “We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices. We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in BC, we’ll do it. ”

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

A copy of the MNP Report can be found at https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf.

Add links to: BCLC response plan to initial report, FINTRAC annual review, internal audit

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Media Contact:

Government Communications and Public Engagement
Ministry of Attorney General
778 678-1572

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Friday, September 22, 2017 1:26 PM
To: Roberts, Michelle J GCPE:EX
Subject: RE: CBC Radio interview request
Attachments: QsAs AMLS Review - 20SEPT17 - DRAFT.DOCX; 2017AG0024-001625.pdf

Hi Michelle – our QAs are attached, as is the final NR that went out (with your Minister's quote, which you've likely seen).

The Minister has offered a clip to Richard Zussman as well, FYI.

Thanks

From: Roberts, Michelle J GCPE:EX
Sent: Friday, September 22, 2017 1:24 PM
To: Nelson, Tiffany GCPE:EX
Subject: FW: CBC Radio interview request
Importance: High

Hi Tiffany,

We've got a request for our minister to be interviewed by CBC Vancouver re: AML. Do you have any bullets you could forward to me?

Thanks,
Michelle

Michelle Roberts, M.A.
Senior Public Affairs Officer
Ministry of Public Safety and Solicitor General | Government of British Columbia
☎ 778.677.8570

From: McAndrews, Caroline GCPE:EX
Sent: Friday, September 22, 2017 1:17 PM
To: Roberts, Michelle J GCPE:EX
Cc: Watson, Jason GCPE:EX
Subject: FW: CBC Radio interview request

Hi Michelle, I asked whether they talked to Minister Eby but they said they just had him on the show and he is doing tv so they wanted a different voice?

From: Bridgette Watson [<mailto:bridgette.watson@cbc.ca>]
Sent: Friday, September 22, 2017 12:49 PM
To: McAndrews, Caroline GCPE:EX
Subject: CBC Radio interview request

Hi Caroline,

Thank you for taking my call moments ago.

As mentioned, we would like to put in a request for Minister Farnworth concerning the report released today about money laundering.

**Confidential Advice to Minister
DRAFT Sept 20, 2017**

**Release of MNP report
Questions & Answers**

s.13

Page 169 to/à Page 170

Withheld pursuant to/removed as

s.13

NEWS RELEASE

For Immediate Release
2017AG0024-001625
Sept. 22, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos,” said Attorney General David Eby. “During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today.”

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

“We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices,” said BCLC president and CEO Jim Lightbody. “We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in B.C., we'll do it.”

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

A copy of the MNP Report can be found at: https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf

For a link to BCLC's response to the MNP report and other relative reports: <http://corporate.bclc.com/who-we-are/corporate-reports/reports-disclosures.html>

Quick Facts:

- BCLC is responsible for conduct and management of gambling in B.C.
- GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.
- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a co-ordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Contact:

Government Communications and Public
Engagement
Ministry of Attorney General
778 678-1572

Connect with the Province of B.C. at: www.gov.bc.ca/connect

This request is for the following times:

4:50 p.m. Radio West - Kelowna

5:10 p.m. On The Coast - Guest host Gloria Macarenko

5:35 p.m. All Points West- Victoria.

I look forward to hearing if the Minister may be able to join us.

I can be reached by email and at 604 662 6138.

Many thanks and happy Friday,

--

Bridgette Watson

Associate producer, Current Affairs

CBC Vancouver

Bridgette.Watson@cbc.ca

[@Beewatz](#)

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Thursday, September 14, 2017 4:34 PM
To: Pandachuck, Niki FIN:EX
Cc: Hazel, Jillian FIN:EX
Subject: RE: Introducing you to Shawn

Roger. I've passed it on. Thank you all for the quick work on this and we'll talk tomorrow.

From: Pandachuck, Niki FIN:EX
Sent: Thursday, September 14, 2017 4:13 PM
To: Nelson, Tiffany GCPE:EX
Cc: Hazel, Jillian FIN:EX
Subject: RE: Introducing you to Shawn

Hi Tiffany,

For Shawn – We've updated the IN to reflect both the MNP report release and the review that's being announced (date still TBD?). That's all being shopped around to our EDs and ADM tonight, along with Shawn's QA re: the review.

Aiming to get it all back to you/Shawn tomorrow.

Niki

Niki Pandachuck · Communications Officer
[Gaming Policy & Enforcement Branch](#)
Ministry of Attorney General
P: 250 387-1151 / C: 778 679-0829

From: Pandachuck, Niki FIN:EX
Sent: Thursday, September 14, 2017 3:06 PM
To: Nelson, Tiffany GCPE:EX
Subject: RE: Introducing you to Shawn

Thanks Tiffany – Trying to track down Jillian so we can call Shawn back together

Niki

From: Nelson, Tiffany GCPE:EX
Sent: Thursday, September 14, 2017 2:40 PM
To: Pandachuck, Niki FIN:EX
Subject: Introducing you to Shawn

Hi Niki – we have a contractor helping out for a week or so ^{s.22} He doesn't yet have email so I'll be the hub between you until it's set. He's started on some QAs (I haven't yet reviewed), attached, and will be calling you shortly to introduce himself and request the IN you were developing to continue refining these QAs.

Can you please assist?

Thanks,

Tiffany Nelson | Communications Manager

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, September 20, 2017 10:00 AM
To: McAndrews, Caroline GCPE:EX; Watson, Jason GCPE:EX; Sitter, Donna GCPE:EX
Cc: Robins, Shawn GCPE:EX
Subject: For review: AML materials
Attachments: QsAs AMLS Review DRAFT Sept19SR (GPEB draft).docx; NR -AML Report-19SEPT19 DRAFTSR (GPEB draft).docx

Hi there – attached are our latest AML report materials (NR and QA), with reference to JIGIT. These are with the GPEB ADM now. Planned release time is 8 a.m. tomorrow.

Can you please review and confirm if all looks good to PSSG? Thank you!

**Confidential Advice to Minister
DRAFT Sept 19, 2017**

Release of MNP report on anti-money laundering

Questions & Answers

s.13

Page 178 to/à Page 179

Withheld pursuant to/removed as

s.13

NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering efforts in B.C. casino released

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at anti-money laundering (AML) practices at River Rock Casino Resort (RRCR) in Richmond, B.C. The report, prepared by MNP LLP, has been released to show the challenges the province faces related to money laundering.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a briefing that raised concerns about the issue of money laundering at a B.C. casino,” said Attorney General David Eby. “The briefing referenced a report that had been commissioned to combat money laundering at casinos. In the interests of transparency I am releasing that report today.”

The report was commissioned in 2015 by the Gaming Policy and Enforcement Branch (GPEB) in the wake of concerns about unsourced cash entering RRCR. After reports reviewed identified suspicious currency transactions, GPEB found approximately \$13 million in \$20 bills were accepted by RRCR in July 2015 alone.

MNP, one of Canada’s largest full-service chartered accountancy and business advisory firms, analyzed anti-money laundering practices at RRCR and made ^{s.13} recommendations directed at GPEB and the BC Lottery Corporation (BCLC). The recommendations focused on training, customer due diligence, technology and monitoring, and issues of broad policy.

In the coming weeks, a terms of reference will be developed to select an independent expert to look at anti-money laundering measures currently in place throughout all gambling facilities in the province. Recommendations are expected to provide additional steps to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities.

“The problem of money laundering is complex and involves an ever-evolving criminal element,” said Eby. “The use of B.C. gambling facilities to launder money that has been obtained through criminal activity hurts our society and undermines the integrity of the gambling industry. We are serious about doing everything we can to identify money laundering activities and ensure policies are in place to prevent it from occurring in our B.C. gambling establishments.”

A full copy of the MNP Report can be found at XXXXXXXXXX.

Quick Facts:

- BCLC is responsible for conduct and management of gambling facilities and GPEB is responsible for regulating the gambling industry.

- MNP were engaged by the Gaming Policy and Enforcement Branch to conduct the review on September 8, 2015 and delivered the report on July 26, 2016.
- In 1998 the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, the Gaming Policy and Enforcement Branch worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:
Government Communications and Public Engagement
Attorney General
778-678-1572

Smith, Justin GCPE:EX

From: Pandachuck, Niki FIN:EX
Sent: Friday, September 15, 2017 2:44 PM
To: Nelson, Tiffany GCPE:EX
Cc: Hazel, Jillian FIN:EX; Henderson, Jeff FIN:EX
Subject: GPEB input: MNP report and review TOR issues note & QA
Attachments: IN – MNP report release - 15Sept17.docx; QsAs AMLS Review DRAFT Sept14SR (GPEB input).docx

Hi Tiffany,

s.13

Here's the IN, which is ADM-approved and has been seen by several of our executive directors. The QA is also attached, but while our EDs have weighed in John has not yet reviewed/approved. There are a couple of new questions we added in for consideration, with some draft answers – s.13

s.13

Have a great weekend,
Niki

Niki Pandachuck · Communications Officer
[Gaming Policy & Enforcement Branch](#)
Ministry of Attorney General
P: 250 387-1151 / C: 778 679-0829

Release of 2016 MNP report on anti-money laundering

SUGGESTED RESPONSE:

- The Gaming Policy and Enforcement Branch (GPEB) commissioned the MNP report because there were concerns about unsourced cash entering the River Rock Casino.
- The report analyzed anti-money laundering practices at the casino and made recommendations to address any gaps in B.C.'s anti-money laundering strategy.
- The report was completed in July 2016, but was not made public.
- GPEB has provided direction to BCLC to go beyond meeting federal reporting requirements and establish source of funds before accepting cash.
- GPEB also worked with the RCMP and Ministry of Public Safety and Solicitor General (PSSG) to establish the Joint Illegal Gaming Investigation Team (JIGIT).
- Despite these efforts, intelligence and the ongoing work of law enforcement indicates that money laundering is still occurring in B.C. casinos.
- That's why we're developing the terms of reference for a review of the provincial Anti-Money Laundering Strategy to determine what additional action should be taken.

BACKGROUND:

Government will make public a 2016 report on anti-money laundering (AML) practices in B.C.'s gambling facilities. The report, conducted by consulting firm MNP, was completed on July 26, 2016 but was not released. At the same time the report is released, government will also announce the terms of reference for a review of B.C.'s anti-money laundering strategy.

In 2015, the Gaming Policy and Enforcement Branch (GPEB) engaged financial consulting firm MNP to review current practices regarding large volumes of unsourced cash being accepted at River Rock Casino Resort (RRCR). GPEB had found that approximately \$13 million in \$20 bills were accepted by RRCR in July 2015. This was determined through reviews of suspicious currency transactions reported to GPEB by casino service providers.

MNP was asked to analyze current practices at RRCR and identify immediate near-term actions to address gaps. BCLC questioned the data used in the analysis and the credentials of MNP, and raised concerns about some of the recommendations made by MNP.

Of the report's ^{s.13} recommendations, many were directed to BCLC with regards to training, customer due diligence, and technology and monitoring. The most significant recommendation directed at government is for: *GPEB, at the direction of the Minister responsible for gaming, to consider*

implementing a policy requirement for service providers to refuse unsourced cash deposits exceeding an established dollar limit, or refuse frequent unsourced cash deposits exceeding an established threshold and time period.

s.14

The General Manager, however, has provided direction to BCLC, emphasizing the need for BCLC to go beyond meeting federal AML reporting requirements and establish the source of funds before accepting cash.

GPEB worked with the RCMP and Ministry of Public Safety and Solicitor General (PSSG) to establish the Joint Illegal Gaming Investigation Team (JIGIT) in Spring 2016. JIGIT is an integrated and dedicated law enforcement team with a focus on disrupting organized crime and gang involvement in illegal gaming and preventing money laundering in BC gaming facilities. It is housed within the RCMP's Combined Forces Special Enforcement Unit (CFSEU-BC).

The review of B.C.'s anti-money laundering measures will look at AML measures currently in place and may make recommendations about any additional steps that could be taken by government to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities. The terms of reference are under development.

Program Area	Deputy / ADM	GCPE
N. Pandachuck – Sept. 12/17 J. Hazel – Sept. 15/17 L. Meilleur – Sept. 15/17 A. Fitzgerald – Sept. 15/17 D. Boychuk – Sept. 15/17 K. Bruce – Sept. 15, 2017	J. Mazure – Sept. 15/17	X. XX – XX/17 T. Nelson – XX/17 M. Harris – XX/17

**Confidential Advice to Minister
DRAFT Sept 14, 2017**

**Appointment of Independent Third-Party to Assess
Effectiveness of Anti Money Laundering Strategy by BC Lottery Corporation**

Questions & Answers

s.13

Page 186 to/à Page 187

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s.13

Page 188

Withheld pursuant to/removed as

s.13,s.22

Smith, Justin GCPE:EX

From: Sitter, Donna GCPE:EX
Sent: Wednesday, September 20, 2017 2:03 PM
To: Nelson, Tiffany GCPE:EX; Robins, Shawn GCPE:EX
Cc: McAndrews, Caroline GCPE:EX; Roberts, Michelle J GCPE:EX
Subject: Input from elsewhere AML materials
Attachments: QsAs AMLS Review DRAFT Sept19SR (GPEB draft) TEr.docx; NR -AML Report-19SEPT19 DRAFTSR (GPEB draft) TEr.docx

Importance: High

Hi - here is input from Police Services Division - they want to make sure that it is clear JIGIT operates under CFSEU-BC. (for your info - strategic direction and priorities are issued to CFSEU by the Sol Gen not AG.) So we've made a couple of edits to both of these docs. I also have a quote for the SG out for approval - it isn't included here. Thanks and will try to get that back soon as I can

From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, September 20, 2017 10:00 AM
To: McAndrews, Caroline GCPE:EX; Watson, Jason GCPE:EX; Sitter, Donna GCPE:EX
Cc: Robins, Shawn GCPE:EX
Subject: For review: AML materials

Hi there – attached are our latest AML report materials (NR and QA), with reference to JIGIT. These are with the GPEB ADM now. Planned release time is 8 a.m. tomorrow.

Can you please review and confirm if all looks good to PSSG? Thank you!

NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering efforts in B.C. casino released

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at anti-money laundering (AML) practices at River Rock Casino Resort (RRCR) in Richmond, B.C. The report, prepared by MNP LLP, has been released to show the challenges the province faces related to money laundering.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a briefing that raised concerns about the issue of money laundering at a B.C. casino,” said Attorney General David Eby. “The briefing referenced a report that had been commissioned to combat money laundering at casinos. In the interests of transparency I am releasing that report today.”

The report was commissioned in 2015 by the Gaming Policy and Enforcement Branch (GPEB) in the wake of concerns about unsourced cash entering RRCR. After reports reviewed identified suspicious currency transactions, GPEB found approximately \$13 million in \$20 bills were accepted by RRCR in July 2015 alone.

MNP, one of Canada’s largest full-service chartered accountancy and business advisory firms, analyzed anti-money laundering practices at RRCR and made ^{s.13} recommendations directed at GPEB and the BC Lottery Corporation (BCLC). The recommendations focused on training, customer due diligence, technology and monitoring, and issues of broad policy.

In the coming weeks, a terms of reference will be developed to select an independent expert to look at anti-money laundering measures currently in place throughout all gambling facilities in the province. Recommendations are expected to provide additional steps to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities.

“The problem of money laundering is complex and involves an ever-evolving criminal element,” said Eby. “The use of B.C. gambling facilities to launder money that has been obtained through criminal activity hurts our society and undermines the integrity of the gambling industry. We are serious about doing everything we can to identify money laundering activities and ensure policies are in place to prevent it from occurring in our B.C. gambling establishments.”

A full copy of the MNP Report can be found at XXXXXXXXXX.

Quick Facts:

- BCLC is responsible for conduct and management of gambling facilities and GPEB is responsible for regulating the gambling industry.

- MNP were engaged by the ~~Gaming Policy and Enforcement Branch~~GPEB to conduct the review on September 8, 2015 and delivered the report on July 26, 2016.
- In 1998 the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, the ~~Gaming Policy and Enforcement Branch~~GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, [a unit under CFSEU-BC](#), provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:
 Government Communications and Public Engagement
 Attorney General
 778-678-1572

Confidential Advice to Minister
DRAFT Sept 19, 2017

Release of MNP report on anti-money laundering

Questions & Answers

s.13

Page 193 to/à Page 194

Withheld pursuant to/removed as

s.13

Smith, Justin GCPE:EX

From: Mazure, John C FIN:EX
Sent: Wednesday, September 20, 2017 5:10 PM
To: Nelson, Tiffany GCPE:EX; Togneri, Cassandra GCPE:EX; Robins, Shawn GCPE:EX
Cc: Henderson, Jeff FIN:EX; Hazel, Jillian FIN:EX; Vear, Maureen FIN:EX; Kendall, Janelle FIN:EX; Pandachuck, Niki FIN:EX
Subject: RE: Urgent ADM review: AML Report NR

The revised NR looks fine to me. No concerns.

From: Pandachuck, Niki FIN:EX
Sent: Wednesday, September 20, 2017 5:01 PM
To: Mazure, John C FIN:EX
Cc: Henderson, Jeff FIN:EX; Hazel, Jillian FIN:EX; Vear, Maureen FIN:EX; Kendall, Janelle FIN:EX; Nelson, Tiffany GCPE:EX; Togneri, Cassandra GCPE:EX; Robins, Shawn GCPE:EX
Subject: RE: Urgent ADM review: AML Report NR

Hi John,

Please send your feedback to Cassandra, Shawn, and Tiffany, who I've CC'd here.

Thanks!
Niki

From: Pandachuck, Niki FIN:EX
Sent: Wednesday, September 20, 2017 3:02 PM
To: Mazure, John C FIN:EX
Cc: Henderson, Jeff FIN:EX; Hazel, Jillian FIN:EX; Vear, Maureen FIN:EX; Kendall, Janelle FIN:EX
Subject: Urgent ADM review: AML Report NR
Importance: High

Hi John,

GCPE is requesting an urgent review of these edits to the news release which includes feedback from the MO.

They'd like us to flag any concerns as soon as possible.

Thank you,
Niki

Niki Pandachuck · Communications Officer
[Gaming Policy & Enforcement Branch](#)
Ministry of Attorney General
P: 250 387-1151 / C: 778 679-0829

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, September 20, 2017 3:06 PM
To: Sitter, Donna GCPE:EX; Robins, Shawn GCPE:EX
Cc: McAndrews, Caroline GCPE:EX; Roberts, Michelle J GCPE:EX
Subject: RE: Input from elsewhere AML materials
Attachments: NR -AML Report- 19SEPT20 DRAFTSR (GPEB reviewed) (2).docx

Thanks Donna. This latest is with MO reflecting their input (not signed off yet). I've added your edits and placed a hold for your quote, which I'll add once approved.

From: Sitter, Donna GCPE:EX
Sent: Wednesday, September 20, 2017 2:44 PM
To: Nelson, Tiffany GCPE:EX; Robins, Shawn GCPE:EX
Cc: McAndrews, Caroline GCPE:EX; Roberts, Michelle J GCPE:EX
Subject: RE: Input from elsewhere AML materials

Quote for SG in AG NR - This isn't signed off by our MO - could we have the NR when you are ready so we can run by them too?

"Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated," said Minister of Public Safety and Solicitor General Mike Farnworth. "These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue."

From: Sitter, Donna GCPE:EX
Sent: Wednesday, September 20, 2017 2:03 PM
To: Nelson, Tiffany GCPE:EX; Robins, Shawn GCPE:EX
Cc: McAndrews, Caroline GCPE:EX; Roberts, Michelle J GCPE:EX
Subject: Input from elsewhere AML materials
Importance: High

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From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, September 20, 2017 10:00 AM
To: McAndrews, Caroline GCPE:EX; Watson, Jason GCPE:EX; Sitter, Donna GCPE:EX
Cc: Robins, Shawn GCPE:EX
Subject: For review: AML materials

Hi there – attached are our latest AML report materials (NR and QA), with reference to JIGIT. These are with the GPEB ADM now. Planned release time is 8 a.m. tomorrow.

Can you please review and confirm if all looks good to PSSG? Thank you!

NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering efforts in B.C. casino released

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities. anti-money laundering (AML) practices at River Rock Casino Resort (RRCR) in Richmond, B.C. The report, prepared by MNP LLP, has been released to show the complex challenges the province faces related to combatting money laundering, including due diligence and regulatory oversight at provincial casinos.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a briefing that raised concerns about the issue of money laundering at B.C. casinos,” said Attorney General David Eby. “The briefing referenced a report that had been commissioned to combat money laundering at one casino. In the interests of transparency I am releasing that report today.”

The report was commissioned in 2015 by the Gaming Policy and Enforcement Branch (GPEB) in the wake of concerns about unsourced cash entering River Rock Casino Resort (RRCR). GPEB found approximately \$13 million in \$20 bills reported as suspicious currency transactions were accepted by RRCR in July 2015 alone.

MNP, one of Canada’s largest full-service chartered accounting and business advisory firms, analyzed anti-money laundering practices at RRCR and made several recommendations directed at the BC Lottery Corporation (BCLC) and GPEB. The recommendations focused on training, customer due diligence, technology and monitoring, and issues of broad policy.

In the coming weeks, terms of reference will be developed and an independent expert will be selected to look into whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos. The review would also identify the steps required to address the issue, within existing or new laws, at anti-money laundering measures currently in place throughout all gambling facilities in the province. Recommendations are expected to provide additional steps to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities.

“The problem of money laundering is complex and involves an ever-evolving criminal element,” said Eby. “The use of B.C. gambling facilities to launder money that has been obtained through criminal activity hurts our society and undermines the integrity of the gambling industry. We are serious about doing everything we can to identify money laundering activities and ensure policies are in place to prevent it from occurring in B.C. gambling establishments.”

Hold for quote from Minister Farnworth.

Formatted: Font: Italic

A full copy of the MNP Report can be found at XXXXXXXXXX.

Quick Facts:

- BCLC is responsible for conduct and management of gambling in BC.
- GPEB is responsible for the overall integrity of gambling and horse racing in the Province.
- MNP were engaged by GPEB to conduct the review on ~~September~~ Sept. 8, 2015 and delivered the report on July 26, 2016.
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- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:

Government Communications and Public Engagement
Attorney General
778-678-1572

Smith, Justin GCPE:EX

From: Carruthers, Dana GCPE:EX
Sent: Friday, September 22, 2017 9:55 AM
To: Nelson, Tiffany GCPE:EX
Cc: Harris, Megan A GCPE:EX; Sherlock, Stephanie GCPE:EX; Zadavec, Don GCPE:EX; Croft, Robyn J GCPE:EX; Horlor, Shannon GCPE:EX
Subject: APPROVED FINAL - Report on anti-money laundering released, review to follow
Attachments: 2017AG0024-001625.pdf

Hi Tiffany,

Here is your approved final news release.

We will queue to go ASAP provincewide including all ethnic media.

Have a good day!

~Dana

-----Original Message-----

From: Carruthers, Dana GCPE:EX [mailto:Dana.Carruthers@gov.bc.ca]
Sent: Friday, September 22, 2017 9:53 AM
To: Carruthers, Dana GCPE:EX
Subject: Report on anti-money laundering released, review to follow

Please refer to the files attached to this email. The following is the summary of the News Release

Permalink: <https://news.gov.bc.ca/15467>

News ID: NEWS-15467

NR Number: 2017AG0024-001625

NR Type: News Release

State: Planned

Planned Release Date: September 22, 2017 at 9:50 am Media Distribution Lists: ETHALL_ALL ETHNIC, LEGIS_PRESS GALLERY, MEDIA, PROVI_PROVINCE WIDE Lead Organization: Ministry of Attorney General

Headline: Report on anti-money laundering released, review to follow

This email was auto-generated.

For Immediate Release

2017AG0024-001625

Sept. 22, 2017

Ministry of Attorney General

NEWS RELEASE

Report on anti-money laundering released, review to follow

VICTORIA - The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

"On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos," said Attorney

NEWS RELEASE

For Immediate Release
2017AG0024-001625
Sept. 22, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

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“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos,” said Attorney General David Eby. “During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today.”

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

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“We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices,” said BCLC president and CEO Jim Lightbody. “We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in B.C., we'll do it.”

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

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- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a co-ordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Contact:

Government Communications and Public
Engagement
Ministry of Attorney General
778 678-1572

Connect with the Province of B.C. at: www.gov.bc.ca/connect

General David Eby. "During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today."

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Government Communications and Public Engagement Ministry of Attorney General
778 678-1572

Connect with the Province of B.C. at: www.gov.bc.ca/connect

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Friday, September 15, 2017 11:46 AM
To: Nelson, Tiffany GCPE:EX
Subject: FW: IN - MNP report release - 12Sept17
Attachments: IN - MNP report release - 12Sept17.docx

FYI

From: Meilleur, Len FIN:EX
Sent: Friday, September 15, 2017 7:35 AM
To: Hazel, Jillian FIN:EX
Cc: Henderson, Jeff FIN:EX; Pandachuck, Niki FIN:EX; Mazure, John C FIN:EX; Harris, Megan A GCPE:EX
Subject: IN - MNP report release - 12Sept17

Jillian,

Thanks for the work on this. I have one comment and one edit for now.

Len

J.E.L. (Len) Meilleur
Executive Director
Compliance Division
Gaming Policy Enforcement Branch
Ministry of Attorney General
Location: 3rd Floor, 910 Government Street, Victoria BC V8W 1X3
Mailing Address: P.O. Box 9309 Stn Prov Govt, Victoria BC V8W 9N1
Tel: [250-356-6320](tel:250-356-6320) Fax: 250-356-0782
E-mail: len.meilleur@gov.bc.ca
Website: www.gaming.gov.bc.ca

If you believe that you have received this email in error, please notify the sender and delete the email from your mailbox.

Smith, Justin GCPE:EX

From: Smith, George AG:EX
Sent: Wednesday, September 20, 2017 6:26 PM
To: Nelson, Tiffany GCPE:EX; Harris, Megan A GCPE:EX
Subject: FW: NR -AML Report- 20SEPT17 - DRAFT
Attachments: NR -AML Report- 20SEPT17 - DRAFT.docx

Approved release.

From: Eby, David AG:EX
Sent: Wednesday, September 20, 2017 6:24 PM
To: Smith, George AG:EX
Subject: NR -AML Report- 20SEPT17 - DRAFT

Edits attached.
D.

NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

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NOT APPROVED: “Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

A full copy of the MNP Report can be found at [XXXXXXXXXX](#).

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Media Contact:
Government Communications and Public Engagement
Ministry of Attorney General
778 678-1572

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Friday, September 22, 2017 4:43 PM
To: Mazure, John C FIN:EX; Meilleur, Len FIN:EX; Pandachuck, Niki FIN:EX
Cc: Nelson, Tiffany GCPE:EX
Subject: Great Canadian Statement
Attachments: Great Canadian Response -AML.pdf

BCLC notified us - Great Canadian Gaming is releasing this statement shortly.

MEDIA STATEMENT FOR IMMEDIATE RELEASE

AML Practices at the River Rock Casino Resort

Great Canadian Gaming Corporation's Response to the Attorney General's AML Report

Richmond, BC (September 22, 2017): Today, Attorney General David Eby released a 2016 MNP report on anti-money laundering practices in BC casinos and announced a review to determine if there are issues pertaining to money laundering in Lower Mainland casinos.

Great Canadian Gaming Corporation (Great Canadian) strictly adheres to all regulatory requirements and maintains the highest standards of reporting at our properties. The British Columbia Lottery Corporation (BCLC), the Gaming Policy Enforcement Branch (GPEB), and FINTRAC have highly detailed and rigorous regulatory obligations that all Great Canadian facilities in BC adhere to and at all times we govern ourselves to meet or exceed those obligations, rules, and standards.

We welcome the Minister's review of the industry and our operations, and along with direction from GPEB and BCLC, we will adopt any further revisions to the regulatory structure should they direct BC casino operators to do so.

River Rock Casino Resort is owned and operated by Great Canadian Gaming Corporation.

-30-

Great Canadian Gaming Corporation is a Canadian based company that operates gaming, entertainment and hospitality facilities in British Columbia, Ontario, New Brunswick, Nova Scotia, and Washington State. A key element of Great Canadian's business model is its commitment to social responsibility. "PROUD of our people, our business, our community" is Great Canadian's brand that unifies the company's community, volunteering and social responsibility efforts. Under the PROUD program, Great Canadian annually invests over \$2.5 million in our communities, and in 2016, over 1,500 charitable organizations were supported by Great Canadian. In each Canadian gaming jurisdiction, a significant portion of gross gaming revenue from gaming facilities is retained by our crown partners on behalf of their provincial government for the purpose of supporting programs like healthcare, education and social services.

For further information:

Sonja Mandic

Director, Media Relations & Social Responsibility

Great Canadian Gaming Corporation.

604.889.7114.

smandic@gcggaming.com

Smith, Justin GCPE:EX

From: Pandachuck, Niki FIN:EX
Sent: Tuesday, September 19, 2017 9:42 AM
To: Robins, Shawn GCPE:EX
Cc: Nelson, Tiffany GCPE:EX; Hazel, Jillian FIN:EX
Subject: RE: Draft NR MNP Report
Attachments: NR -AML Report- 18SEPT17 DRAFTSR (gpeb suggestions).docx

Hi Shawn,

Here is the draft with some advice for your consideration. This draft has not yet been reviewed by John – our EDs had some questions before it goes to the ADMO.

Please give us a call if we can explain anything,
Niki

Niki Pandachuck · Communications Officer
[Gaming Policy & Enforcement Branch](#)
Ministry of Attorney General
P: 250 387-1151 / C: 778 679-0829

From: Robins, Shawn GCPE:EX
Sent: Monday, September 18, 2017 2:08 PM
To: Pandachuck, Niki FIN:EX
Cc: Nelson, Tiffany GCPE:EX
Subject: Draft NR MNP Report

Niki: Would you have a look at this first draft of the MNP Report release News Release. Thanks
Shawn Robins



NEWS RELEASE

For Immediate Release
[release number]
Sept. xx, 2017

Ministry of the Attorney General

Report and Recommendations on Anti-Money Laundering Efforts in B.C. Casinos Released

VICTORIA – The Attorney General today released the July 2016 MNP Report analysing anti-money laundering (AML) practices at a B.C. casinos. The report also made numerous recommendations to address gaps in B.C.'s anti-money laundering ~~strategy~~ policies.

The report was commissioned by the ~~provincial~~ Gaming Policy and Enforcement Branch (GPEB) in the wake of concerns about unsourced cash entering the River Rock Casino Resort (RRCR). Through reviews of reported suspicious currency transactions ~~in~~, GPEB found that approximately \$13 million in \$20 bills were accepted by RRCR in July 2015. MNP, one of Canada's largest full-service chartered accountancy and business advisory firms was commissioned to analyze current practices at RRCR and identify immediate near-term actions to address gaps in anti-money laundering practices. The report was completed in July 2016.

The report contains ^{s.13} recommendations, ~~many~~ are directed to the BC Lottery Corporation, ~~who which have has~~ responsibility for ~~contracting the conduct and management of~~ gambling facilities, ~~with regards to and focus on~~ training, customer due diligence, and technology and monitoring. Recommendations about issues of broad policy are directed at government. The report's most One significant recommendation for the GPEB government is to consider implementing a policy requirement for service providers to refuse unsourced cash deposits exceeding an established dollar limit, or refuse frequent unsourced cash deposits exceeding an established threshold and time period.

s.13

Government has reviewed the report and feels further work would be warranted to ensure the appropriate policies are in place to prevent the proceeds of crime from entering B.C. gambling facilities. recommendations and is Terms of reference for an additional review are being developed ~~ed ing terms of reference for an additional review intended~~ to look at current AML measures ~~currently in place,~~ and make recommendations about additional steps that could be taken by government. ~~to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities.~~

The MNP report can be viewed in full at [insert link].

-Quotes:

Attorney General David Eby, QC –

"Use of B.C. gambling facilities to launder money that has been obtained through criminal activity hurts our society and undermines the integrity of the gambling industry. We are serious about doing everything we can to identify money laundering activities and ensure policies are in

place to prevent it from occurring in our B.C. gambling establishments. Despite our best efforts, intelligence and the ongoing work of law enforcement indicates that money laundering is still occurring in B.C. casinos. That's why today we are releasing the 2016 MNP report ~~into to be~~ transparent about anti-money laundering practices at B.C. gambling facilities."

s.13

"GPEB and ~~the~~ BCLC have already acted on many of the recommendations in the internal report, but we believe more needs to be done to combat this continuing illegal practice. To this end we are developing terms of reference for a further review with the intent of taking a hard look at AML measures currently in place and making recommendations about additional steps that government should take to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities. We will have the full terms of reference developed soon,"

Quick Facts:

- MNP were engaged by the Gaming Policy and Enforcement Branch to conduct the review on September 8, 2015 and delivered the report on July 26, 2016.
- In 1998 the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.

s.13

s.13

- The gambling industry directly and indirectly employs 37,000 people.

Media Contact:
Government Communications and Public Engagement
Attorney General
778-678-1572

Smith, Justin GCPE:EX

From: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Sent: Friday, September 22, 2017 9:55 AM
To: Nelson, Tiffany GCPE:EX
Cc: Harris, Megan A GCPE:EX
Subject: RE: link

Thanks.

-----Original Message-----

From: Nelson, Tiffany GCPE:EX [<mailto:Tiffany.Nelson@gov.bc.ca>]
Sent: September 22, 2017 9:55 AM
To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Cc: Harris, Megan A GCPE:EX <Megan.Harris@gov.bc.ca>
Subject: Re: link

Hi Laura - we added the general link into the NR, which is going out ASAP.

I would suggest highlighting on your reports page those newly added so media can quickly see it.

"For a link to BCLC's response to the MNP report and other relative reports: <http://corporate.bclc.com/who-we-are/corporate-reports/reports-disclosures.html>."

On Sep 22, 2017, at 9:43 AM, Laura Piva-Babcock <LPiva-Babcock@bclc.com<<mailto:LPiva-Babcock@bclc.com>>> wrote:

Hi Tiffany,

Our document will be posted to this page. If you are under the gun please use this link.

<http://corporate.bclc.com/who-we-are/corporate-reports/reports-disclosures.html>

Laura Piva-Babcock
Director, Communications
74 West Seymour Street, Kamloops, B.C. V2C 1E2 T 250 828 5576 **s.17**

Connect with us:

Twitter @BCLC<<http://twitter.com/BCLC>> | Facebook <<http://facebook.com/bclc>> |
[bclc.com<http://www.bclc.com/>](http://www.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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Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Tuesday, September 19, 2017 10:24 PM
To: Nelson, Tiffany GCPE:EX
Subject: Re: GPEB: NR, QA, and IN

Thursday 8 am as far as I last heard!!

On Sep 19, 2017, at 10:02 PM, Nelson, Tiffany GCPE:EX <Tiffany.Nelson@gov.bc.ca> wrote:

Will do. I missed the final word on release timing but will get on this first thing.

On Sep 19, 2017, at 9:54 PM, Harris, Megan A GCPE:EX <Megan.Harris@gov.bc.ca> wrote:

Hi Tiffany,

I got these back from GPEB today and they match the direction the MO wanted. Can you please ensure that Caroline has a look as well as it mentions PSSG and their efforts. It will need to go back past the GPEB team **s.13**

s.13

NR – pretty roughed up by me so view on “final”

QA – I didn’t track edits. Too many.

IN – I didn’t review because my head is spinning. It can be influenced by the other two

Please take this as my review. Unless there are substantial changes, please keep moving these forward. After MO approves them, I will forward on to Don, Cara and Tim at HQ.

Thanks,

Me

From: Pandachuck, Niki FIN:EX
Sent: Tuesday, September 19, 2017 4:40 PM
To: Harris, Megan A GCPE:EX
Cc: Mazure, John C FIN:EX; Hazel, Jillian FIN:EX; Henderson, Jeff FIN:EX
Subject: GPEB: NR, QA, and IN

Hi Megan,

Here are drafts of the NR, QA, and IN for tomorrow’s announcement. John has reviewed and is comfortable with what’s proposed here.

Thank you,

Niki

Niki Pandachuck · Communications Officer

[Gaming Policy & Enforcement Branch](#)

Ministry of Attorney General

P: 250 387-1151 / C: 778 679-0829

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Friday, September 22, 2017 9:47 AM
To: Carruthers, Dana GCPE:EX
Cc: Harris, Megan A GCPE:EX; Sherlock, Stephanie GCPE:EX; Zadavec, Don GCPE:EX; Croft, Robyn J GCPE:EX; Horlor, Shannon GCPE:EX
Subject: Re: timinig - RE: First link - Report on anti-money laundering released, review to follow

Hi - BCLC hasn't managed to prepare their specific links. Please add this under the MNP link I previously provided and above quick facts:

"For a link to BCLC's response to the MNP report and other relative reports: <http://corporate.bclc.com/who-we-are/corporate-reports/reports-disclosures.html>."

That's it!

On Sep 22, 2017, at 9:40 AM, Carruthers, Dana GCPE:EX <Dana.Carruthers@gov.bc.ca> wrote:

Thank you for letting us know - we are standing by and need time to process :)

-----Original Message-----

From: Harris, Megan A GCPE:EX
Sent: Friday, September 22, 2017 9:39 AM
To: Carruthers, Dana GCPE:EX; Nelson, Tiffany GCPE:EX
Cc: Sherlock, Stephanie GCPE:EX; Zadavec, Don GCPE:EX; Croft, Robyn J GCPE:EX; Horlor, Shannon GCPE:EX
Subject: RE: timinig - RE: First link - Report on anti-money laundering released, review to follow

We are trying Dana. We have multiple requests into our Crown to hurry.

-----Original Message-----

From: Carruthers, Dana GCPE:EX
Sent: Friday, September 22, 2017 9:38 AM
To: Nelson, Tiffany GCPE:EX
Cc: Harris, Megan A GCPE:EX; Sherlock, Stephanie GCPE:EX; Zadavec, Don GCPE:EX; Croft, Robyn J GCPE:EX; Horlor, Shannon GCPE:EX
Subject: timinig - RE: First link - Report on anti-money laundering released, review to follow
Importance: High

And if we want to make our time of 9:50, liks and final approval need to come quickly please

-----Original Message-----

From: Carruthers, Dana GCPE:EX
Sent: Friday, September 22, 2017 9:31 AM
To: Nelson, Tiffany GCPE:EX
Cc: Harris, Megan A GCPE:EX; Sherlock, Stephanie GCPE:EX; Zadavec, Don GCPE:EX;

Croft, Robyn J GCPE:EX; Horlor, Shannon GCPE:EX
Subject: First link - Report on anti-money laundering released, review to follow

Hi Tiffany,

Here is your first link inserted - standing by for the rest, thank you for advising of placement (please advise of order for the following ones as well for quick turnaround).

Cheers,
Dana

-----Original Message-----

From: Carruthers, Dana GCPE:EX [<mailto:Dana.Carruthers@gov.bc.ca>]
Sent: Friday, September 22, 2017 9:29 AM
To: Carruthers, Dana GCPE:EX
Subject: DRAFT: Report on anti-money laundering released, review to follow

Please refer to the files attached to this email. The following is the summary of the News Release

NR Number: Not Approved
NR Type: News Release
State: Planned
Planned Release Date: September 22, 2017 at 9:50 am
Media Distribution Lists: ETHALL_ALL ETHNIC, LEGIS_PRESS GALLERY, MEDIA, PROV_PROVINCE WIDE
No Lead Organization
Headline: Report on anti-money laundering released, review to follow

This email was auto-generated.

Not Approved
Sept. 22, 2017

Ministry of Attorney General

NEWS RELEASE
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Contact:

Government Communications and Public Engagement Ministry of Attorney General
778 678-1572

Connect with the Province of B.C. at: www.gov.bc.ca/connect

Page 218

Withheld pursuant to/removed as

**Confidential Advice to Minister
DRAFT Sept 20, 2017**

**Release of MNP report
Questions & Answers**

s.13

Page 220 to/à Page 221

Withheld pursuant to/removed as

s.13

NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

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Quick Facts:

- BCLC is responsible for conduct and management of gambling in B.C.
- GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.

- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:

Government Communications and Public Engagement
Ministry of Attorney General
778 678-1572

Smith, Justin GCPE:EX

From: Godfrey, Sam AG:EX
Sent: Wednesday, September 20, 2017 10:50 AM
To: Nelson, Tiffany GCPE:EX
Cc: Smith, George AG:EX
Subject: AML release and materials

Hi Tiffany,

I hope you are having a good day. Please let me know when we can expect the coms materials for tomorrow's 8am media release re. the MNP report. Please send it off to both George and me when ready.

Thanks, S.

Sam Godfrey

Ministerial Assistant, Ministry of Attorney General
Mobile: 250 208 1359 | Office: 250 925 7613
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This message, including any attachments to it, is not to be disclosed outside of the Provincial Government without prior written approval from the Ministry of Attorney General. If you have received this communication in error, please destroy the email message and any attachments immediately and notify me by telephone or by email.

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Friday, September 22, 2017 9:00 AM
To: 'Bob Mackin'
Cc: Nelson, Tiffany GCPE:EX
Subject: Embargoed MNP Report
Attachments: MNP Report - redacted reduced.pdf; NR_AML Report_22SEPT17_EMBARGOED.PDF

Please see the attached news release and report – embargoed until 9:50 am today.

A link to the full report will be in the news release sent out at 9:50 am

Cheers,

Megan

Megan Harris
Communications Director
Ministry of Attorney General
Government Communications and Public Engagement
Email: Megan.harris@gov.bc.ca
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British Columbia Gaming Policy Enforcement Branch

AML Report

Private & Confidential

PREPARED FOR: Dave Boychuk
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PREPARED BY: MNP LLP
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DATE: July 26, 2016

TABLE OF CONTENTS

1.0	TERMS OF REFERENCE	3
2.0	BACKGROUND	4
3.0	SCOPE OF REVIEW, APPROACH AND LIMITATIONS	7
4.0	SUMMARY OF FINDINGS/RECOMMENDATIONS	9
5.0	DETAILED FINDINGS/RECOMMENDATIONS	11
	Staffing Observations	11
	Compliance Program observations	12
	Enhanced Due Diligence ("EDD")	12
	Investigative Capabilities	13
	Systems and Data	15
	Reporting	16
	Identification and Reporting of UFTs	18
	Risk Based Approach	19
	Know Your Patron (KYP) or standard CDD	19
	Business Relationship Risk	20
	Industry Practice	21
	Cash Alternatives	22
	Environmental Factors	23
6.0	RESTRICTIONS AND LIMITATIONS	25

1.0 TERMS OF REFERENCE

- 1.1 MNP was engaged by British Columbia's ("BC") Gaming Policy and Enforcement Branch ("GPEB") on September 8, 2015. MNP was directed to work directly with senior GPEB managers to:
- a. Analyze current practices in respect of source of funds, source of wealth, handling of cash, use of cash alternatives and overall Customer Due Diligence ("CDD") in gaming facilities compared to financial institutions;
 - b. Analyze best practices in the gaming sector in relation to 'know your customer' frameworks, particularly in respect of the regulatory framework in British Columbia, as set out in the Gaming Control Act [S.B.C 2002, c. 14];
 - c. Assess British Columbia Lottery Corporation ("BCLC's") Customer Due Diligence ("CDD") regime and overall compliance with the above-noted practices;
 - d. Receive information from the General Manager (as defined in the *Gaming Control Act*) or delegate regarding certain transactions, and assess this information in the context of compliance with a, and b above;
 - e. Identify immediate near term actions to be taken in order to address any gaps and provide recommendations on longer term new solutions or enhancements to current practices; and
 - f. Provide any other recommendations to address any gaps identified in the above-described analysis.
- 1.2 This engagement is not an audit and did not include any control testing. The findings and recommendations are based on information obtained through interviews as well as observations made at the River Rock Casino Resort ("RRCR" or "River Rock") and at BCLC.
- 1.3 We have not independently verified the information provided to us from any source. We reserve the right to review all information included or referred to in our report and, if we consider it necessary, to revise our report in light of any new information which becomes known to us after the date of the report.
- 1.4 Our findings and recommendations are based upon our observations and understanding as at the completion of our field work on January 22, 2016. Actions taken by GPEB, BCLC, or any other party to respond to matters described in our report have not been assessed by MNP.
- 1.5 Our Report is intended to be read in its entirety. We caution against drawing conclusions from any part of our Report in isolation. Our findings are based on procedures performed and information available to us as of the completion of our field work. Instruction to proceed with further analysis and information received subsequent to this date may significantly alter our findings.
- 1.6 The field work, interviews and the corresponding report was prepared independently and objectively by the authors.

2.0 BACKGROUND

- 2.1 The Gaming Policy and Enforcement Branch ("GPEB") Compliance Division compiled a document which identified approximately \$13.5 million in \$20 bills being accepted at RRCR in Richmond during July 2015. Information provided to MNP, containing synopsis details indicated as being sourced from the iTrak system by GPEB, indicated unsourced cash from unknown persons or persons believed to be connected to or participating in illicit activity, was dropped off at the casino or "just-off" casino property for patrons at unusual times, generally late at night. This information caused increased concern and prompted action to be taken by GPEB to review the current practices regarding large volumes of unsourced cash being accepted at RRCR.
- 2.2 Law enforcement intelligence has indicated that this currency may be the direct proceeds of crime. The majority of this cash is being presented by persons commonly referred to as high roller Asian VIP clients. Single cash buy-ins in excess of \$500,000 with no known source of funds have been accepted at RRCR.
- 2.3 GPEB considers the regulatory requirements imposed by the *Gaming Control Act* and the *Federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act* ("PCMLTFA") and its associated regulations to be a minimum standard of conduct. GPEB is mindful of its responsibility for the integrity of gaming including mitigating the risks of money laundering in gaming facilities.
- 2.4 In addition to the regulatory reporting obligations imposed on BCLC by the PCMLTFA in its operation of the casinos in British Columbia ("BC"), GPEB has an interest in reducing the influx of unsourced cash into gaming facilities in BC to protect the integrity of gaming in BC. In our view, this can only be accomplished through the acknowledgement, from all parties, that the proceeds of crime may be being injected into the gaming system despite the controls in place. The reduction of unsourced cash and the expulsion of high risk patrons will contribute to the goal of maintaining the integrity of the gaming system.
- 2.5 In conducting our review we identified that there are three distinct entities in the casino gaming model in BC:
- The Gaming Policy and Enforcement Branch;
 - The British Columbia Lottery Corporation; and
 - The Facility Operator/Service Provider.
- 2.6 GPEB¹ regulates all legal gaming in BC. It ensures the integrity of gaming industry companies, people and equipment, and investigates allegations of wrongdoing. This mandate includes regulatory oversight of BCLC (which conducts and manages lotteries, casinos, community gaming centres and commercial bingo halls), all gaming services providers and gaming workers, BC's horse racing industry and licensed gaming events.

¹ <https://www.gaming.gov.bc.ca/legislation-policies/>

2.7 In addition, GPEB is responsible for the following:

- Conducting audits of charitable and commercial gaming activities to ensure compliance;
- Investigating regulatory offences and providing support to police of local jurisdiction for the investigation of criminal offences connected to gaming facilities²;
- Managing the Province's Responsible Gambling Strategy including the Problem Gambling Program, in order to minimize harm and promote responsible gambling practices; and
- Distributing gaming funds to community organizations.

2.8 According to the BCLC website³, BCLC is a Crown Corporation, owned by the Province of BC it was established to meet the requirements of the Criminal Code of Canada, and balance the need for revenue generation with a commitment to social responsibility and integrity. In 1998, the Province added casino gambling to this mandate and made BCLC responsible for the operation of the casino industry in BC.

2.9 BCLC is responsible for managing the following:

- Setting and overseeing operating standards;
- Creating policies and procedures for all gambling facilities, including security and surveillance;
- Monitoring private sector Service Providers to ensure they conform to policies and procedures, to legislation, regulations and federal anti-money laundering laws; and
- Improving security systems, procedures and employee training programs.

2.10 According the BCLC website, Service Providers⁴ are the companies who own and operate BC gambling facilities. They own or lease gambling facilities like casinos and community gaming centers and maintain the facility operations on a day-to-day basis. With respect to gaming, Service Providers enter into operational service agreements with BCLC and earn commissions based on gambling revenues. They must operate in strict adherence to the rules and regulations set out by both BCLC and GPEB.

2.11 Service Providers are responsible for:

- Complying with terms of registration and reporting matters as required under the *Gaming Control Act* and *Gaming Control Regulations*;
- Providing and maintaining facilities;
- Hiring qualified staff;

² <https://www.gaming.gov.bc.ca/legislation-policies/docs/regulatory-responsibility-gpeb-bclc.pdf>

³ <http://corporate.bclc.com/what-we-do/casinos/our-role.html>

⁴ <http://corporate.bclc.com/what-we-do/casinos/service-providers.html>

- Following BCLC gambling standards, policies and procedures;
- Implementing the anti-money laundering program as prescribed by BCLC;
- Providing and operating surveillance equipment;
- Managing slot machines, table games and bingo games;
- Providing accounting and financial management; and
- Participating in compliance reviews and audits.

2.12 Service Providers are paid a commission based on the net gambling revenue for providing day-to-day services in casinos, community gaming centres and bingo halls. There are two different kinds of commissions:

- An operating commission for operating the facility; and
- A facility development commission which provides incentive for Service Providers to develop high quality facilities.

2.13 The Service Provider implements procedures in response to BCLC's policies, however, as the profit of the operator would be adversely impacted by implementing any control procedures that may reduce revenue, there is an inherent risk that the implemented procedures are designed to meet minimum regulatory requirements. Any guidance from the Province on the reduction of bulk cash will need to be implemented through additional policy from BCLC.

3.0 SCOPE OF REVIEW, APPROACH AND LIMITATIONS

3.1 MNP relied on the following documents and information sources for reference throughout the engagement:

- Background documents provided by GPEB related to the subject matter;
- BCLC organizational charts (November 2015);
- RRCR organizational charts (November 26, 2015);
- BCLC Policies and Procedures (2015);
- BCLC internal procedure documents (2015);
- Data extracts regarding regulatory reports filed between September 1, 2013 and August 31, 2015;
- Website information from BCLC;
- *Gaming Control Act BC*; and
- *PCMLTFA and Regulations*.

3.2 To obtain independent information on the current regime and the prevalence of bulk cash, MNP conducted a total of 23 interviews with employees and management of both RRCR and BCLC. These interviews, with the exception of one conducted with senior management of BCLC, were all done in conjunction with a GPEB Compliance Division auditor assigned by GPEB. Some interviews and operational walkthroughs at RRCR were also observed by a second member of the GPEB Compliance Division. MNP also conducted onsite observations at RRCR which included process walkthroughs for activities relating to acceptance of bulk cash, record keeping and regulatory reporting. MNP also conducted limited statistical analysis of cash transactions related to VIP patron activity at the RRCR.

3.3 Information was gathered through 11 interviews with management level staff from a number of relevant areas of the operations at RRCR including table games, slots, cash cage, VIP Hosts, surveillance and security. Senior Management was interviewed to obtain insight into the operations and policies of accepting large amounts of unsourced cash from patrons. In addition to the interviews, we observed operations on the gaming floor and in the cash cages on both the main gaming floor and VIP gaming areas (Salon Privé and Salon Phoenix) asking questions of staff to confirm documented policies and confirm information provided through the interview process.

3.4 12 interviews were conducted at BCLC to provide staff and management an opportunity to provide feedback, clarify policies and procedures and gain insight into the issues at hand.

3.5 Data regarding reportable cash transactions or play records was provided by BCLC for trending analysis. The period of data used for trending was September 1, 2013 to August 31, 2015. The data was used to identify trends and correlations between the frequencies of Large Cash Transaction Reports ("LCTRs"), the filing of Suspicious Transaction Reports ("STRs") and the ultimate banning of some players due in part to large and frequent play with unsourced cash.

- 3.6 During our analysis an error in the statistical reporting was identified and communicated to BCLC. This error related to the over reporting of non-cash transactions deposited to Patron Gaming Fund Accounts ("PGF") and the redeposit of funds from cashed out chips back into the PGF. BCLC advised they were aware of the issue and was in the process of obtaining a Policy Interpretation from the Financial Transactions and Analysis Centre of Canada ("FINTRAC"). This error resulted in significant over reporting of non-cash transactions to FINTRAC. As a result of the over reporting being included in the produced statistical play records, MNP was unable to determine the actual number and amounts of large cash transactions and as such this limited our ability to obtain reliable results from our data analytics. Due to the complexity of the reporting issue, it is not possible to segregate and remove duplicate transactions. There is no identifier to confirm new cash to the facility versus funds previously played and retained in the PGF for future game-play.
- 3.7 This report does not represent a comprehensive review of all aspects of the existing AML compliance processes. As such, we are not expressing an opinion regarding the adequacy, completeness or effectiveness of existing compliance activities as they relate to anti-money laundering or anti-terrorist financing activities. This engagement was not designed to nor does this report provide any analysis about whether money laundering or terrorist financing is actually occurring, nor does it provide any analysis about the potential that money laundering or terrorist financing will occur through the organization in the future.

4.0 SUMMARY OF FINDINGS/RECOMMENDATIONS

GPEB:

- 4.1 Regulatory regimes for gaming typically seek to balance revenue generation with risk mitigation. Contemplated changes to the gaming regulatory regime must recognize the unique role of each of the main participants, as these roles may create conflicting mandates. Specifically:
- GPEB is the regulator, primarily responsible for ensuring that gaming is conducted with integrity;
 - BCLC is the manager of gaming, primarily responsible to the Province for revenue generation and risk management and responsible to FINTRAC for regulatory compliance; and
 - The Service Providers are the gaming operators, and, via contract with BCLC, are primarily responsible for revenue generation for both the Province and the companies that own the casinos.
- 4.2 Currently, casinos are only required to report LCTRs after they have accepted the cash transaction. GPEB 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.
- 4.3 GPEB should continue to work with BCLC to support cash-alternatives for Service Providers to receive funds, strengthening the overall compliance regime with minimal impact on revenue generation.
- 4.4 GPEB, BCLC, and to some extent the Service Providers should jointly evaluate the resourcing and functioning of existing investigative units. Effective multi-agency units would promote the sharing of information and resources.

BCLC:

- 4.5 If GPEB implements a policy regarding the refusal of large or frequent unsourced cash deposits, BCLC's procedures to address the policy should include refresher training to Service Providers pertaining to BCLC's reporting requirements of attempted transactions to ensure reports are appropriately identified.
- 4.6 Although a specific compliance effectiveness review of gaming operations was not within the scope of this review, MNP did review a number of processes and did not observe anything material to suggest that the compliance program in effect at BCLC and RRCR is not functionally suitable to meet obligations under the PCMLTFA and implementing regulations.

- 4.7 BCLC's CDD process meets Federal regulatory requirements for standard risk patrons. However, the process could be enhanced from both a risk management and revenue generation perspective with modifications and additional resources to meet Enhanced Due Diligence ("EDD") expectations for high risk patrons. This may include confirmation or verification of key customer data including: source of wealth; source of cash; and occupation by the Service Provider or BCLC for higher risk patrons. The gathering of this additional information may assist the Service Provider in providing enhanced service to high valued patrons.
- 4.8 BCLC should consider whether its risk assessment process adequately reflects current thinking around money laundering and terrorist financing risk. The risks associated to specific facilities should be evaluated, rather than simply drawing geographic boundaries for risk.
- 4.9 BCLC should review its EDD process to ensure it appropriately mitigates identified risks. Additional resources may be required to clear the current backlog and support timely completion of the EDD process as required. BCLC should also identify reliable sources of information for persons and businesses based outside of Canada.
- 4.10 BCLC should prioritize and appropriately resource the ongoing SAS implementation project to improve the quality of the data used for ongoing risk assessment and compliance monitoring and reporting. Data from other sources, particularly slot machine play, should be incorporated into the process. Improved data will support province-wide monitoring of activities posing compliance risks.
- 4.11 BCLC should 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. Facility staff should be regularly trained on the completion of the forms. This will encourage consistent and appropriate reporting across the Province.
- 4.12 BCLC's anti-money laundering training programs should be evaluated for up-to-date content and effectiveness. Emphasis should be placed on behavioural red flags, as facility staff have the direct customer interaction. Training should be provided in the primary language of the candidate.
- 4.13 MNP identified instances where non-cash transactions processed to RRCR'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. BCLC advised they were aware of the over-reporting issue and were working with FINTRAC to obtain a Policy Interpretation and determine action to be taken regarding the issue.
- 4.14 While generally consistent with the regulatory requirements, the Know Your Patron ("KYP") framework at River Rock is a task-driven compliance activity rather than a risk management activity. Given the Service Provider's inherent motivation to maximize revenue, it should not be expected to lead compliance and risk management efforts within the gaming industry. BCLC should provide further guidance as the manager and responsible entity for AML regulatory obligations to enhance and enforce appropriate KYP measures.

5.0 DETAILED FINDINGS/RECOMMENDATIONS

Staffing Observations

BCLC:

- 5.1 Operating levels for BCLC Investigators may need to be reviewed as the current staffing levels assigned to River Rock do not appear to be sufficient to address the volume of reports and incidents on a timely basis. In interviews with BCLC, investigators have self-assessed that approximately 95% of their time is focused on AML reporting activities. Non-compliance tasks which used to be completed by investigators located at RRRCR are now being assigned to other investigators with the Lower Mainland region. Additional duties included in the mandates of the investigators at RRRCR may not be being completed or may not be adequately completed to manage the risk associated with the activity at River Rock.

Service Provider:

- 5.2 Experienced managers and supervisory staff who are fully engaged and fully executing on their entire position mandate are able to identify risks within their areas of supervision and apply reasonable assessments and measures to address activity which may be considered unusual. This becomes a first line of defense when identifying potential compliance issues. However, due to high turnover at the Service Provider, management level positions are held by incumbents who have been in the positions less than one year. When asked about issues and risks related to large volumes of unsourced cash being accepted, they advise they are still learning the positions, and feel they are meeting all requirements associated with AML compliance.
- 5.3 Positions with recent turnover at RRRCR include: Interim Chief Compliance Officer, Table Games Manager, Cage Manager, Slot Director, and the Manager of Player Relations. RRRCR has undergone significant turn over in staff ^{s. 22}

At the time of the onsite interviews eight of ten Relief Gaming Manager positions were staffed.

- 5.4 RRRCR employs VIP hosts who report to the manager of Marketing. VIP Hosts are responsible for managing the client experience, which includes managing the amounts of complementary items and services given to players (commonly referred to as player comps), and providing custom gaming experiences with the intention of maximizing patron play. 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. Due to the reporting structure, we would expect that the VIP Hosts have a primary responsibility for revenue generation rather than regulatory compliance or a social responsibility to reduce illicit cash flow. 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.

- 5.5 It was noted on the Service Provider Organizational Chart, dated November 26, 2015 that the Manager, Player Relations did not have a direct reporting relationship to Senior Management. The Director, Surveillance does not show a reporting line to Senior Management. A VP Compliance position reporting to the President and CEO also did not exist on the Chart.

Compliance Program observations

GPEB:

- 5.6 GPEB should 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

BCLC:

- 5.7 BCLC is the reporting entity for the purpose of compliance with PCMLTFR obligations to FINTRAC. AML programs were the responsibility of the Casino Investigations Unit up to 2013. The AML unit was created in 2013 and at that time took over responsibility for all aspects of the AML Program.

Enhanced Due Diligence (“EDD”)

BCLC:

- 5.8 Through iTrak, BCLC has access to all Know You Patron/Player (“KYP”) due diligence, activity records and incident reports including Unusual Financial Transactions (“UFTs”), Suspicious Transaction Reports (“STRs”), and Section 86 reports submitted to GPEB regardless of the facility of play. This allows BCLC to identify patrons at a provincial level who represent higher risks and then perform EDD, risk assessment and ongoing monitoring of these patrons.
- 5.9 BCLC has identified two segments of patrons who have been assessed as requiring EDD to manage the risk of the frequency and value of play. The first segment is comprised of the Top 100 players by volume. The second list, known as the Conditions List, relates to known associates of a high risk player who has been identified by law enforcement to be involved in the provision of large volumes of unsourced bulk cash to VIP patrons. In some instances, the lists overlap. For example, at the time of the review, 36 patrons identified on the Conditions List also appear on the Top 100 list.
- 5.10 All EDD efforts undertaken by BCLC are manual investigations. At the current time, systems do not identify higher risk patterns through an automated alert system. iTrak does not have capabilities for business analytics.
- 5.11 The EDD or “Deep Dive Dossiers” are created using open source information to identify owned properties and business ownership. The one file reviewed during the interviews with BCLC did not include key information such as a synopsis of overall activity, play value or frequency, determined or verified source of funds or wealth information, or an indication of whether the player was cleared for play or had restrictions in place. The file did not present any negative findings, however, the player was indicated as being “on watch.”

- 5.12 There is limited open source information available for Chinese Nationals, which comprise the majority of the identified high risk demographic at RRRC. As, most of the VIP patrons are Asian and many are recent immigrants to Canada or Chinese Nationals there is limited Canadian open source information on which to base risk assessment determinations.
- 5.13 Based on staffing levels and time required to complete an EDD file in the current manner there is a considerable backlog of files to be completed which may increase the risk to all stakeholders as appropriate actions may not be taken in a timely manner. It is anticipated that the volume of patrons requiring ongoing EDD will increase over time.
- 5.14 The Service Provider facilitates gaming through slot machines as well as table games. As at the time of the review, we were not made aware of any EDD on business relationships created due to slot play. In addition there is no review or analytics on slot play including ongoing review of Cash Disbursement Reports ("CDRs") to identify possible anomalies which require further investigation.
- 5.15 BCLC's EDD program for high risk patrons was reviewed to identify if improvements are warranted. EDD measures could be more qualitative, and a formal response to specified risk ratings, similar to other jurisdictions such as Alberta, could be created.
- 5.16 Outsourcing the EDD process for higher risk patrons should be considered to clear the current backlog.

Service Provider:

- 5.17 The Service Provider gathers required information from patrons at particular trigger events during play. This would include when a patron reaches the threshold for the reporting of large cash transactions, which is \$10,000. The Service Provider is responsible for requesting that an acceptable identification document be produced and then recording the type, number and place of issuance as well as gathering mandatory information required for BCLC to file regulatory reports with FINTRAC. Information includes name, address, occupation and date of birth. Policy indicates that the ID document is scanned into the iTrak system. Information gathered at the facility, other than the ID document, is not verified by the Service Provider.
- 5.18 The iTrak system is universal to all facilities under BCLC's supervision. s. 15

Investigative Capabilities

GPEB:

- 5.19 The establishment of a dedicated, cooperative inter-agency AML investigations unit comprised of GPEB and BCLC investigators would delineate the roles between operational and AML investigations and regulatory compliance investigations. This would allow for improved tracking of activities related to regulatory compliance and ensure that employees tasked with compliance and risk management are suitably resourced.

BCLC:

- 5.20 BCLC has three onsite investigators at RRCR. This was a result of the recognition of the increased risk at the facility as well as the volume of play that requires ongoing BCLC oversight. These investigators have access to iTrak and the facility's surveillance recordings which allow for prompt investigations. AML compliance investigations are supposed to be a component of the investigators duties as defined by BCLC procedures, however the significant volume of reportable transactions at RRCR and the required reporting due diligence are consuming upwards of 95-100% of investigators' time. Regional investigators not assigned to RRCR are now being regularly assigned all non AML duties at RRCR such as theft or patron complaint investigations as the local investigators do not have time to deal with non-regulatory matters.
- 5.21 BCLC investigators regularly provide information to law enforcement on ongoing investigations ^{s. 15}
- 5.22 BCLC has entered into an information sharing agreement with the RCMP that allows both parties to share intelligence on ongoing investigations and high risk patron activity.

Service Provider:

- 5.23 MNP has significant experience working with gaming operators and as such has observed numerous surveillance operations including infrastructure and investigative methodologies and procedures. The RRCR's infrastructure is comparable to other large Canadian casino surveillance operations such as Casino Montreal or Manitoba's combined provincial facility. The operators and supervisors have significant experience in surveillance operations and utilize iTrak to monitor and report all suspicious activity. iTrak is the most common investigative and operations management software utilized by Canadian Casinos.

ITrak

Systems and Data

BCLC:

5.24 BCLC identified a growing need for enhanced capabilities in relation to analytics and the ability to conduct meaningful analysis on the data in its custody. As a result, the AML Operational Analysis Group was formed in 2013 with the mandate to perform statistical analysis of patron transaction data as well as to identify high risk patrons and perform enhanced due diligence on those individuals. With the hire of an AML data analyst in February 2014 it was determined that the data analytics capabilities of iTrak were limited and that exporting the data and using third party tools such as Excel were the preferred method. These limitations led to the identified need for a formal analytics solution and an RFP was issued. SAS was selected as the vendor. The implementation of this software tool is ongoing and has been subject to numerous delays and a work stoppage to clarify scope and estimate over runs. We understand that SAS is scheduled for roll out in the fall of 2016. This is 18 months later than initially anticipated. The successful implementation of this tool should be a priority for BCLC as the current processes are contributing to delays in effectively conducting transactional analysis.

5.25 Despite the limitations of the current tools s. 15

This information was then shared with law enforcement agencies for the purpose of investigating criminal activity related to the large volumes of unsourced cash. After several attempts by BCLC to refer information, law enforcement undertook an investigation into the activities identified through the BCLC analytics. s. 15 This is a positive effort by BCLC to detect and report suspicious activity with the intent of reducing unsourced cash from entering the gaming facilities.

5.26 BCLC provided data to MNP for the period September 1, 2013 to August 31, 2015 ("the Period") to analyze transactional data regarding the volumes of unsourced cash being accepted at River Rock. The analysis would also address efforts taken by BCLC and the Service Provider to gather Know Your Player ("KYP") or CDD information and perform EDD where appropriate; file STRs; and where appropriate impose bans on high risk patrons for participating in suspicious activity. After conducting significant analytical work it was determined, and confirmed by BCLC, that the data was not accurate and included significant numbers over-reported LCTRs and CDRs making trending analysis unreliable. For further details on the reporting issue, refer to 5.32. We were able to make the following limited observations:

- Play with significant volumes of cash was being conducted by patrons with non-Canadian addresses and identification, primarily Chinese; and
- While significant volumes of LCTRs were filed during the Period the number of STRs filed was relatively small and the number of bans for potential money laundering activity was few.
 - 41,187 LCTRS filed during the period;

- 1,194 STRs filed during the period⁵;
- 1,209 BCLC Prohibition Bans⁶.

- 5.27 The limitations of the current analytics tools and the time required to manually process transactions diminishes the effectiveness of a monitoring program for slot disbursements. The risk of money laundering is significantly lower with slots than with table games, due to the limits on how much money can be fed into a machine in one session as well as the limits on single payouts for Ticket In Ticket out ("TITO") ticket redemption at Ticket Redemption Kiosk ("TRK") machines. Although the risk is lower than table games, due diligence on large volumes of slot CDRs should be monitored for suspicious activity.
- 5.28 Completion of the SAS implementation should remain a high priority for BCLC. Improved data analytics and systems for transaction monitoring and reporting will allow for the early detection of potential money laundering or high risk transactions.
- 5.29 The analytic capability of the iTrak system limits BCLC's AML Operational Analysis group in its ability to identify suspicious activity. The reporting is primarily restricted to the identification of thresholds that aid in the identification of mandatory record keeping or reporting. BCLC has made significant investments in advanced analytics in the proposed SAS solution. The continued development and rollout of this product needs to be a priority for BCLC to allow it to conduct meaningful assessment of the data collected in iTrak.

Reporting

BCLC:

- 5.30 Casinos are required to file the following reports with FINTRAC:
- Large Cash Transaction Reports;
 - Casino Disbursement Reports;
 - Suspicious Transaction Reports; and
 - Terrorist Property Reports.
- 5.31 MNP did not conduct an audit of the processes surrounding reporting requirements, nor of the accuracy or timeliness of the reports submitted to FINTRAC. Through interviews and observation MNP is able to make summary comments on the reporting requirements at the Service Provider and by BCLC, who is responsible for filing the reports from information provided by the facility operators.

⁵ STRs identified by incident number which could relate to multiple people.

⁶ Bans are also based on incident numbers and could relate to multiple people and include site bans.

- 5.32 Observed processes appear to be in place to track instances where cash transactions require the completion and filing of reports. This may be done through buy-ins at the table or through transactions at the cash cage. However, it was ascertained that funds credited to a player's PGF, regardless of the source of funds (Cash, drafts or EFTs from a Canadian bank) are being over-reported as cash. This is resulting in a significant number of unnecessary LCTR and CDR reports. In addition, withdrawals from the PGF account for play are being reported as CDRs and appear to be re-reported as cash based on table buy-ins. Review of the transaction and reporting process for all PGF enabled facilities should be done immediately to stop the number of unnecessary and incorrect reports. This over reporting has been disclosed to FINTRAC.
- 5.33 During our interviews with the Service Provider, BCLC, and GPEB, there was ongoing reference to a historical undocumented threshold of \$50,000 which was the trigger value to consider a transaction suspicious at the Service Provider location. The issue of the threshold preceded this report. FINTRAC guidelines confirm there is no minimum dollar value related to the filing of an STR. Suspicious transactions are financial transactions where there is reasonable grounds to suspect they are related to the commission of a money laundering offence. This includes transactions that you have reasonable grounds to suspect are related to the attempted commission of a money laundering offence. As a result, BCLC has undertaken a review of LCTR transactions to determine if STR transactions had been overlooked. BCLC made a self-disclosure to FINTRAC regarding the issue in December 2015.
- 5.34 BCLC's Internal Audit group conducts a Quality Assurance ("QA") of STR and unfiled UFTs. Audit conducts a review regarding timeliness of filings on LCTRs. The BCLC Investigations group also has a process and procedure in place to verify reports for mandatory information. It was noted through our data analysis of the data provided by BCLC that 385 (0.1%) of LCTRs did not contain one of the mandatory fields such as address, occupation or a unique identifier. Of the 41,187 reports contained in the data file:
- 297 addresses were reported as Null
 - 49 occupations were reported as Null
 - 39 reports contained no unique identification number, but rather a generic BCDL or similar descriptor.
- 5.35 A review of the BCLC policy and procedure documents allows for Service Provider staff to accept cash transactions at the cash cage and submit files with certain missing mandatory occupation information if the patron declines to provide full information⁷. Currently casinos are only required to report LCTRs after they have accepted the cash transaction. A directive from GPEB may support BCLC in the creation of a policy which would mandate the Service Provider to decline a transaction or issue a stop play when mandatory occupation data is not provided on the casino floor or at the cash cage. Submitting reports with missing mandatory information is contrary to the PCMLTFA and Regulations.

⁷ Reference to BCLC Casino and Community Gaming Centre Standards, Policies and Procedures section 1-2.3.

5.36 BCLC should review all of the FINTRAC reporting (LCTR/CDR) for non-cash for all facilities which offer PGF accounts due to over-reporting of LCTRs and CDRs in relation to churn⁸ within the patron gaming accounts.

5.37 Review of Terrorist Property reports was out of scope for the review.

Identification and Reporting of UFTs

BCLC:

5.38 BCLC is the reporting entity for gaming activities in BC and is responsible for filing all required reports with FINTRAC. BCLC operates at an arm's length from the facility and relies heavily on the Service Provider to identify instances where UFTs should be submitted for further review and decision making regarding suspicious activity that would require filing. As the Service Provider only has visibility to the patron's activity at its own facility (or facilities) within the iTrak system it may under- or over-report based on restricted intelligence.

5.39 BCLC Internal Audit provided feedback that UFT/STR reports are inconsistent in the assessment approach and narrative format from the Service Providers which may lead to valid UFTs not being reported by BCLC.

5.40 The BCLC investigators assigned to gaming facilities are currently reviewing 10-15% of LCTRs to determine if STR reports should be filed. This method of review does not appear to be effective as it did not identify the existence of the ongoing practice of only reporting transactions above an undocumented \$50,000 threshold.

5.41 BCLC has access to complete patron activity records, however does not conduct facility or province-wide monitoring and analytics due to system capability restrictions and resourcing.

5.42 BCLC's and the Service Provider's monitoring and reporting activities did identify the issue of large volumes of unsourced and unusual cash activity in October 2014, which resulted in an ongoing law enforcement investigation and the 60+ high risk patron registry.

5.43 Other industries, such as Money Service Businesses ("MSBs") have similar reporting models. The reporting entity (BCLC) with access to full data information should be conducting the bulk of the comprehensive monitoring and identifying transactions for review based on analytical indicators. The Service Provider should be responsible for filing UFTs that involve behavioural information or indicators for money laundering activity to BCLC. In many instances, the behavioural red flag information will supplement the data report which will provide valuable and wholesome information to FINTRAC when submitted by BCLC.

5.44 BCLC should create a template for UFT reports to ensure that all required information is included and to create consistency in the quality of submissions between facilities.

⁸ Churn is the terminology where a patron buys in with the same cash which they previously played with and cashed out. As a result, an active player can appear to be bringing in and cashing out large amounts of cash, which the iTRAK system records as new and separate funds for each transaction.

Service Provider:

- 5.45 From observations and interviews conducted with RRCR staff, the majority of UFTs are identified by surveillance rather than floor staff who have direct interaction with the patron. Employees (floor staff) are not required to document UFT interactions or provide narratives. Relying only on Surveillance observations increases the risk of missing behavioral red flags from direct interactions.
- 5.46 UFT witness narratives (form/document) are not completed by floor staff. Floor staff should have more active involvement in the reporting process as surveillance only has limited information based on video surveillance.
- 5.47 The Service Provider indicated that additional guidance on UFT reporting would be beneficial to meet the needs and expectations of BCLC and would make the process more effective for both entities. Additional on-site training was provided by BCLC in December 2015. Review of the training materials for the on-site training was not in the scope of the current engagement.

Risk Based Approach**BCLC:**

- 5.48 As the FINTRAC reporting entity, BCLC is required to take on the role of conducting facility risk assessments. This is consistent with other Canadian jurisdictions. BCLC has developed its risk assessments by region. RRCR is included in the Lower Mainland risk assessment. This is not consistent with other jurisdictions in Canada who conduct their reviews by facility. As facilities are not operated by a single vendor they have inherent differences in their internal procedures. The patron base varies by facility as well, including a wide variance in the number of VIP patrons and their volume of play. We recommend that these risk assessments include factors specific to the facility. RRCR, for example is unique in its VIP play and warrants specific attention to its risks and the ongoing mitigation measures.
- 5.49 We also observed that the risk register is not as granular as other jurisdictions we have reviewed. We recommend that BCLC consider if the risk register reflects the current environment.

Know Your Patron (KYP) or standard CDD

- 5.50 Understanding the patrons using BC's gaming facilities is a line of defense against the use of illicit funds. KYP goes beyond recognizing a frequent player or knowing the time of day that they come into play and details about their family. It is about understanding the potential money laundering risk the patron poses to the facility and managing that risk accordingly.
- 5.51 PCMLTF Regulations⁹ require the identification of business relationships, ongoing monitoring and risk assessment of the business relationships as well as the implementation of appropriate special measures to mitigate high risk relationships. One measure is the gathering and verification of source of funds and source of wealth information.

⁹ Reference PCMLTFR 71.1

GPEB:

- 5.52 GPEB, at the direction of the Minister responsible for gaming, should consider issuing a directive pertaining to the rejection of funds where the source of cash cannot be determined or verified at specific thresholds. This would then provide specific guidance for BCLC to create policies and procedures for compliance by all operators.

BCLC:

- 5.53 BCLC investigators do not investigate to confirm the source of funds or source of wealth unless specifically requested at the time an EDD file is created.
- 5.54 BCLC AML manuals and training content appears to be sufficient, however additional training for employees in the VIP area focused specifically on suspicious indicators and required actions to improve independent thinking would be beneficial.
- 5.55 It was observed that most of the employees in the high limits rooms at RRCR speak Cantonese or Mandarin as a first language. Although the game play must be conducted in English, the language of general communication amongst the employees was not English. The mastery of a technical subject as defined in the BCLC Anti Money Laundering online training may be impacted by the presentation of the materials solely in English. BCLC should consider providing training in the primary language of its high risk exposed employees.
- 5.56 Based on the results of GPEB and the Minister responsible for gaming's risk assessment and risk threshold for large unsourced cash transactions, BCLC should revise policies regarding tolerance of high risk play and consequences of unacceptable high risk activity.

Service Provider:

- 5.57 From interviews and observations at the Service Provider, it is determined that source of funds and/or source of wealth information is not gathered for high risk, high volume cash players. Customer profiles do not require this information for continued play except when opening a PGF.
- 5.58 KYP at the Service Provider is based on repetitive observation of high limit player behaviour (no information is verified), and the expectation that BCLC is responsible for all due diligence activities. Additional information on the player is not shared with the Service Provider and is maintained in the iTrak system, to which only BCLC has full access. This process, and the associated accountability gaps, may have contributed to an organizational de-sensitization to cash through continued exposure to high volume bulk cash, especially in the VIP areas.

Business Relationship Risk

BCLC:

- 5.59 BCLC is in the process of fully implementing the Business Relationship requirements and has identified a list of 670+ high risk patrons. This list is in addition to the previously referenced Top 100 list and the Conditions list which currently includes 75 patrons. The AML and Operational Analysis team is in the process of doing deep dives, however there is a considerable backlog.

- 5.60 At the time of the review, the Top 100 list contained 36 names also appearing on the Conditions list of 75 patrons. Of the 36 names, only 13 had received a comprehensive EDD review. Of all the patrons appearing on Top 100 list, a total of 34 files had received Comprehensive EDD review.
- 5.61 BCLC is working on enhancements to their loyalty program, "Encore" which is intended to increase the amount of carded play which will provide additional KYP for analytics especially for slot play.
- 5.62 As a result of the BCLC's identification of patrons associated to the criminal investigation of unsourced cash utilization, 60+ individuals associated with the activity have been identified for EDD, restricted play and interviews with the BCLC's staff.

Industry Practice

- 5.63 The objectives of the PCMLTFA include:

*"to implement specific measures to detect and deter money laundering... ",
"to respond to the threat posed by organized crime by providing law enforcement officials with the information they need to investigate and prosecute money laundering or terrorist financing offences" and "to assist in fulfilling Canada's international commitments to participate in the fight against transnational crime, particularly money laundering..."*

The PCMLTFA does not specifically legislate the requirements of an entity in relation to how it handles high risk transactions outside of record keeping and reporting obligations.

- 5.64 It is difficult to compare best practices for the management of AML/ATF risk to other industries. We do not believe that the banking sector is a good comparison as there is a significant difference in how banks handle account based risk when compared to transient casino play that is often anonymous. Where reportable transactions do occur, the Casino often only has limited information on which to base its risk assessment. Due to the significant volume of cash and the transient nature of its patrons Casinos are most similar to MSBs in their AML/ATF risk management models. In the absence of specific guidance, other industries regulated under the Act have developed controls and measures to reduce or eliminate the risk associated to the receipt of unsourced bulk cash.
- 5.65 The implementation of controls around bulk cash vary by industry:
- MSBs – Money Services Businesses place limits on the amount of bulk cash accepted from clients. This practice forces alternative funding such as bank drafts, certified cheques or wire transfers.
 - Financial Institutions – Although most financial institutions will not refuse a cash deposit they will close client accounts that exceed their defined risk thresholds. Account based relationships also offer greater monitoring capabilities which aid in managing risk.
 - Security Dealers – The majority of Securities Dealers place outright bans on cash deposits. This is impractical in the gaming industry.

- 5.66 In gaming models where casinos are provincially operated, the ability to implement revenue impacting, socially guided controls and restrictions is simplified in that the revenue of the private operator is not a consideration. Implementing cash controls on private operated facilities requires a greater assessment of revenue impact and how best to ensure the operators remain reasonably compensated.

Cash Alternatives

GPEB:

- 5.67 BCLC's mandate of revenue generation, and GPEB's mandate to ensure the overall integrity of gambling in the province requires a balanced approach to support a restriction or significant reduction in the amount of cash accepted at the casino facilities. The review of proposed cash alternative solutions and the impact of these solutions should remain a priority for both entities to promote gaming integrity and reduce the amount of unsourced cash being used in game play.
- 5.68 We understand that a concept document addressing extension of credit to VIP patrons has been put before GPEB. This concept has not yet been approved or denied as additional information is required by GPEB. Once the information is provided by BCLC, it should be a priority for GPEB to determine feasibility and the implementation criteria.
- 5.69 GPEB and BCLC should undertake a review of large cash transactions to determine if a bulk cash limit can be reasonably set for transactions where no source of funds can be determined. Currently patrons who have not been placed on a watch list can buy in with unlimited cash until flagged for an interview by BCLC.

BCLC:

- 5.70 BCLC has staffed a position to investigate the viability of a number of cash alternative options which need GPEB's approval to move forward. Considerations in developing cash alternative programs and products should include:
- The ability for non-Canadian players to fund PGF accounts if they are subject to cash restrictions in their home country (i.e. China)
 - The ability for non-Canadian player to repay credit extended at facilities if they are subject to cash restriction in their home country (i.e. China)
 - Allocating how defaults on repayments will be determined.(i.e. between BCLC and Service Provider and potentially the tax payer)
- 5.71 It is understood that any controls placed on the acceptance of bulk cash may reduce the volume of play and subsequently the revenue generated for both the operator and the province. BCLC reports that high limit play is a small part of BCLC revenue. As such, it will marginally impact BCLC revenues overall. However these controls may have a significant impact on revenue for the RRRCR operator, Great Canadian Gaming Corporation. The level of acceptable risk, impact on revenue generation and reducing the facilitation of layering of bulk cash must all be considered when determining adequate controls.

5.72 The implementation of cash alternatives is likely to bring the greatest reduction in unsolicited cash while having the least impact on overall level of play for VIP patrons. Although we cannot recommend specific options without additional analysis we do acknowledge that the most common options are:

- Domestic and international wires to fund PGFs;
- The ability to transfer funds between PGFs;
- Specified limits on chip passing amounts;
- Front Money accounts and the extension of credit;
- Removing the current limits for Convenience Cheques for non-verified wins and return of funds.

5.73 The Cheque Hold program has been approved, developed and implemented as a cash alternative. However, there has been no utilization to date by Service Providers due to the risk of non-payments.

5.74 A verifiable source of funds determination for cash amounts above a defined threshold to be obtained prior to game play should be mandated by GPEB and implemented by BCLC. In our opinion, the only way to verify funds is to obtain documentation for the withdrawal of cash from a financial institution (bank) or entity covered under the PCMLTFA such as a MSB.

Environmental Factors

5.75 The issue of casinos, RRCR in particular, accepting large volumes of cash has been a growing issue in the province for a number of years. The source of the cash is now in question, and social and moral responsibility around the unsourced cash has resulted in negative media around gaming operations in BC. A number of factors within the regulatory and guidance documents can be identified as the root cause of the issue.

- There are inherent conflicts between the mandates of GPEB and BCLC and the Service Provider. GPEB is responsible for regulation and the integrity of the gaming industry in BC. BCLC has statutory obligations under the *Gaming Control Act* to GPEB, is accountable to the Province for revenue generation, manages the Service Providers, and responsible to FINTRAC for regulatory compliance. Service Providers, are not covered entities under the PCMLTFA and therefore have limited regulatory obligations and exposure, instead focusing on revenue generation.
- From discussion with staff and management, examples provided by both GPEB and BCLC identify 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. This has contributed to an increased risk of compliance short-falls, misaligned priorities for implementing cash alternatives, and gaps in the oversight of day-to-day processes.

5.76 The PCMLTFA and implementing regulations require that reporting entities report prescribed transactions and identify suspicious transactions. There is no provision within the regulation that requires that funds which may be associated with a predicate offense to be rejected by a reporting entity.

- 5.77 The ongoing investigation by law enforcement into the potential use of proceeds of crime to fund VIP gaming activities prompted BCLC to implement a list of patrons who would be restricted from playing using unsourced cash.
- 5.78 In other industries, such as banking, securities dealers and MSBs, internal policies and procedures are developed based on the entity's risk based approach to determine when transactions should be rejected. Through review of policies and procedures at GPEB, BCLC and the Service Provider, it was noted that there has been no directives made to reject funds where the source of the cash cannot be determined and verified.
- 5.79 Reasonable grounds to suspect Money Laundering activity through the use of unsourced funds has been confirmed by the Service Providers and BCLC through the EDD processes. Interviews have confirmed that players are indeed wealthy non-residents, or business persons with interests both in Vancouver and China, coming to Vancouver to gamble. While the patron may be bona fide, the unsourced cash being accepted by the casino may be associated with criminal activity and poses significant regulatory, business and reputational risk.
- 5.80 The use of possible underground banking operations using large volumes of unsourced cash have become increasingly common and accepted as a convenience feature for VIP players who may not be able to send funds to Canada due to currency restrictions in their own country. The funding arrangements have been confirmed through interviews conducted by BCLC investigators with targeted patrons. The patron advises that they are provided with a contact in Vancouver, either locally or prior to arriving in Vancouver. The contact the person via phone for cash delivery. The funds are later repaid through cash holdings in China. This transaction flow forms an underground or unregistered Hawala type operation using unsourced cash into the casino.
- 5.81 River Rock staffs have fostered a culture accepting of large bulk cash transactions. Through interviews and conversations with facility staff, there is a false reliance of the KYP process, which is developed through the frequency of transactions dealing with large cash values rather than any verified information. This has resulted in a desensitization to the inherent AML risks associated to cash transactions. This was identified by a number of staff at various levels in GPEB, BCLC and the Service Providers.
- 5.82 BCLC's current systems and technology do not allow for analytics or system alerts for activity which is deemed to be suspicious or excessive. There is a reliance on the Operator to file UFTs which may prompt the need for EDD. The implementation of SAS has been significantly delayed due to vendor customization issues which has hindered BCLC's ability to perform efficient and effective monitoring.
- 5.83 Staffing levels do not allow for EDD or deep dive investigations to be completed in a timely manner which allows activity to continue at the facility supporting the apathy to large cash transactions.
 - The EDD process should be reviewed to ensure that data collected and information gleaned from various sources provide a clear picture of the risks and profile of the patron for risk assessment and mitigation purposes.

- 5.84 EDD "Deep dives" have indicated that the players who have been subject of UTFs are themselves are not directly associated with criminal activity. Further actions or reporting is then not deemed suspicious based on reasonable grounds to suspect ML/TF activity. The use of bulk unsourced cash, and the possible use of proceeds of criminal activity, is not clearly identified in the BCLC Risk Assessment.

6.0 RESTRICTIONS AND LIMITATIONS

- 6.1 This report is private and confidential. It is not intended for general circulation or publication. For certainty, this report may not be disclosed, copied, quoted, or referred to in whole or in part, whether for the purposes of litigation, disciplinary proceedings or otherwise, without our prior written consent in each specific instance. It is not to be distributed to any other persons without the prior express written consent of MNP. Such consent, if given, may be on conditions, including without limitation an indemnity against any claims by third parties arising from release of any part of our documents or reports. We do not and will not assume any responsibility or liability for losses incurred by the Gaming Policy Enforcement Branch or their employees or by any other parties as a result of the circulation, publication, reproduction, use of, or reliance upon any reports or documents contrary to the provisions of this paragraph. Further, we understand that this Report may be the subject of a request under the Freedom of Information and Protection of Privacy Act. Should a request be made, MNP will work with GPEB to fulfill the request in accordance with the Act.
- 6.2 Comments in any document or report we produce in the course of this engagement shall not be interpreted to be legal advice or opinion.
- 6.3 BCLC remains solely responsible at all times for adherence with all its compliance obligations.

Yours truly,

MNP LLP



Gregory S. Draper, MBA, DIFA, FCPA, FCGA, CFE, ICD.D
Investigative & Forensic Services

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NEWS RELEASE

Not final - Embargoed
Sept. 22, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos,” said Attorney General David Eby. “During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today.”

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

“We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices,” said BCLC president and CEO Jim Lightbody. “We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in B.C., we'll do it.”

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

Quick Facts:

- BCLC is responsible for conduct and management of gambling in B.C.
- GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.

- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a co-ordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Contact:

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Connect with the Province of B.C. at: www.gov.bc.ca/connect

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Friday, September 22, 2017 8:50 AM
To: Sherlock, Stephanie GCPE:EX
Cc: Nelson, Tiffany GCPE:EX
Subject: Embargoed MNP report
Attachments: MNP Report - redacted reduced.pdf; NR_AML Report_22SEPT17_EMBARGOED.PDF
Importance: High

Good morning Stephanie,

Can you please send this to the press gallery and in addition: Shane Woodford and Sam Cooper at the province (scooper@theprovince.com). Can you copy me on it? Message can include:

- Final news release will be issued provincewide at 9:50 a.m. when this embargo will be lifted
- The final news release will include a direct link to the report
- For more information contact Megan Harris at megan.harris@gov.bc.ca

Thanks,
Megan

British Columbia Gaming Policy Enforcement Branch

AML Report

Private & Confidential

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DATE: July 26, 2016

TABLE OF CONTENTS

1.0	TERMS OF REFERENCE	3
2.0	BACKGROUND	4
3.0	SCOPE OF REVIEW, APPROACH AND LIMITATIONS	7
4.0	SUMMARY OF FINDINGS/RECOMMENDATIONS	9
5.0	DETAILED FINDINGS/RECOMMENDATIONS	11
	Staffing Observations	11
	Compliance Program observations	12
	Enhanced Due Diligence ("EDD")	12
	Investigative Capabilities	13
	Systems and Data	15
	Reporting	16
	Identification and Reporting of UFTs	18
	Risk Based Approach	19
	Know Your Patron (KYP) or standard CDD	19
	Business Relationship Risk	20
	Industry Practice	21
	Cash Alternatives	22
	Environmental Factors	23
6.0	RESTRICTIONS AND LIMITATIONS	25

1.0 TERMS OF REFERENCE

- 1.1 MNP was engaged by British Columbia's ("BC") Gaming Policy and Enforcement Branch ("GPEB") on September 8, 2015. MNP was directed to work directly with senior GPEB managers to:
- a. Analyze current practices in respect of source of funds, source of wealth, handling of cash, use of cash alternatives and overall Customer Due Diligence ("CDD") in gaming facilities compared to financial institutions;
 - b. Analyze best practices in the gaming sector in relation to 'know your customer' frameworks, particularly in respect of the regulatory framework in British Columbia, as set out in the Gaming Control Act [S.B.C 2002, c. 14];
 - c. Assess British Columbia Lottery Corporation ("BCLC's") Customer Due Diligence ("CDD") regime and overall compliance with the above-noted practices;
 - d. Receive information from the General Manager (as defined in the *Gaming Control Act*) or delegate regarding certain transactions, and assess this information in the context of compliance with a, and b above;
 - e. Identify immediate near term actions to be taken in order to address any gaps and provide recommendations on longer term new solutions or enhancements to current practices; and
 - f. Provide any other recommendations to address any gaps identified in the above-described analysis.
- 1.2 This engagement is not an audit and did not include any control testing. The findings and recommendations are based on information obtained through interviews as well as observations made at the River Rock Casino Resort ("RRCR" or "River Rock") and at BCLC.
- 1.3 We have not independently verified the information provided to us from any source. We reserve the right to review all information included or referred to in our report and, if we consider it necessary, to revise our report in light of any new information which becomes known to us after the date of the report.
- 1.4 Our findings and recommendations are based upon our observations and understanding as at the completion of our field work on January 22, 2016. Actions taken by GPEB, BCLC, or any other party to respond to matters described in our report have not been assessed by MNP.
- 1.5 Our Report is intended to be read in its entirety. We caution against drawing conclusions from any part of our Report in isolation. Our findings are based on procedures performed and information available to us as of the completion of our field work. Instruction to proceed with further analysis and information received subsequent to this date may significantly alter our findings.
- 1.6 The field work, interviews and the corresponding report was prepared independently and objectively by the authors.

2.0 BACKGROUND

- 2.1 The Gaming Policy and Enforcement Branch ("GPEB") Compliance Division compiled a document which identified approximately \$13.5 million in \$20 bills being accepted at RRCR in Richmond during July 2015. Information provided to MNP, containing synopsis details indicated as being sourced from the iTrak system by GPEB, indicated unsourced cash from unknown persons or persons believed to be connected to or participating in illicit activity, was dropped off at the casino or "just-off" casino property for patrons at unusual times, generally late at night. This information caused increased concern and prompted action to be taken by GPEB to review the current practices regarding large volumes of unsourced cash being accepted at RRCR.
- 2.2 Law enforcement intelligence has indicated that this currency may be the direct proceeds of crime. The majority of this cash is being presented by persons commonly referred to as high roller Asian VIP clients. Single cash buy-ins in excess of \$500,000 with no known source of funds have been accepted at RRCR.
- 2.3 GPEB considers the regulatory requirements imposed by the *Gaming Control Act* and the *Federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act* ("PCMLTFA") and its associated regulations to be a minimum standard of conduct. GPEB is mindful of its responsibility for the integrity of gaming including mitigating the risks of money laundering in gaming facilities.
- 2.4 In addition to the regulatory reporting obligations imposed on BCLC by the PCMLTFA in its operation of the casinos in British Columbia ("BC"), GPEB has an interest in reducing the influx of unsourced cash into gaming facilities in BC to protect the integrity of gaming in BC. In our view, this can only be accomplished through the acknowledgement, from all parties, that the proceeds of crime may be being injected into the gaming system despite the controls in place. The reduction of unsourced cash and the expulsion of high risk patrons will contribute to the goal of maintaining the integrity of the gaming system.
- 2.5 In conducting our review we identified that there are three distinct entities in the casino gaming model in BC:
- The Gaming Policy and Enforcement Branch;
 - The British Columbia Lottery Corporation; and
 - The Facility Operator/Service Provider.
- 2.6 GPEB¹ regulates all legal gaming in BC. It ensures the integrity of gaming industry companies, people and equipment, and investigates allegations of wrongdoing. This mandate includes regulatory oversight of BCLC (which conducts and manages lotteries, casinos, community gaming centres and commercial bingo halls), all gaming services providers and gaming workers, BC's horse racing industry and licensed gaming events.

¹ <https://www.gaming.gov.bc.ca/legislation-policies/>

2.7 In addition, GPEB is responsible for the following:

- Conducting audits of charitable and commercial gaming activities to ensure compliance;
- Investigating regulatory offences and providing support to police of local jurisdiction for the investigation of criminal offences connected to gaming facilities²;
- Managing the Province's Responsible Gambling Strategy including the Problem Gambling Program, in order to minimize harm and promote responsible gambling practices; and
- Distributing gaming funds to community organizations.

2.8 According to the BCLC website³, BCLC is a Crown Corporation, owned by the Province of BC it was established to meet the requirements of the Criminal Code of Canada, and balance the need for revenue generation with a commitment to social responsibility and integrity. In 1998, the Province added casino gambling to this mandate and made BCLC responsible for the operation of the casino industry in BC.

2.9 BCLC is responsible for managing the following:

- Setting and overseeing operating standards;
- Creating policies and procedures for all gambling facilities, including security and surveillance;
- Monitoring private sector Service Providers to ensure they conform to policies and procedures, to legislation, regulations and federal anti-money laundering laws; and
- Improving security systems, procedures and employee training programs.

2.10 According the BCLC website, Service Providers⁴ are the companies who own and operate BC gambling facilities. They own or lease gambling facilities like casinos and community gaming centers and maintain the facility operations on a day-to-day basis. With respect to gaming, Service Providers enter into operational service agreements with BCLC and earn commissions based on gambling revenues. They must operate in strict adherence to the rules and regulations set out by both BCLC and GPEB.

2.11 Service Providers are responsible for:

- Complying with terms of registration and reporting matters as required under the *Gaming Control Act* and *Gaming Control Regulations*;
- Providing and maintaining facilities;
- Hiring qualified staff;

² <https://www.gaming.gov.bc.ca/legislation-policies/docs/regulatory-responsibility-gpeb-bclc.pdf>

³ <http://corporate.bclc.com/what-we-do/casinos/our-role.html>

⁴ <http://corporate.bclc.com/what-we-do/casinos/service-providers.html>

- Following BCLC gambling standards, policies and procedures;
- Implementing the anti-money laundering program as prescribed by BCLC;
- Providing and operating surveillance equipment;
- Managing slot machines, table games and bingo games;
- Providing accounting and financial management; and
- Participating in compliance reviews and audits.

2.12 Service Providers are paid a commission based on the net gambling revenue for providing day-to-day services in casinos, community gaming centres and bingo halls. There are two different kinds of commissions:

- An operating commission for operating the facility; and
- A facility development commission which provides incentive for Service Providers to develop high quality facilities.

2.13 The Service Provider implements procedures in response to BCLC's policies, however, as the profit of the operator would be adversely impacted by implementing any control procedures that may reduce revenue, there is an inherent risk that the implemented procedures are designed to meet minimum regulatory requirements. Any guidance from the Province on the reduction of bulk cash will need to be implemented through additional policy from BCLC.

3.0 SCOPE OF REVIEW, APPROACH AND LIMITATIONS

3.1 MNP relied on the following documents and information sources for reference throughout the engagement:

- Background documents provided by GPEB related to the subject matter;
- BCLC organizational charts (November 2015);
- RRCR organizational charts (November 26, 2015);
- BCLC Policies and Procedures (2015);
- BCLC internal procedure documents (2015);
- Data extracts regarding regulatory reports filed between September 1, 2013 and August 31, 2015;
- Website information from BCLC;
- *Gaming Control Act BC*; and
- *PCMLTFA and Regulations*.

3.2 To obtain independent information on the current regime and the prevalence of bulk cash, MNP conducted a total of 23 interviews with employees and management of both RRCR and BCLC. These interviews, with the exception of one conducted with senior management of BCLC, were all done in conjunction with a GPEB Compliance Division auditor assigned by GPEB. Some interviews and operational walkthroughs at RRCR were also observed by a second member of the GPEB Compliance Division. MNP also conducted onsite observations at RRCR which included process walkthroughs for activities relating to acceptance of bulk cash, record keeping and regulatory reporting. MNP also conducted limited statistical analysis of cash transactions related to VIP patron activity at the RRCR.

3.3 Information was gathered through 11 interviews with management level staff from a number of relevant areas of the operations at RRCR including table games, slots, cash cage, VIP Hosts, surveillance and security. Senior Management was interviewed to obtain insight into the operations and policies of accepting large amounts of unsourced cash from patrons. In addition to the interviews, we observed operations on the gaming floor and in the cash cages on both the main gaming floor and VIP gaming areas (Salon Privé and Salon Phoenix) asking questions of staff to confirm documented policies and confirm information provided through the interview process.

3.4 12 interviews were conducted at BCLC to provide staff and management an opportunity to provide feedback, clarify policies and procedures and gain insight into the issues at hand.

3.5 Data regarding reportable cash transactions or play records was provided by BCLC for trending analysis. The period of data used for trending was September 1, 2013 to August 31, 2015. The data was used to identify trends and correlations between the frequencies of Large Cash Transaction Reports ("LCTRs"), the filing of Suspicious Transaction Reports ("STRs") and the ultimate banning of some players due in part to large and frequent play with unsourced cash.

- 3.6 During our analysis an error in the statistical reporting was identified and communicated to BCLC. This error related to the over reporting of non-cash transactions deposited to Patron Gaming Fund Accounts ("PGF") and the redeposit of funds from cashed out chips back into the PGF. BCLC advised they were aware of the issue and was in the process of obtaining a Policy Interpretation from the Financial Transactions and Analysis Centre of Canada ("FINTRAC"). This error resulted in significant over reporting of non-cash transactions to FINTRAC. As a result of the over reporting being included in the produced statistical play records, MNP was unable to determine the actual number and amounts of large cash transactions and as such this limited our ability to obtain reliable results from our data analytics. Due to the complexity of the reporting issue, it is not possible to segregate and remove duplicate transactions. There is no identifier to confirm new cash to the facility versus funds previously played and retained in the PGF for future game-play.
- 3.7 This report does not represent a comprehensive review of all aspects of the existing AML compliance processes. As such, we are not expressing an opinion regarding the adequacy, completeness or effectiveness of existing compliance activities as they relate to anti-money laundering or anti-terrorist financing activities. This engagement was not designed to nor does this report provide any analysis about whether money laundering or terrorist financing is actually occurring, nor does it provide any analysis about the potential that money laundering or terrorist financing will occur through the organization in the future.

4.0 SUMMARY OF FINDINGS/RECOMMENDATIONS

GPEB:

- 4.1 Regulatory regimes for gaming typically seek to balance revenue generation with risk mitigation. Contemplated changes to the gaming regulatory regime must recognize the unique role of each of the main participants, as these roles may create conflicting mandates. Specifically:
- GPEB is the regulator, primarily responsible for ensuring that gaming is conducted with integrity;
 - BCLC is the manager of gaming, primarily responsible to the Province for revenue generation and risk management and responsible to FINTRAC for regulatory compliance; and
 - The Service Providers are the gaming operators, and, via contract with BCLC, are primarily responsible for revenue generation for both the Province and the companies that own the casinos.
- 4.2 Currently, casinos are only required to report LCTRs after they have accepted the cash transaction. GPEB 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.
- 4.3 GPEB should continue to work with BCLC to support cash-alternatives for Service Providers to receive funds, strengthening the overall compliance regime with minimal impact on revenue generation.
- 4.4 GPEB, BCLC, and to some extent the Service Providers should jointly evaluate the resourcing and functioning of existing investigative units. Effective multi-agency units would promote the sharing of information and resources.

BCLC:

- 4.5 If GPEB implements a policy regarding the refusal of large or frequent unsourced cash deposits, BCLC's procedures to address the policy should include refresher training to Service Providers pertaining to BCLC's reporting requirements of attempted transactions to ensure reports are appropriately identified.
- 4.6 Although a specific compliance effectiveness review of gaming operations was not within the scope of this review, MNP did review a number of processes and did not observe anything material to suggest that the compliance program in effect at BCLC and RRCR is not functionally suitable to meet obligations under the PCMLTFA and implementing regulations.

- 4.7 BCLC's CDD process meets Federal regulatory requirements for standard risk patrons. However, the process could be enhanced from both a risk management and revenue generation perspective with modifications and additional resources to meet Enhanced Due Diligence ("EDD") expectations for high risk patrons. This may include confirmation or verification of key customer data including: source of wealth; source of cash; and occupation by the Service Provider or BCLC for higher risk patrons. The gathering of this additional information may assist the Service Provider in providing enhanced service to high valued patrons.
- 4.8 BCLC should consider whether its risk assessment process adequately reflects current thinking around money laundering and terrorist financing risk. The risks associated to specific facilities should be evaluated, rather than simply drawing geographic boundaries for risk.
- 4.9 BCLC should review its EDD process to ensure it appropriately mitigates identified risks. Additional resources may be required to clear the current backlog and support timely completion of the EDD process as required. BCLC should also identify reliable sources of information for persons and businesses based outside of Canada.
- 4.10 BCLC should prioritize and appropriately resource the ongoing SAS implementation project to improve the quality of the data used for ongoing risk assessment and compliance monitoring and reporting. Data from other sources, particularly slot machine play, should be incorporated into the process. Improved data will support province-wide monitoring of activities posing compliance risks.
- 4.11 BCLC should 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. Facility staff should be regularly trained on the completion of the forms. This will encourage consistent and appropriate reporting across the Province.
- 4.12 BCLC's anti-money laundering training programs should be evaluated for up-to-date content and effectiveness. Emphasis should be placed on behavioural red flags, as facility staff have the direct customer interaction. Training should be provided in the primary language of the candidate.
- 4.13 MNP identified instances where non-cash transactions processed to RRCR'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. BCLC advised they were aware of the over-reporting issue and were working with FINTRAC to obtain a Policy Interpretation and determine action to be taken regarding the issue.
- 4.14 While generally consistent with the regulatory requirements, the Know Your Patron ("KYP") framework at River Rock is a task-driven compliance activity rather than a risk management activity. Given the Service Provider's inherent motivation to maximize revenue, it should not be expected to lead compliance and risk management efforts within the gaming industry. BCLC should provide further guidance as the manager and responsible entity for AML regulatory obligations to enhance and enforce appropriate KYP measures.

5.0 DETAILED FINDINGS/RECOMMENDATIONS

Staffing Observations

BCLC:

- 5.1 Operating levels for BCLC Investigators may need to be reviewed as the current staffing levels assigned to River Rock do not appear to be sufficient to address the volume of reports and incidents on a timely basis. In interviews with BCLC, investigators have self-assessed that approximately 95% of their time is focused on AML reporting activities. Non-compliance tasks which used to be completed by investigators located at RRRCR are now being assigned to other investigators with the Lower Mainland region. Additional duties included in the mandates of the investigators at RRRCR may not be being completed or may not be adequately completed to manage the risk associated with the activity at River Rock.

Service Provider:

- 5.2 Experienced managers and supervisory staff who are fully engaged and fully executing on their entire position mandate are able to identify risks within their areas of supervision and apply reasonable assessments and measures to address activity which may be considered unusual. This becomes a first line of defense when identifying potential compliance issues. However, due to high turnover at the Service Provider, management level positions are held by incumbents who have been in the positions less than one year. When asked about issues and risks related to large volumes of unsourced cash being accepted, they advise they are still learning the positions, and feel they are meeting all requirements associated with AML compliance.
- 5.3 Positions with recent turnover at RRRCR include: Interim Chief Compliance Officer, Table Games Manager, Cage Manager, Slot Director, and the Manager of Player Relations. RRRCR has undergone significant turn over in staff ^{s. 22}

At the time of the onsite interviews eight of ten Relief Gaming Manager positions were staffed.

- 5.4 RRRCR employs VIP hosts who report to the manager of Marketing. VIP Hosts are responsible for managing the client experience, which includes managing the amounts of complementary items and services given to players (commonly referred to as player comps), and providing custom gaming experiences with the intention of maximizing patron play. 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. Due to the reporting structure, we would expect that the VIP Hosts have a primary responsibility for revenue generation rather than regulatory compliance or a social responsibility to reduce illicit cash flow. 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.

- 5.5 It was noted on the Service Provider Organizational Chart, dated November 26, 2015 that the Manager, Player Relations did not have a direct reporting relationship to Senior Management. The Director, Surveillance does not show a reporting line to Senior Management. A VP Compliance position reporting to the President and CEO also did not exist on the Chart.

Compliance Program observations

GPEB:

- 5.6 GPEB should 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

BCLC:

- 5.7 BCLC is the reporting entity for the purpose of compliance with PCMLTFR obligations to FINTRAC. AML programs were the responsibility of the Casino Investigations Unit up to 2013. The AML unit was created in 2013 and at that time took over responsibility for all aspects of the AML Program.

Enhanced Due Diligence (“EDD”)

BCLC:

- 5.8 Through iTrak, BCLC has access to all Know You Patron/Player (“KYP”) due diligence, activity records and incident reports including Unusual Financial Transactions (“UFTs”), Suspicious Transaction Reports (“STRs”), and Section 86 reports submitted to GPEB regardless of the facility of play. This allows BCLC to identify patrons at a provincial level who represent higher risks and then perform EDD, risk assessment and ongoing monitoring of these patrons.
- 5.9 BCLC has identified two segments of patrons who have been assessed as requiring EDD to manage the risk of the frequency and value of play. The first segment is comprised of the Top 100 players by volume. The second list, known as the Conditions List, relates to known associates of a high risk player who has been identified by law enforcement to be involved in the provision of large volumes of unsourced bulk cash to VIP patrons. In some instances, the lists overlap. For example, at the time of the review, 36 patrons identified on the Conditions List also appear on the Top 100 list.
- 5.10 All EDD efforts undertaken by BCLC are manual investigations. At the current time, systems do not identify higher risk patterns through an automated alert system. iTrak does not have capabilities for business analytics.
- 5.11 The EDD or “Deep Dive Dossiers” are created using open source information to identify owned properties and business ownership. The one file reviewed during the interviews with BCLC did not include key information such as a synopsis of overall activity, play value or frequency, determined or verified source of funds or wealth information, or an indication of whether the player was cleared for play or had restrictions in place. The file did not present any negative findings, however, the player was indicated as being “on watch.”

- 5.12 There is limited open source information available for Chinese Nationals, which comprise the majority of the identified high risk demographic at RRRC. As, most of the VIP patrons are Asian and many are recent immigrants to Canada or Chinese Nationals there is limited Canadian open source information on which to base risk assessment determinations.
- 5.13 Based on staffing levels and time required to complete an EDD file in the current manner there is a considerable backlog of files to be completed which may increase the risk to all stakeholders as appropriate actions may not be taken in a timely manner. It is anticipated that the volume of patrons requiring ongoing EDD will increase over time.
- 5.14 The Service Provider facilitates gaming through slot machines as well as table games. As at the time of the review, we were not made aware of any EDD on business relationships created due to slot play. In addition there is no review or analytics on slot play including ongoing review of Cash Disbursement Reports ("CDRs") to identify possible anomalies which require further investigation.
- 5.15 BCLC's EDD program for high risk patrons was reviewed to identify if improvements are warranted. EDD measures could be more qualitative, and a formal response to specified risk ratings, similar to other jurisdictions such as Alberta, could be created.
- 5.16 Outsourcing the EDD process for higher risk patrons should be considered to clear the current backlog.

Service Provider:

- 5.17 The Service Provider gathers required information from patrons at particular trigger events during play. This would include when a patron reaches the threshold for the reporting of large cash transactions, which is \$10,000. The Service Provider is responsible for requesting that an acceptable identification document be produced and then recording the type, number and place of issuance as well as gathering mandatory information required for BCLC to file regulatory reports with FINTRAC. Information includes name, address, occupation and date of birth. Policy indicates that the ID document is scanned into the iTrak system. Information gathered at the facility, other than the ID document, is not verified by the Service Provider.
- 5.18 The iTrak system is universal to all facilities under BCLC's supervision. s. 15

Investigative Capabilities

GPEB:

- 5.19 The establishment of a dedicated, cooperative inter-agency AML investigations unit comprised of GPEB and BCLC investigators would delineate the roles between operational and AML investigations and regulatory compliance investigations. This would allow for improved tracking of activities related to regulatory compliance and ensure that employees tasked with compliance and risk management are suitably resourced.

BCLC:

- 5.20 BCLC has three onsite investigators at RRRCR. This was a result of the recognition of the increased risk at the facility as well as the volume of play that requires ongoing BCLC oversight. These investigators have access to iTrak and the facility's surveillance recordings which allow for prompt investigations. AML compliance investigations are supposed to be a component of the investigators duties as defined by BCLC procedures, however the significant volume of reportable transactions at RRRCR and the required reporting due diligence are consuming upwards of 95-100% of investigators' time. Regional investigators not assigned to RRRCR are now being regularly assigned all non AML duties at RRRCR such as theft or patron complaint investigations as the local investigators do not have time to deal with non-regulatory matters.
- 5.21 BCLC investigators regularly provide information to law enforcement on ongoing investigations ^{s. 15}
- 5.22 BCLC has entered into an information sharing agreement with the RCMP that allows both parties to share intelligence on ongoing investigations and high risk patron activity.

Service Provider:

- 5.23 MNP has significant experience working with gaming operators and as such has observed numerous surveillance operations including infrastructure and investigative methodologies and procedures. The RRRCR's infrastructure is comparable to other large Canadian casino surveillance operations such as Casino Montreal or Manitoba's combined provincial facility. The operators and supervisors have significant experience in surveillance operations and utilize iTrak to monitor and report all suspicious activity. iTrak is the most common investigative and operations management software utilized by Canadian Casinos.

ITrak

Systems and Data

BCLC:

5.24 BCLC identified a growing need for enhanced capabilities in relation to analytics and the ability to conduct meaningful analysis on the data in its custody. As a result, the AML Operational Analysis Group was formed in 2013 with the mandate to perform statistical analysis of patron transaction data as well as to identify high risk patrons and perform enhanced due diligence on those individuals. With the hire of an AML data analyst in February 2014 it was determined that the data analytics capabilities of iTrak were limited and that exporting the data and using third party tools such as Excel were the preferred method. These limitations led to the identified need for a formal analytics solution and an RFP was issued. SAS was selected as the vendor. The implementation of this software tool is ongoing and has been subject to numerous delays and a work stoppage to clarify scope and estimate over runs. We understand that SAS is scheduled for roll out in the fall of 2016. This is 18 months later than initially anticipated. The successful implementation of this tool should be a priority for BCLC as the current processes are contributing to delays in effectively conducting transactional analysis.

5.25 Despite the limitations of the current tools s. 15

This information was then shared with law enforcement agencies for the purpose of investigating criminal activity related to the large volumes of unsourced cash. After several attempts by BCLC to refer information, law enforcement undertook an investigation into the activities identified through the BCLC analytics. s. 15 This is a positive effort by BCLC to detect and report suspicious activity with the intent of reducing unsourced cash from entering the gaming facilities.

5.26 BCLC provided data to MNP for the period September 1, 2013 to August 31, 2015 ("the Period") to analyze transactional data regarding the volumes of unsourced cash being accepted at River Rock. The analysis would also address efforts taken by BCLC and the Service Provider to gather Know Your Player ("KYP") or CDD information and perform EDD where appropriate; file STRs; and where appropriate impose bans on high risk patrons for participating in suspicious activity. After conducting significant analytical work it was determined, and confirmed by BCLC, that the data was not accurate and included significant numbers over-reported LCTRs and CDRs making trending analysis unreliable. For further details on the reporting issue, refer to 5.32. We were able to make the following limited observations:

- Play with significant volumes of cash was being conducted by patrons with non-Canadian addresses and identification, primarily Chinese; and
- While significant volumes of LCTRs were filed during the Period the number of STRs filed was relatively small and the number of bans for potential money laundering activity was few.
 - 41,187 LCTRS filed during the period;

- 1,194 STRs filed during the period⁵;
- 1,209 BCLC Prohibition Bans⁶.

- 5.27 The limitations of the current analytics tools and the time required to manually process transactions diminishes the effectiveness of a monitoring program for slot disbursements. The risk of money laundering is significantly lower with slots than with table games, due to the limits on how much money can be fed into a machine in one session as well as the limits on single payouts for Ticket In Ticket out ("TITO") ticket redemption at Ticket Redemption Kiosk ("TRK") machines. Although the risk is lower than table games, due diligence on large volumes of slot CDRs should be monitored for suspicious activity.
- 5.28 Completion of the SAS implementation should remain a high priority for BCLC. Improved data analytics and systems for transaction monitoring and reporting will allow for the early detection of potential money laundering or high risk transactions.
- 5.29 The analytic capability of the iTrak system limits BCLC's AML Operational Analysis group in its ability to identify suspicious activity. The reporting is primarily restricted to the identification of thresholds that aid in the identification of mandatory record keeping or reporting. BCLC has made significant investments in advanced analytics in the proposed SAS solution. The continued development and rollout of this product needs to be a priority for BCLC to allow it to conduct meaningful assessment of the data collected in iTrak.

Reporting

BCLC:

- 5.30 Casinos are required to file the following reports with FINTRAC:
- Large Cash Transaction Reports;
 - Casino Disbursement Reports;
 - Suspicious Transaction Reports; and
 - Terrorist Property Reports.
- 5.31 MNP did not conduct an audit of the processes surrounding reporting requirements, nor of the accuracy or timeliness of the reports submitted to FINTRAC. Through interviews and observation MNP is able to make summary comments on the reporting requirements at the Service Provider and by BCLC, who is responsible for filing the reports from information provided by the facility operators.

⁵ STRs identified by incident number which could relate to multiple people.

⁶ Bans are also based on incident numbers and could relate to multiple people and include site bans.

- 5.32 Observed processes appear to be in place to track instances where cash transactions require the completion and filing of reports. This may be done through buy-ins at the table or through transactions at the cash cage. However, it was ascertained that funds credited to a player's PGF, regardless of the source of funds (Cash, drafts or EFTs from a Canadian bank) are being over-reported as cash. This is resulting in a significant number of unnecessary LCTR and CDR reports. In addition, withdrawals from the PGF account for play are being reported as CDRs and appear to be re-reported as cash based on table buy-ins. Review of the transaction and reporting process for all PGF enabled facilities should be done immediately to stop the number of unnecessary and incorrect reports. This over reporting has been disclosed to FINTRAC.
- 5.33 During our interviews with the Service Provider, BCLC, and GPEB, there was ongoing reference to a historical undocumented threshold of \$50,000 which was the trigger value to consider a transaction suspicious at the Service Provider location. The issue of the threshold preceded this report. FINTRAC guidelines confirm there is no minimum dollar value related to the filing of an STR. Suspicious transactions are financial transactions where there is reasonable grounds to suspect they are related to the commission of a money laundering offence. This includes transactions that you have reasonable grounds to suspect are related to the attempted commission of a money laundering offence. As a result, BCLC has undertaken a review of LCTR transactions to determine if STR transactions had been overlooked. BCLC made a self-disclosure to FINTRAC regarding the issue in December 2015.
- 5.34 BCLC's Internal Audit group conducts a Quality Assurance ("QA") of STR and unfiled UFTs. Audit conducts a review regarding timeliness of filings on LCTRs. The BCLC Investigations group also has a process and procedure in place to verify reports for mandatory information. It was noted through our data analysis of the data provided by BCLC that 385 (0.1%) of LCTRs did not contain one of the mandatory fields such as address, occupation or a unique identifier. Of the 41,187 reports contained in the data file:
- 297 addresses were reported as Null
 - 49 occupations were reported as Null
 - 39 reports contained no unique identification number, but rather a generic BCDL or similar descriptor.
- 5.35 A review of the BCLC policy and procedure documents allows for Service Provider staff to accept cash transactions at the cash cage and submit files with certain missing mandatory occupation information if the patron declines to provide full information⁷. Currently casinos are only required to report LCTRs after they have accepted the cash transaction. A directive from GPEB may support BCLC in the creation of a policy which would mandate the Service Provider to decline a transaction or issue a stop play when mandatory occupation data is not provided on the casino floor or at the cash cage. Submitting reports with missing mandatory information is contrary to the PCMLTFA and Regulations.

⁷ Reference to BCLC Casino and Community Gaming Centre Standards, Policies and Procedures section 1-2.3.

5.36 BCLC should review all of the FINTRAC reporting (LCTR/CDR) for non-cash for all facilities which offer PGF accounts due to over-reporting of LCTRs and CDRs in relation to churn⁸ within the patron gaming accounts.

5.37 Review of Terrorist Property reports was out of scope for the review.

Identification and Reporting of UFTs

BCLC:

5.38 BCLC is the reporting entity for gaming activities in BC and is responsible for filing all required reports with FINTRAC. BCLC operates at an arm's length from the facility and relies heavily on the Service Provider to identify instances where UFTs should be submitted for further review and decision making regarding suspicious activity that would require filing. As the Service Provider only has visibility to the patron's activity at its own facility (or facilities) within the iTrak system it may under- or over-report based on restricted intelligence.

5.39 BCLC Internal Audit provided feedback that UFT/STR reports are inconsistent in the assessment approach and narrative format from the Service Providers which may lead to valid UFTs not being reported by BCLC.

5.40 The BCLC investigators assigned to gaming facilities are currently reviewing 10-15% of LCTRs to determine if STR reports should be filed. This method of review does not appear to be effective as it did not identify the existence of the ongoing practice of only reporting transactions above an undocumented \$50,000 threshold.

5.41 BCLC has access to complete patron activity records, however does not conduct facility or province-wide monitoring and analytics due to system capability restrictions and resourcing.

5.42 BCLC's and the Service Provider's monitoring and reporting activities did identify the issue of large volumes of unsourced and unusual cash activity in October 2014, which resulted in an ongoing law enforcement investigation and the 60+ high risk patron registry.

5.43 Other industries, such as Money Service Businesses ("MSBs") have similar reporting models. The reporting entity (BCLC) with access to full data information should be conducting the bulk of the comprehensive monitoring and identifying transactions for review based on analytical indicators. The Service Provider should be responsible for filing UFTs that involve behavioural information or indicators for money laundering activity to BCLC. In many instances, the behavioural red flag information will supplement the data report which will provide valuable and wholesome information to FINTRAC when submitted by BCLC.

5.44 BCLC should create a template for UFT reports to ensure that all required information is included and to create consistency in the quality of submissions between facilities.

⁸ Churn is the terminology where a patron buys in with the same cash which they previously played with and cashed out. As a result, an active player can appear to be bringing in and cashing out large amounts of cash, which the iTRAK system records as new and separate funds for each transaction.

Service Provider:

- 5.45 From observations and interviews conducted with RRRCR staff, the majority of UFTs are identified by surveillance rather than floor staff who have direct interaction with the patron. Employees (floor staff) are not required to document UFT interactions or provide narratives. Relying only on Surveillance observations increases the risk of missing behavioral red flags from direct interactions.
- 5.46 UFT witness narratives (form/document) are not completed by floor staff. Floor staff should have more active involvement in the reporting process as surveillance only has limited information based on video surveillance.
- 5.47 The Service Provider indicated that additional guidance on UFT reporting would be beneficial to meet the needs and expectations of BCLC and would make the process more effective for both entities. Additional on-site training was provided by BCLC in December 2015. Review of the training materials for the on-site training was not in the scope of the current engagement.

Risk Based Approach

BCLC:

- 5.48 As the FINTRAC reporting entity, BCLC is required to take on the role of conducting facility risk assessments. This is consistent with other Canadian jurisdictions. BCLC has developed its risk assessments by region. RRRCR is included in the Lower Mainland risk assessment. This is not consistent with other jurisdictions in Canada who conduct their reviews by facility. As facilities are not operated by a single vendor they have inherent differences in their internal procedures. The patron base varies by facility as well, including a wide variance in the number of VIP patrons and their volume of play. We recommend that these risk assessments include factors specific to the facility. RRRCR, for example is unique in its VIP play and warrants specific attention to its risks and the ongoing mitigation measures.
- 5.49 We also observed that the risk register is not as granular as other jurisdictions we have reviewed. We recommend that BCLC consider if the risk register reflects the current environment.

Know Your Patron (KYP) or standard CDD

- 5.50 Understanding the patrons using BC's gaming facilities is a line of defense against the use of illicit funds. KYP goes beyond recognizing a frequent player or knowing the time of day that they come into play and details about their family. It is about understanding the potential money laundering risk the patron poses to the facility and managing that risk accordingly.
- 5.51 PCMLTF Regulations⁹ require the identification of business relationships, ongoing monitoring and risk assessment of the business relationships as well as the implementation of appropriate special measures to mitigate high risk relationships. One measure is the gathering and verification of source of funds and source of wealth information.

⁹ Reference PCMLTFR 71.1

GPEB:

- 5.52 GPEB, at the direction of the Minister responsible for gaming, should consider issuing a directive pertaining to the rejection of funds where the source of cash cannot be determined or verified at specific thresholds. This would then provide specific guidance for BCLC to create policies and procedures for compliance by all operators.

BCLC:

- 5.53 BCLC investigators do not investigate to confirm the source of funds or source of wealth unless specifically requested at the time an EDD file is created.
- 5.54 BCLC AML manuals and training content appears to be sufficient, however additional training for employees in the VIP area focused specifically on suspicious indicators and required actions to improve independent thinking would be beneficial.
- 5.55 It was observed that most of the employees in the high limits rooms at RRCR speak Cantonese or Mandarin as a first language. Although the game play must be conducted in English, the language of general communication amongst the employees was not English. The mastery of a technical subject as defined in the BCLC Anti Money Laundering online training may be impacted by the presentation of the materials solely in English. BCLC should consider providing training in the primary language of its high risk exposed employees.
- 5.56 Based on the results of GPEB and the Minister responsible for gaming's risk assessment and risk threshold for large unsourced cash transactions, BCLC should revise policies regarding tolerance of high risk play and consequences of unacceptable high risk activity.

Service Provider:

- 5.57 From interviews and observations at the Service Provider, it is determined that source of funds and/or source of wealth information is not gathered for high risk, high volume cash players. Customer profiles do not require this information for continued play except when opening a PGF.
- 5.58 KYP at the Service Provider is based on repetitive observation of high limit player behaviour (no information is verified), and the expectation that BCLC is responsible for all due diligence activities. Additional information on the player is not shared with the Service Provider and is maintained in the iTrak system, to which only BCLC has full access. This process, and the associated accountability gaps, may have contributed to an organizational de-sensitization to cash through continued exposure to high volume bulk cash, especially in the VIP areas.

Business Relationship Risk

BCLC:

- 5.59 BCLC is in the process of fully implementing the Business Relationship requirements and has identified a list of 670+ high risk patrons. This list is in addition to the previously referenced Top 100 list and the Conditions list which currently includes 75 patrons. The AML and Operational Analysis team is in the process of doing deep dives, however there is a considerable backlog.

- 5.60 At the time of the review, the Top 100 list contained 36 names also appearing on the Conditions list of 75 patrons. Of the 36 names, only 13 had received a comprehensive EDD review. Of all the patrons appearing on Top 100 list, a total of 34 files had received Comprehensive EDD review.
- 5.61 BCLC is working on enhancements to their loyalty program, "Encore" which is intended to increase the amount of carded play which will provide additional KYP for analytics especially for slot play.
- 5.62 As a result of the BCLC's identification of patrons associated to the criminal investigation of unsourced cash utilization, 60+ individuals associated with the activity have been identified for EDD, restricted play and interviews with the BCLC's staff.

Industry Practice

- 5.63 The objectives of the PCMLTFA include:

*"to implement specific measures to detect and deter money laundering... ",
"to respond to the threat posed by organized crime by providing law enforcement officials with the information they need to investigate and prosecute money laundering or terrorist financing offences" and "to assist in fulfilling Canada's international commitments to participate in the fight against transnational crime, particularly money laundering..."*

The PCMLTFA does not specifically legislate the requirements of an entity in relation to how it handles high risk transactions outside of record keeping and reporting obligations.

- 5.64 It is difficult to compare best practices for the management of AML/ATF risk to other industries. We do not believe that the banking sector is a good comparison as there is a significant difference in how banks handle account based risk when compared to transient casino play that is often anonymous. Where reportable transactions do occur, the Casino often only has limited information on which to base its risk assessment. Due to the significant volume of cash and the transient nature of its patrons Casinos are most similar to MSBs in their AML/ATF risk management models. In the absence of specific guidance, other industries regulated under the Act have developed controls and measures to reduce or eliminate the risk associated to the receipt of unsourced bulk cash.
- 5.65 The implementation of controls around bulk cash vary by industry:
- MSBs – Money Services Businesses place limits on the amount of bulk cash accepted from clients. This practice forces alternative funding such as bank drafts, certified cheques or wire transfers.
 - Financial Institutions – Although most financial institutions will not refuse a cash deposit they will close client accounts that exceed their defined risk thresholds. Account based relationships also offer greater monitoring capabilities which aid in managing risk.
 - Security Dealers – The majority of Securities Dealers place outright bans on cash deposits. This is impractical in the gaming industry.

- 5.66 In gaming models where casinos are provincially operated, the ability to implement revenue impacting, socially guided controls and restrictions is simplified in that the revenue of the private operator is not a consideration. Implementing cash controls on private operated facilities requires a greater assessment of revenue impact and how best to ensure the operators remain reasonably compensated.

Cash Alternatives

GPEB:

- 5.67 BCLC's mandate of revenue generation, and GPEB's mandate to ensure the overall integrity of gambling in the province requires a balanced approach to support a restriction or significant reduction in the amount of cash accepted at the casino facilities. The review of proposed cash alternative solutions and the impact of these solutions should remain a priority for both entities to promote gaming integrity and reduce the amount of unsourced cash being used in game play.
- 5.68 We understand that a concept document addressing extension of credit to VIP patrons has been put before GPEB. This concept has not yet been approved or denied as additional information is required by GPEB. Once the information is provided by BCLC, it should be a priority for GPEB to determine feasibility and the implementation criteria.
- 5.69 GPEB and BCLC should undertake a review of large cash transactions to determine if a bulk cash limit can be reasonably set for transactions where no source of funds can be determined. Currently patrons who have not been placed on a watch list can buy in with unlimited cash until flagged for an interview by BCLC.

BCLC:

- 5.70 BCLC has staffed a position to investigate the viability of a number of cash alternative options which need GPEB's approval to move forward. Considerations in developing cash alternative programs and products should include:
- The ability for non-Canadian players to fund PGF accounts if they are subject to cash restrictions in their home country (i.e. China)
 - The ability for non-Canadian player to repay credit extended at facilities if they are subject to cash restriction in their home country (i.e. China)
 - Allocating how defaults on repayments will be determined.(i.e. between BCLC and Service Provider and potentially the tax payer)
- 5.71 It is understood that any controls placed on the acceptance of bulk cash may reduce the volume of play and subsequently the revenue generated for both the operator and the province. BCLC reports that high limit play is a small part of BCLC revenue. As such, it will marginally impact BCLC revenues overall. However these controls may have a significant impact on revenue for the RRRCR operator, Great Canadian Gaming Corporation. The level of acceptable risk, impact on revenue generation and reducing the facilitation of layering of bulk cash must all be considered when determining adequate controls.

5.72 The implementation of cash alternatives is likely to bring the greatest reduction in unsolicited cash while having the least impact on overall level of play for VIP patrons. Although we cannot recommend specific options without additional analysis we do acknowledge that the most common options are:

- Domestic and international wires to fund PGFs;
- The ability to transfer funds between PGFs;
- Specified limits on chip passing amounts;
- Front Money accounts and the extension of credit;
- Removing the current limits for Convenience Cheques for non-verified wins and return of funds.

5.73 The Cheque Hold program has been approved, developed and implemented as a cash alternative. However, there has been no utilization to date by Service Providers due to the risk of non-payments.

5.74 A verifiable source of funds determination for cash amounts above a defined threshold to be obtained prior to game play should be mandated by GPEB and implemented by BCLC. In our opinion, the only way to verify funds is to obtain documentation for the withdrawal of cash from a financial institution (bank) or entity covered under the PCMLTFA such as a MSB.

Environmental Factors

5.75 The issue of casinos, RRCR in particular, accepting large volumes of cash has been a growing issue in the province for a number of years. The source of the cash is now in question, and social and moral responsibility around the unsourced cash has resulted in negative media around gaming operations in BC. A number of factors within the regulatory and guidance documents can be identified as the root cause of the issue.

- There are inherent conflicts between the mandates of GPEB and BCLC and the Service Provider. GPEB is responsible for regulation and the integrity of the gaming industry in BC. BCLC has statutory obligations under the *Gaming Control Act* to GPEB, is accountable to the Province for revenue generation, manages the Service Providers, and responsible to FINTRAC for regulatory compliance. Service Providers, are not covered entities under the PCMLTFA and therefore have limited regulatory obligations and exposure, instead focusing on revenue generation.
- From discussion with staff and management, examples provided by both GPEB and BCLC identify 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. This has contributed to an increased risk of compliance short-falls, misaligned priorities for implementing cash alternatives, and gaps in the oversight of day-to-day processes.

5.76 The PCMLTFA and implementing regulations require that reporting entities report prescribed transactions and identify suspicious transactions. There is no provision within the regulation that requires that funds which may be associated with a predicate offense to be rejected by a reporting entity.

- 5.77 The ongoing investigation by law enforcement into the potential use of proceeds of crime to fund VIP gaming activities prompted BCLC to implement a list of patrons who would be restricted from playing using unsourced cash.
- 5.78 In other industries, such as banking, securities dealers and MSBs, internal policies and procedures are developed based on the entity's risk based approach to determine when transactions should be rejected. Through review of policies and procedures at GPEB, BCLC and the Service Provider, it was noted that there has been no directives made to reject funds where the source of the cash cannot be determined and verified.
- 5.79 Reasonable grounds to suspect Money Laundering activity through the use of unsourced funds has been confirmed by the Service Providers and BCLC through the EDD processes. Interviews have confirmed that players are indeed wealthy non-residents, or business persons with interests both in Vancouver and China, coming to Vancouver to gamble. While the patron may be bona fide, the unsourced cash being accepted by the casino may be associated with criminal activity and poses significant regulatory, business and reputational risk.
- 5.80 The use of possible underground banking operations using large volumes of unsourced cash have become increasingly common and accepted as a convenience feature for VIP players who may not be able to send funds to Canada due to currency restrictions in their own country. The funding arrangements have been confirmed through interviews conducted by BCLC investigators with targeted patrons. The patron advises that they are provided with a contact in Vancouver, either locally or prior to arriving in Vancouver. The contact the person via phone for cash delivery. The funds are later repaid through cash holdings in China. This transaction flow forms an underground or unregistered Hawala type operation using unsourced cash into the casino.
- 5.81 River Rock staffs have fostered a culture accepting of large bulk cash transactions. Through interviews and conversations with facility staff, there is a false reliance of the KYP process, which is developed through the frequency of transactions dealing with large cash values rather than any verified information. This has resulted in a desensitization to the inherent AML risks associated to cash transactions. This was identified by a number of staff at various levels in GPEB, BCLC and the Service Providers.
- 5.82 BCLC's current systems and technology do not allow for analytics or system alerts for activity which is deemed to be suspicious or excessive. There is a reliance on the Operator to file UFTs which may prompt the need for EDD. The implementation of SAS has been significantly delayed due to vendor customization issues which has hindered BCLC's ability to perform efficient and effective monitoring.
- 5.83 Staffing levels do not allow for EDD or deep dive investigations to be completed in a timely manner which allows activity to continue at the facility supporting the apathy to large cash transactions.
 - The EDD process should be reviewed to ensure that data collected and information gleaned from various sources provide a clear picture of the risks and profile of the patron for risk assessment and mitigation purposes.

- 5.84 EDD "Deep dives" have indicated that the players who have been subject of UTFs are themselves are not directly associated with criminal activity. Further actions or reporting is then not deemed suspicious based on reasonable grounds to suspect ML/TF activity. The use of bulk unsourced cash, and the possible use of proceeds of criminal activity, is not clearly identified in the BCLC Risk Assessment.

6.0 RESTRICTIONS AND LIMITATIONS

- 6.1 This report is private and confidential. It is not intended for general circulation or publication. For certainty, this report may not be disclosed, copied, quoted, or referred to in whole or in part, whether for the purposes of litigation, disciplinary proceedings or otherwise, without our prior written consent in each specific instance. It is not to be distributed to any other persons without the prior express written consent of MNP. Such consent, if given, may be on conditions, including without limitation an indemnity against any claims by third parties arising from release of any part of our documents or reports. We do not and will not assume any responsibility or liability for losses incurred by the Gaming Policy Enforcement Branch or their employees or by any other parties as a result of the circulation, publication, reproduction, use of, or reliance upon any reports or documents contrary to the provisions of this paragraph. Further, we understand that this Report may be the subject of a request under the Freedom of Information and Protection of Privacy Act. Should a request be made, MNP will work with GPEB to fulfill the request in accordance with the Act.
- 6.2 Comments in any document or report we produce in the course of this engagement shall not be interpreted to be legal advice or opinion.
- 6.3 BCLC remains solely responsible at all times for adherence with all its compliance obligations.

Yours truly,

MNP LLP



Gregory S. Draper, MBA, DIFA, FCPA, FCGA, CFE, ICD.D
Investigative & Forensic Services

Hayley Howe, CAMS
Investigative & Forensic Services

NEWS RELEASE

Not final - Embargoed
Sept. 22, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos,” said Attorney General David Eby. “During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today.”

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

“We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices,” said BCLC president and CEO Jim Lightbody. “We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in B.C., we'll do it.”

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

Quick Facts:

- BCLC is responsible for conduct and management of gambling in B.C.
- GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.

- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a co-ordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Contact:

Government Communications and Public
Engagement
Ministry of Attorney General
778 678-1572

Connect with the Province of B.C. at: www.gov.bc.ca/connect

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, September 20, 2017 9:04 AM
To: Robins, Shawn GCPE:EX
Subject: GPEB: NR, QA, and IN
Attachments: NR -AML Report- 19SEPT17 DRAFTSR (GPEB draft).docx; QsAs AMLS Review DRAFT Sept19SR (GPEB draft).docx; IN - MNP report release - 15Sept18SR comments (GPEB draft).docx

Importance: High

Hi Shawn – attached are the latest documents from GPEB with Megan’s edits. Can you please review and send back to me clean (flagging any concerns with the changes)? I will then ensure PSSG reviews as they are mentioned and will send it back to the GPEB team before I send to MO.

As the authors of the IN, GPEB should review/update it based on the edits to the other two.

Thank you!

Tiffany

From: Pandachuck, Niki FIN:EX
Sent: Tuesday, September 19, 2017 4:40 PM
To: Harris, Megan A GCPE:EX
Cc: Mazure, John C FIN:EX; Hazel, Jillian FIN:EX; Henderson, Jeff FIN:EX
Subject: GPEB: NR, QA, and IN

Hi Megan,

Here are drafts of the NR, QA, and IN for tomorrow’s announcement. John has reviewed and is comfortable with what’s proposed here.

Thank you,
Niki

Niki Pandachuck · Communications Officer
[Gaming Policy & Enforcement Branch](#)
Ministry of Attorney General
P: 250 387-1151 / C: 778 679-0829

Release of 2016 MNP report on anti-money laundering

SUGGESTED RESPONSE:

- We're releasing the MNP report to be transparent with the public about the challenges we're facing related to money laundering in B.C. casinos.
- The Gaming Policy and Enforcement Branch (GPEB) commissioned the MNP report because there were concerns about unsourced cash entering the River Rock Casino Resort.
- The report analyzed anti-money laundering practices at River Rock Casino Resort and made recommendations to improve B.C.'s anti-money laundering policy.
- The report was completed in July 2016, but was not made public.
- GPEB has provided direction to BCLC to go beyond meeting federal reporting requirements and establish source of funds before accepting cash.
- GPEB also worked with the RCMP and Ministry of Public Safety and Solicitor General (PSSG) to establish the Joint Illegal Gaming Investigation Team (JIGIT).
- Despite government's efforts, intelligence and the ongoing work of law enforcement indicates that money laundering is still occurring in B.C. casinos.
- That's why government is developing the terms of reference for a review that inquires into whether there is an inadequately addressed issue of money laundering in casinos.

Background:

Government will make public a 2016 report on anti-money laundering (AML) practices in B.C.'s gambling facilities. The report, conducted by consulting firm MNP, was completed on July 26, 2016 but was not released. At the same time the report is released, government will also announce that terms of reference for a review of B.C.'s anti-money laundering strategy are being developed.

In 2015, the Gaming Policy and Enforcement Branch (GPEB) engaged financial consulting firm MNP to review current practices regarding large volumes of unsourced cash being accepted at River Rock Casino Resort (RRCR). GPEB had found that approximately \$13 million in \$20 bills were accepted by RRCR in July 2015. This was determined through reviews of suspicious currency transactions reported to GPEB by casino service providers.

MNP was asked to analyze current practices at RRCR and identify immediate near-term actions to address gaps. BCLC questioned the data used in the analysis and the credentials of MNP, and raised concerns about some of the recommendations made by MNP.

The report included recommendations directed at the BC Lottery Corporation (BCLC) which is responsible for conduct and management of gambling facilities, and GPEB which is responsible for regulating the gambling industry. The recommendations focused on training, customer due diligence, technology and monitoring, and issues of broad policy.

The most significant recommendation directed at government is for: *GPEB, at the direction of the Minister responsible for gaming, to consider implementing a policy requirement for service providers to refuse unsourced cash deposits exceeding an established dollar limit, or refuse frequent unsourced cash deposits exceeding an established threshold and time period.*

In 2016 GPEB worked with the RCMP and Ministry of Public Safety and Solicitor General (PSSG) to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT is an integrated and dedicated law enforcement team with a focus on disrupting organized crime and gang involvement in illegal gaming and preventing money laundering in BC gaming facilities. It is housed within the RCMP's Combined Forces Special Enforcement Unit (CFSEU-BC). The regulator has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

The General Manager and the previous government provided direction to BCLC to establish source of funds before accepting cash. The General Manager also emphasized the need for BCLC to go beyond meeting federal AML reporting requirements.

While the specific terms of reference for the review of B.C.'s existing AML measures are yet to be developed, the review is intended to look at AML measures currently in place and may make recommendations about additional steps that could be taken by government to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities.

Program Area	Deputy / ADM	GCPE
N. Pandachuck – Sept. 19/17 J. Hazel – Sept. 19/17 L. Meilleur – Sept. 15/17 A. Fitzgerald – Sept. 15/17 D. Boychuk – Sept. 15/17 K. Bruce – Sept. 15, 2017	J. Mazure – Sept. 19/17	X. XX – XX/17 T. Nelson – XX/17 M. Harris – XX/17

**Confidential Advice to Minister
DRAFT Sept 19, 2017**

Release of MNP report on anti-money laundering

Questions & Answers

s.13

Page 285 to/à Page 286

Withheld pursuant to/removed as

s.13

NEWS RELEASE

For Immediate Release
[release number]
Sept. 21~~xx~~, 2017

Ministry of ~~the~~ Attorney General

Report on anti-money laundering efforts in B.C. casino released

VICTORIA – The ~~Attorney General~~ Government of B.C. ~~today has~~ released a 2016 report ~~completed in July 2016 that commissioned to~~ looked at anti-money laundering (AML) practices at River Rock Casino Resort (RRCR) in Richmond, ~~one B.C. casino. The~~ report, ~~prepared by MNP LLP, is being~~ has been released ~~to be transparent with the to public about~~ show the challenges ~~the province B.C.~~ faces related to money laundering.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a briefing that raised concerns about the issue of money laundering at a B.C. casino,” said Attorney General David Eby. “The briefing referenced a report that had been commissioned to combat money laundering at casinos. In the interests of transparency I am releasing that report today.”

The report was commissioned in 2015 by the Gaming Policy and Enforcement Branch (GPEB) in the wake of concerns about unsourced cash entering ~~the River Rock Casino Resort (RRCR).~~ ~~Through reviews of~~ After reports ~~reviewed identified~~ suspicious currency transactions, GPEB found ~~that~~ approximately \$13 million in \$20 bills were accepted by RRCR in July 2015 alone.

~~MNP, one of Canada’s largest full-service chartered accountancy and business advisory firms, was commissioned to analyze~~ anti-money laundering practices at RRCR and ~~make~~ made S.13 recommendations.

~~The report included recommendations directed~~ directed at GPEB and the BC Lottery Corporation (BCLC) ~~which is responsible for conduct and management of gambling facilities, and GPEB, which is responsible for regulating the gambling industry.~~ The recommendations focused on training, customer due diligence, technology and monitoring, and issues of broad policy.

In the coming weeks, a terms of reference will be developed to select an independent expert to look at anti-money laundering measures currently in place throughout all gambling facilities in the province. Recommendations are expected to provide additional steps to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities.

~~“In 2016 GPEB worked with the RCMP and Ministry of Public Safety and Solicitor General (PSSG) to establish the Joint Illegal Gaming Investigation Team (JIGIT). The regulator has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.”~~

The problem of money laundering is complex ~~because it~~ and involves an ever-evolving criminal element~~,” said Eby. “The use of B.C. gambling facilities to launder money that has been~~

obtained through criminal activity hurts our society and undermines the integrity of the gambling industry. We are serious about doing everything we can to identify money laundering activities and ensure policies are in place to prevent it from occurring in our B.C. gambling establishments."

~~Government is developing a terms of reference for an additional review by an independent expert to look at current AML measures and make recommendations about additional steps that could be taken.~~

s.13

A full copy of the MNP Report can be found at ~~XXXXXXXXXX~~.

~~Quotes:~~

~~Attorney General David Eby, QC--~~

~~"On assuming responsibility for gambling in B.C. as part of my Ministerial duties I received a briefing that raised concerns about the issue of money laundering at a B.C. casino. The briefing referenced a report that had been commissioned from MNP on initiatives to combat money laundering at casinos. In the interests of transparency I am releasing that report today. Over the next few weeks we will develop terms of reference and select an independent expert to take a look at anti-money laundering measures currently in place and make recommendations about additional steps to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities."~~

~~"The use of B.C. gambling facilities to launder money that has been obtained through criminal activity hurts our society and undermines the integrity of the gambling industry. We are serious about doing everything we can to identify money laundering activities and ensure policies are in place to prevent it from occurring in our B.C. gambling establishments."~~

Quick Facts:

- BCLC is responsible for conduct and management of gambling facilities and GPEB is responsible for regulating the gambling industry.
- MNP were engaged by the Gaming Policy and Enforcement Branch to conduct the review on September 8, 2015 and delivered the report on July 26, 2016.
- In 1998 the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, the Gaming Policy and Enforcement Branch worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.
- which is responsible for regulating the gambling industry.

Media Contact:

Government Communications and Public Engagement

Attorney General
778-678-1572

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Friday, September 22, 2017 9:12 AM
To: Pandachuck, Niki FIN:EX
Cc: Cormier, Dan FIN:EX
Subject: Re: Confirming final report link

Thanks. And just adding that this is urgent ;)

On Sep 22, 2017, at 9:01 AM, Pandachuck, Niki FIN:EX <Niki.Pandachuck@gov.bc.ca> wrote:

Hey Dan (you may hear from Dave also, but don't think he's in yet), can you confirm this link for the pdf of the report for GCPE?
Niki

From: Nelson, Tiffany GCPE:EX
Sent: Friday, September 22, 2017 8:50 AM
To: Boychuk, Dave FIN:EX; Harris, Megan A GCPE:EX; Mazure, John C FIN:EX
Cc: Meilleur, Len FIN:EX; Henderson, Jeff FIN:EX; Hazel, Jillian FIN:EX; Pandachuck, Niki FIN:EX
Subject: Confirming final report link
Hi everyone – as we finalize the news release, can you confirm the report will be uploaded to the same link provided yesterday? If so, we will drop this back into the NR as it's finalized. Release time is now expected for 9:50 a.m. if you could please ensure link is live a few minutes before then.
Please confirm if this is right: https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf.
Thanks again,
Tiffany

From: Boychuk, Dave FIN:EX
Sent: Thursday, September 21, 2017 9:42 PM
To: Harris, Megan A GCPE:EX; Mazure, John C FIN:EX
Cc: Nelson, Tiffany GCPE:EX; Meilleur, Len FIN:EX; Henderson, Jeff FIN:EX; Hazel, Jillian FIN:EX; Pandachuck, Niki FIN:EX
Subject: Re: Update on MNP timing
I have attached a reduced size version of the PDF, at 5.3MB on my system. I can no longer remember the threshold for our Exchange servers, but this should go.
The quality of this version remains quite good.
This is the last option for changing the file size without access to technical staff and tools, which will have to wait for regular business hours.
Please let me know if this is sufficient for emailing out.

From: Harris, Megan A GCPE:EX
Sent: Thursday, September 21, 2017 8:42 PM
To: Mazure, John C FIN:EX
Cc: Nelson, Tiffany GCPE:EX; Boychuk, Dave FIN:EX; Meilleur, Len FIN:EX; Henderson, Jeff FIN:EX; Hazel, Jillian FIN:EX; Pandachuck, Niki FIN:EX
Subject: Re: Update on MNP timing
Hi all,
Plan is to send the NR and report under embargo to the press gallery at 8:30ish tomorrow and the NR distributed provincewide at 9:50. The issue is we can't send the report at 12MB over email. I'm hoping for suggestions?

If we absolutely have to we may have to make it live at 8:30.
Help!
Megan

On Sep 21, 2017, at 4:50 PM, Mazure, John C FIN:EX <John.Mazure@gov.bc.ca> wrote:

Will do. Thx Tiffany.

Sent from my iPhone

On Sep 21, 2017, at 4:46 PM, Nelson, Tiffany GCPE:EX
<Tiffany.Nelson@gov.bc.ca> wrote:

Hi everyone – as an update on the MNP news release, we are looking to issue it at 10 a.m. tomorrow if you could please arrange to have the link live at that time.
We will share the final NR once available.
Thanks,

Tiffany Nelson | Communications Manager
Ministry of Attorney General
Ph: 250 356-6334 | Cell: 250 858-4680

Smith, Justin GCPE:EX

From: Robins, Shawn GCPE:EX
Sent: Wednesday, September 20, 2017 2:38 PM
To: Nelson, Tiffany GCPE:EX
Subject: RE: For review: AML Report

Sam you are correct. The purpose of the MNP Review is to more broadly at analyze current practices in respect to source of funds, source of wealth, handling of cash, use of cash alternatives and overall Customer Due Diligence in gaming facilities as compared to financial institutions, assess BCLC's Customer Due Diligence (CDD) regime and overall compliance with respect to the existing regulatory framework.. and to identify actions to be taken in order to address any gaps identified in the analysis.

s.13

From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, September 20, 2017 2:02 PM
To: Robins, Shawn GCPE:EX
Subject: Fwd: For review: AML Report

Hi Shawn - can u let me know response to these Qs? Thanks

Begin forwarded message:

From: "Godfrey, Sam AG:EX" <Sam.Godfrey@gov.bc.ca>
Date: September 20, 2017 at 1:58:45 PM PDT
To: "Nelson, Tiffany GCPE:EX" <Tiffany.Nelson@gov.bc.ca>

Cc: "Smith, George AG:EX" <George.Smith@gov.bc.ca>
Subject: RE: For review: AML Report

Hi,

This looks good. A few questions.

s.13

I have a few other minor questions/suggestions for clarity we can discuss when you have a moment.

Sam Godfrey

Ministerial Assistant, Ministry of Attorney General
Mobile: 250 208 1359 | Office: 250 925 7613
Rm 232, Parliament Buildings, 501 Belleville St., Victoria, B.C. V8V 1X4

This message, including any attachments to it, is not to be disclosed outside of the Provincial Government without prior written approval from the Ministry of Attorney General. If you have received this communication in error, please destroy the email message and any attachments immediately and notify me by telephone or by email.

From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, September 20, 2017 1:22 PM
To: Smith, George AG:EX; Godfrey, Sam AG:EX; Milne, Gala AG:EX
Cc: Harris, Megan A GCPE:EX
Subject: For review: AML Report

Hi all - attached are the AML materials for review, including NR and QA, approved by GPEB ADM and Megan.

We will share GPEB's issue note once received.

Thanks,

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, September 20, 2017 3:41 PM
To: Robins, Shawn GCPE:EX
Subject: RE: Updated Qs and As incorporating MO suggestions
Attachments: QsAs AMLS Review - 20SEPT17 - DRAFT.docx

Hi Shawn – most of Sam's edits were missed. I've added them here. Can you double-check this is the correct version I'm to send up? Thanks

From: Robins, Shawn GCPE:EX
Sent: Wednesday, September 20, 2017 3:33 PM
To: Nelson, Tiffany GCPE:EX
Subject: Updated Qs and As incorporating MO suggestions

Tiffany here are the latest Qs and As incorporating Sam's comments.

**Confidential Advice to Minister
DRAFT Sept 20, 2017**

**Release of MNP report on anti-money laundering
Questions & Answers**

s.13

Page 296 to/à Page 297

Withheld pursuant to/removed as

s.13

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Monday, September 18, 2017 6:52 PM
To: Nelson, Tiffany GCPE:EX
Subject: Fwd: AML issue

Some messaging

Begin forwarded message:

From: "Godfrey, Sam AG:EX" <Sam.Godfrey@gov.bc.ca>
Date: September 18, 2017 at 11:30:01 AM PDT
To: "Harris, Megan A GCPE:EX" <Megan.Harris@gov.bc.ca>
Subject: AML issue

Hi Megan,

As you know MDE wants the MNP report released asap. He would like it done this week, with a media release and media availability. He mentioned that there are government-wide calendars you have for scheduling such items. Can you please coordinate the timing with his Tanera?

Regarding the release, key points as I understand them:

- On assuming responsibility for gaming in BC, the Attorney General was briefed by law enforcement and BC's gaming regulators, the Gaming Policy Enforcement Branch (GPEB).

- These briefings raised concerns by the Minister regarding the issue of money-laundering at casinos in BC.

- One of the briefings referenced a report 25 page report by consulting firm MNP LLP, entitled "AML Report". It was submitted to the GPEB on July 27 2016.

- Consistent with the principle of transparency, this report is being released today.

- In the coming weeks the Minister will be releasing Terms of Reference to select an independent expert who will:

Review if there is an issue of money laundering at casinos in BC.

If there is an issue, what is the nature and timeline of the issue, and what steps should be considered in order to address it.

Please advise as to next steps.

Best, Sam

Sam Godfrey

Ministerial Assistant, Ministry of Attorney General

Mobile: 250 208 1359 | Office: 250 925 7613

Rm 232, Parliament Buildings, 501 Belleville St., Victoria, B.C. V8V 1X4

This message, including any attachments to it, is not to be disclosed outside of the Provincial Government without prior written approval from the Ministry of Attorney General. If you have received this communication in error, please destroy the email message and any attachments immediately and notify me by telephone or by email.

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Friday, September 22, 2017 7:50 AM
To: Harris, Megan A GCPE:EX
Subject: Latest MNP NR
Attachments: NR - MNP Report- 21SEPT17 - embargo.pdf; NR -AML Report- 20SEPT17 - embargo.docx

Hi – here is the PDF version. I didn't copy in MO if you wanted first to confirm that this embargo plan works: distribute this NR with the report, without any links and with a mark that this is under embargo.

WORD version also attached.

Thanks

From: Nelson, Tiffany GCPE:EX
Sent: Thursday, September 21, 2017 8:45 PM
To: Smith, George AG:EX; Godfrey, Sam AG:EX; Milne, Gala AG:EX
Cc: Harris, Megan A GCPE:EX
Subject: Latest MNP NR

Hi George - latest MNP report NR is attached with the BCLC quote included for your review.

We're needing to push the embargo release time to 8:30am tomorrow (with the NR out at 9:50am) to give GPEB time to prepare the report link (as the report is too large to email) and also to give BCLC time to prep the three links they'd like added: ***BCLC response plan to initial report, FINTRAC annual review, and an internal audit done by an external company.***

Will send more detail on all three once we have it.

NEWS RELEASE

Draft provided under embargo
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos,” said Attorney General David Eby. “During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today.”

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

“We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices,” said BCLC President and CEO Jim Lightbody. “We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in BC, we’ll do it.”

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

Quick Facts:

- BCLC is responsible for conduct and management of gambling in B.C.

- GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.
- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:
Government Communications and Public Engagement
Ministry of Attorney General
778 678-1572

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Friday, September 22, 2017 9:27 AM
To: Carruthers, Dana GCPE:EX; Harris, Megan A GCPE:EX; Sherlock, Stephanie GCPE:EX
Cc: Zadravec, Don GCPE:EX; Croft, Robyn J GCPE:EX; Horlor, Shannon GCPE:EX
Subject: Link one for MNP NR

Hi Dana - one link can be added so far into our (non-embargo) NR copy. We are awaiting 2-3 other links to add from the BCLC.

Please add, right above "quick facts":

"A copy of the MNP Report can be found at https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf."

Thank you!

-----Original Message-----

From: Carruthers, Dana GCPE:EX
Sent: Friday, September 22, 2017 9:19 AM
To: Harris, Megan A GCPE:EX; Sherlock, Stephanie GCPE:EX
Cc: Zadravec, Don GCPE:EX; Croft, Robyn J GCPE:EX; Horlor, Shannon GCPE:EX; Nelson, Tiffany GCPE:EX
Subject: RE: For final review/approval - Report on anti-money laundering released, review to follow

Excellent - thank you Megan,

We are standing by for links and final approval Tiffany :)

-----Original Message-----

From: Harris, Megan A GCPE:EX
Sent: Friday, September 22, 2017 9:08 AM
To: Carruthers, Dana GCPE:EX; Sherlock, Stephanie GCPE:EX
Cc: Zadravec, Don GCPE:EX; Croft, Robyn J GCPE:EX; Horlor, Shannon GCPE:EX; Nelson, Tiffany GCPE:EX
Subject: RE: For final review/approval - Report on anti-money laundering released, review to follow

Stephanie has forwarded a "not final and under embargo" NR that you provided me. This version does not have the live links to the online report and the BCLC's response to it, in addition to other items. We were not releasing those under the embargo.

Tiffany will be in touch with the links to include as soon as she has confirmation from GPEB and BCLC that they are live and ready to go. It was not a simple task for these groups and we need to ensure the media had a chance to read the report before the rest of it.

If you have further questions, please call me. Please note that releasing this under embargo was the minister's request.

Megan

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Wednesday, September 20, 2017 3:01 PM
To: Pandachuck, Niki FIN:EX; Robins, Shawn GCPE:EX
Subject: NR -AML Report- 19SEPT20 DRAFTSR (GPEB reviewed) (2)
Attachments: NR -AML Report- 19SEPT20 DRAFTSR (GPEB reviewed) (2).docx

Latest here for John. Thanks again!

NEWS RELEASE

For Immediate Release
[release number]
Sept. 21, 2017

Ministry of Attorney General

Report on anti-money laundering efforts in B.C. casino released

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities. anti-money laundering (AML) practices at River Rock Casino Resort (RRCR) in Richmond, B.C. The report, prepared by MNP LLP, has been released to show the complex challenges the province faces related to combatting money laundering, including due diligence and regulatory oversight at provincial casinos.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a briefing that raised concerns about the issue of money laundering at B.C. casinos,” said Attorney General David Eby. “The briefing referenced a report that had been commissioned to combat money laundering at one casino. In the interests of transparency I am releasing that report today.”

The report was commissioned in 2015 by the Gaming Policy and Enforcement Branch (GPEB) in the wake of concerns about unsourced cash entering River Rock Casino Resort (RRCR). GPEB found approximately \$13 million in \$20 bills reported as suspicious currency transactions were accepted by RRCR in July 2015 alone.

MNP, one of Canada’s largest full-service chartered accounting and business advisory firms, analyzed anti-money laundering practices at RRCR and made several recommendations directed at the BC Lottery Corporation (BCLC) and GPEB. The recommendations focused on training, customer due diligence, technology and monitoring, and issues of broad policy.

In the coming weeks, terms of reference will be developed and an independent expert will be selected to look into whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos. The review would also identify the steps required to address the issue, within existing or new laws, at anti-money laundering measures currently in place throughout all gambling facilities in the province. Recommendations are expected to provide additional steps to mitigate the risk of money laundering and the use of proceeds of crime in B.C. gambling facilities.

“The problem of money laundering is complex and involves an ever-evolving criminal element,” said Eby. “The use of B.C. gambling facilities to launder money that has been obtained through criminal activity hurts our society and undermines the integrity of the gambling industry. We are serious about doing everything we can to identify money laundering activities and ensure policies are in place to prevent it from occurring in B.C. gambling establishments.”

Hold for quote from Minister Farnworth.

Formatted: Font: Italic

A full copy of the MNP Report can be found at XXXXXXXXXX.

Quick Facts:

- BCLC is responsible for conduct and management of gambling in BC.
- GPEB is responsible for the overall integrity of gambling and horse racing in the Province.
- MNP were engaged by GPEB to conduct the review on ~~September~~ Sept. 8, 2015 and delivered the report on July 26, 2016.
- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:

Government Communications and Public Engagement
Attorney General
778-678-1572

Smith, Justin GCPE:EX

From: Nelson, Tiffany GCPE:EX
Sent: Friday, September 22, 2017 11:25 AM
To: Watson, Jason GCPE:EX; Harris, Megan A GCPE:EX
Cc: McAndrews, Caroline GCPE:EX
Subject: RE: BC Gov News - Report on anti-money laundering released, review to follow

We've heard from Dave White. Your Minister is welcome to speak with Marcella but we have Dave's request up with our MO.

From: Watson, Jason GCPE:EX
Sent: Friday, September 22, 2017 11:23 AM
To: Harris, Megan A GCPE:EX; Nelson, Tiffany GCPE:EX
Cc: McAndrews, Caroline GCPE:EX
Subject: FW: BC Gov News - Report on anti-money laundering released, review to follow

Looks like News 1130 is looking to speak with Minister Eby.... Was she in touch with you guys?

Probably best for him to speak to this.

Thanks,
Jason

From: Marcella Bernardo [<mailto:Marcella.Bernardo@vancouVERRADIO.rogers.com>]
Sent: Friday, September 22, 2017 11:10 AM
To: Watson, Jason GCPE:EX
Subject: FW: BC Gov News - Report on anti-money laundering released, review to follow

Hi Jason,

We've already put a call out to David Eby, but any chance Mike's available to comment on this today?

Best number to reach me is 604-877-4400.

M

Marcella Bernardo
Reporter/Producer

NEWS 1130
2440 Ash Street
Vancouver, BC V5Z 4J6

marcella.bernardo@rci.rogers.ca
o604.877.4400m604.802.1730



From: noreply.newsondemand@gov.bc.ca [<mailto:noreply.newsondemand@gov.bc.ca>]
Sent: Friday, September 22, 2017 9:58 AM

To: Marcella Bernardo <Marcella.Bernardo@vancouverradio.rogers.com>
Subject: BC Gov News - Report on anti-money laundering released, review to follow

For Immediate Release
2017AG0024-001625
Sept. 22, 2017

Ministry of Attorney General

NEWS RELEASE

Report on anti-money laundering released, review to follow

VICTORIA - The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

"On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos," said Attorney General David Eby. "During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today."

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"We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices," said BCLC president and CEO Jim Lightbody. "We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in B.C., we'll do it."

"The problem of money laundering is complex, but a committed government can make a difference," said Eby. "We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch."

A copy of the MNP Report can be found at: https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf

For a link to BCLC's response to the MNP report and other relative reports:
<http://corporate.bclc.com/who-we-are/corporate-reports/reports-disclosures.html>

Quick Facts:

* BCLC is responsible for conduct and management of gambling in B.C.

- * GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- * MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.
- * In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- * In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a co-ordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- * GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Contact:

Government Communications and Public Engagement
Ministry of Attorney General
778 678-1572

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Attorney General, Government Operations

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Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Friday, September 15, 2017 1:15 PM
To: Godfrey, Sam AG:EX
Cc: Nelson, Tiffany GCPE:EX
Subject: AML release

Hi Sam,

Thank you for the call this afternoon. After further reflection I would suggest we issue a NR Thursday afternoon with a link to the full MNP report and outlining the TOR and next steps. We should then make MDE available for media that afternoon and the following day.

By doing this, it allows us to manage the more technical questions on background. I do not believe there is enough "meat" for a presser.

Please let me know your direction.

Thanks,
Megan

Megan Harris
Communications Director
Ministry of Attorney General
Government Communications and Public Engagement
Email: Megan.harris@gov.bc.ca
Phone: 250 953-3677

Smith, Justin GCPE:EX

From: Harris, Megan A GCPE:EX
Sent: Wednesday, September 20, 2017 6:57 PM
To: Pandachuck, Niki FIN:EX; Mazure, John C FIN:EX; Meilleur, Len FIN:EX
Cc: Nelson, Tiffany GCPE:EX
Subject: FW: Redacted MNP Report
Attachments: MNP Report - redacted.pdf

Hi Niki et al.

Attached is the redacted report the MO has provided. I'm unsure if you already have this version however, I am hoping you can get it posted for an 8a.m. release tomorrow. We will need the link from you so we can get the NR set up. Do you think this could be done in time?

Megan

British Columbia Gaming Policy Enforcement Branch

AML Report

Private & Confidential

PREPARED FOR: Dave Boychuk
Gaming Policy Enforcement Branch
3rd Floor, 910 Government Street
Victoria, BC V8W 1X3

PREPARED BY: MNP LLP
1500, 640 – 5th Avenue SW
Calgary, AB T2P 3G4

DATE: July 26, 2016

TABLE OF CONTENTS

1.0	TERMS OF REFERENCE	3
2.0	BACKGROUND	4
3.0	SCOPE OF REVIEW, APPROACH AND LIMITATIONS	7
4.0	SUMMARY OF FINDINGS/RECOMMENDATIONS	9
5.0	DETAILED FINDINGS/RECOMMENDATIONS	11
	Staffing Observations	11
	Compliance Program observations	12
	Enhanced Due Diligence ("EDD")	12
	Investigative Capabilities	13
	Systems and Data	15
	Reporting	16
	Identification and Reporting of UFTs	18
	Risk Based Approach	19
	Know Your Patron (KYP) or standard CDD	19
	Business Relationship Risk	20
	Industry Practice	21
	Cash Alternatives	22
	Environmental Factors	23
6.0	RESTRICTIONS AND LIMITATIONS	25

1.0 TERMS OF REFERENCE

- 1.1 MNP was engaged by British Columbia's ("BC") Gaming Policy and Enforcement Branch ("GPEB") on September 8, 2015. MNP was directed to work directly with senior GPEB managers to:
- a. Analyze current practices in respect of source of funds, source of wealth, handling of cash, use of cash alternatives and overall Customer Due Diligence ("CDD") in gaming facilities compared to financial institutions;
 - b. Analyze best practices in the gaming sector in relation to 'know your customer' frameworks, particularly in respect of the regulatory framework in British Columbia, as set out in the Gaming Control Act [S.B.C 2002, c. 14];
 - c. Assess British Columbia Lottery Corporation ("BCLC's") Customer Due Diligence ("CDD") regime and overall compliance with the above-noted practices;
 - d. Receive information from the General Manager (as defined in the *Gaming Control Act*) or delegate regarding certain transactions, and assess this information in the context of compliance with a, and b above;
 - e. Identify immediate near term actions to be taken in order to address any gaps and provide recommendations on longer term new solutions or enhancements to current practices; and
 - f. Provide any other recommendations to address any gaps identified in the above-described analysis.
- 1.2 This engagement is not an audit and did not include any control testing. The findings and recommendations are based on information obtained through interviews as well as observations made at the River Rock Casino Resort ("RRCR" or "River Rock") and at BCLC.
- 1.3 We have not independently verified the information provided to us from any source. We reserve the right to review all information included or referred to in our report and, if we consider it necessary, to revise our report in light of any new information which becomes known to us after the date of the report.
- 1.4 Our findings and recommendations are based upon our observations and understanding as at the completion of our field work on January 22, 2016. Actions taken by GPEB, BCLC, or any other party to respond to matters described in our report have not been assessed by MNP.
- 1.5 Our Report is intended to be read in its entirety. We caution against drawing conclusions from any part of our Report in isolation. Our findings are based on procedures performed and information available to us as of the completion of our field work. Instruction to proceed with further analysis and information received subsequent to this date may significantly alter our findings.
- 1.6 The field work, interviews and the corresponding report was prepared independently and objectively by the authors.

2.0 BACKGROUND

- 2.1 The Gaming Policy and Enforcement Branch ("GPEB") Compliance Division compiled a document which identified approximately \$13.5 million in \$20 bills being accepted at RRCR in Richmond during July 2015. Information provided to MNP, containing synopsis details indicated as being sourced from the iTrak system by GPEB, indicated unsourced cash from unknown persons or persons believed to be connected to or participating in illicit activity, was dropped off at the casino or "just-off" casino property for patrons at unusual times, generally late at night. This information caused increased concern and prompted action to be taken by GPEB to review the current practices regarding large volumes of unsourced cash being accepted at RRCR.
- 2.2 Law enforcement intelligence has indicated that this currency may be the direct proceeds of crime. The majority of this cash is being presented by persons commonly referred to as high roller Asian VIP clients. Single cash buy-ins in excess of \$500,000 with no known source of funds have been accepted at RRCR.
- 2.3 GPEB considers the regulatory requirements imposed by the *Gaming Control Act* and the *Federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act* ("PCMLTFA") and its associated regulations to be a minimum standard of conduct. GPEB is mindful of its responsibility for the integrity of gaming including mitigating the risks of money laundering in gaming facilities.
- 2.4 In addition to the regulatory reporting obligations imposed on BCLC by the PCMLTFA in its operation of the casinos in British Columbia ("BC"), GPEB has an interest in reducing the influx of unsourced cash into gaming facilities in BC to protect the integrity of gaming in BC. In our view, this can only be accomplished through the acknowledgement, from all parties, that the proceeds of crime may be being injected into the gaming system despite the controls in place. The reduction of unsourced cash and the expulsion of high risk patrons will contribute to the goal of maintaining the integrity of the gaming system.
- 2.5 In conducting our review we identified that there are three distinct entities in the casino gaming model in BC:
- The Gaming Policy and Enforcement Branch;
 - The British Columbia Lottery Corporation; and
 - The Facility Operator/Service Provider.
- 2.6 GPEB¹ regulates all legal gaming in BC. It ensures the integrity of gaming industry companies, people and equipment, and investigates allegations of wrongdoing. This mandate includes regulatory oversight of BCLC (which conducts and manages lotteries, casinos, community gaming centres and commercial bingo halls), all gaming services providers and gaming workers, BC's horse racing industry and licensed gaming events.

¹ <https://www.gaming.gov.bc.ca/legislation-policies/>

2.7 In addition, GPEB is responsible for the following:

- Conducting audits of charitable and commercial gaming activities to ensure compliance;
- Investigating regulatory offences and providing support to police of local jurisdiction for the investigation of criminal offences connected to gaming facilities²;
- Managing the Province's Responsible Gambling Strategy including the Problem Gambling Program, in order to minimize harm and promote responsible gambling practices; and
- Distributing gaming funds to community organizations.

2.8 According to the BCLC website³, BCLC is a Crown Corporation, owned by the Province of BC it was established to meet the requirements of the Criminal Code of Canada, and balance the need for revenue generation with a commitment to social responsibility and integrity. In 1998, the Province added casino gambling to this mandate and made BCLC responsible for the operation of the casino industry in BC.

2.9 BCLC is responsible for managing the following:

- Setting and overseeing operating standards;
- Creating policies and procedures for all gambling facilities, including security and surveillance;
- Monitoring private sector Service Providers to ensure they conform to policies and procedures, to legislation, regulations and federal anti-money laundering laws; and
- Improving security systems, procedures and employee training programs.

2.10 According the BCLC website, Service Providers⁴ are the companies who own and operate BC gambling facilities. They own or lease gambling facilities like casinos and community gaming centers and maintain the facility operations on a day-to-day basis. With respect to gaming, Service Providers enter into operational service agreements with BCLC and earn commissions based on gambling revenues. They must operate in strict adherence to the rules and regulations set out by both BCLC and GPEB.

2.11 Service Providers are responsible for:

- Complying with terms of registration and reporting matters as required under the *Gaming Control Act* and *Gaming Control Regulations*;
- Providing and maintaining facilities;
- Hiring qualified staff;

² <https://www.gaming.gov.bc.ca/legislation-policies/docs/regulatory-responsibility-gpeb-bclc.pdf>

³ <http://corporate.bclc.com/what-we-do/casinos/our-role.html>

⁴ <http://corporate.bclc.com/what-we-do/casinos/service-providers.html>

- Following BCLC gambling standards, policies and procedures;
- Implementing the anti-money laundering program as prescribed by BCLC;
- Providing and operating surveillance equipment;
- Managing slot machines, table games and bingo games;
- Providing accounting and financial management; and
- Participating in compliance reviews and audits.

2.12 Service Providers are paid a commission based on the net gambling revenue for providing day-to-day services in casinos, community gaming centres and bingo halls. There are two different kinds of commissions:

- An operating commission for operating the facility; and
- A facility development commission which provides incentive for Service Providers to develop high quality facilities.

2.13 The Service Provider implements procedures in response to BCLC's policies, however, as the profit of the operator would be adversely impacted by implementing any control procedures that may reduce revenue, there is an inherent risk that the implemented procedures are designed to meet minimum regulatory requirements. Any guidance from the Province on the reduction of bulk cash will need to be implemented through additional policy from BCLC.

3.0 SCOPE OF REVIEW, APPROACH AND LIMITATIONS

3.1 MNP relied on the following documents and information sources for reference throughout the engagement:

- Background documents provided by GPEB related to the subject matter;
- BCLC organizational charts (November 2015);
- RRCR organizational charts (November 26, 2015);
- BCLC Policies and Procedures (2015);
- BCLC internal procedure documents (2015);
- Data extracts regarding regulatory reports filed between September 1, 2013 and August 31, 2015;
- Website information from BCLC;
- *Gaming Control Act BC*; and
- *PCMLTFA and Regulations*.

3.2 To obtain independent information on the current regime and the prevalence of bulk cash, MNP conducted a total of 23 interviews with employees and management of both RRCR and BCLC. These interviews, with the exception of one conducted with senior management of BCLC, were all done in conjunction with a GPEB Compliance Division auditor assigned by GPEB. Some interviews and operational walkthroughs at RRCR were also observed by a second member of the GPEB Compliance Division. MNP also conducted onsite observations at RRCR which included process walkthroughs for activities relating to acceptance of bulk cash, record keeping and regulatory reporting. MNP also conducted limited statistical analysis of cash transactions related to VIP patron activity at the RRCR.

3.3 Information was gathered through 11 interviews with management level staff from a number of relevant areas of the operations at RRCR including table games, slots, cash cage, VIP Hosts, surveillance and security. Senior Management was interviewed to obtain insight into the operations and policies of accepting large amounts of unsourced cash from patrons. In addition to the interviews, we observed operations on the gaming floor and in the cash cages on both the main gaming floor and VIP gaming areas (Salon Privé and Salon Phoenix) asking questions of staff to confirm documented policies and confirm information provided through the interview process.

3.4 12 interviews were conducted at BCLC to provide staff and management an opportunity to provide feedback, clarify policies and procedures and gain insight into the issues at hand.

3.5 Data regarding reportable cash transactions or play records was provided by BCLC for trending analysis. The period of data used for trending was September 1, 2013 to August 31, 2015. The data was used to identify trends and correlations between the frequencies of Large Cash Transaction Reports ("LCTRs"), the filing of Suspicious Transaction Reports ("STRs") and the ultimate banning of some players due in part to large and frequent play with unsourced cash.

- 3.6 During our analysis an error in the statistical reporting was identified and communicated to BCLC. This error related to the over reporting of non-cash transactions deposited to Patron Gaming Fund Accounts ("PGF") and the redeposit of funds from cashed out chips back into the PGF. BCLC advised they were aware of the issue and was in the process of obtaining a Policy Interpretation from the Financial Transactions and Analysis Centre of Canada ("FINTRAC"). This error resulted in significant over reporting of non-cash transactions to FINTRAC. As a result of the over reporting being included in the produced statistical play records, MNP was unable to determine the actual number and amounts of large cash transactions and as such this limited our ability to obtain reliable results from our data analytics. Due to the complexity of the reporting issue, it is not possible to segregate and remove duplicate transactions. There is no identifier to confirm new cash to the facility versus funds previously played and retained in the PGF for future game-play.
- 3.7 This report does not represent a comprehensive review of all aspects of the existing AML compliance processes. As such, we are not expressing an opinion regarding the adequacy, completeness or effectiveness of existing compliance activities as they relate to anti-money laundering or anti-terrorist financing activities. This engagement was not designed to nor does this report provide any analysis about whether money laundering or terrorist financing is actually occurring, nor does it provide any analysis about the potential that money laundering or terrorist financing will occur through the organization in the future.

4.0 SUMMARY OF FINDINGS/RECOMMENDATIONS

GPEB:

- 4.1 Regulatory regimes for gaming typically seek to balance revenue generation with risk mitigation. Contemplated changes to the gaming regulatory regime must recognize the unique role of each of the main participants, as these roles may create conflicting mandates. Specifically:
- GPEB is the regulator, primarily responsible for ensuring that gaming is conducted with integrity;
 - BCLC is the manager of gaming, primarily responsible to the Province for revenue generation and risk management and responsible to FINTRAC for regulatory compliance; and
 - The Service Providers are the gaming operators, and, via contract with BCLC, are primarily responsible for revenue generation for both the Province and the companies that own the casinos.
- 4.2 Currently, casinos are only required to report LCTRs after they have accepted the cash transaction. GPEB 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.
- 4.3 GPEB should continue to work with BCLC to support cash-alternatives for Service Providers to receive funds, strengthening the overall compliance regime with minimal impact on revenue generation.
- 4.4 GPEB, BCLC, and to some extent the Service Providers should jointly evaluate the resourcing and functioning of existing investigative units. Effective multi-agency units would promote the sharing of information and resources.

BCLC:

- 4.5 If GPEB implements a policy regarding the refusal of large or frequent unsourced cash deposits, BCLC's procedures to address the policy should include refresher training to Service Providers pertaining to BCLC's reporting requirements of attempted transactions to ensure reports are appropriately identified.
- 4.6 Although a specific compliance effectiveness review of gaming operations was not within the scope of this review, MNP did review a number of processes and did not observe anything material to suggest that the compliance program in effect at BCLC and RRCR is not functionally suitable to meet obligations under the PCMLTFA and implementing regulations.

- 4.7 BCLC's CDD process meets Federal regulatory requirements for standard risk patrons. However, the process could be enhanced from both a risk management and revenue generation perspective with modifications and additional resources to meet Enhanced Due Diligence ("EDD") expectations for high risk patrons. This may include confirmation or verification of key customer data including: source of wealth; source of cash; and occupation by the Service Provider or BCLC for higher risk patrons. The gathering of this additional information may assist the Service Provider in providing enhanced service to high valued patrons.
- 4.8 BCLC should consider whether its risk assessment process adequately reflects current thinking around money laundering and terrorist financing risk. The risks associated to specific facilities should be evaluated, rather than simply drawing geographic boundaries for risk.
- 4.9 BCLC should review its EDD process to ensure it appropriately mitigates identified risks. Additional resources may be required to clear the current backlog and support timely completion of the EDD process as required. BCLC should also identify reliable sources of information for persons and businesses based outside of Canada.
- 4.10 BCLC should prioritize and appropriately resource the ongoing SAS implementation project to improve the quality of the data used for ongoing risk assessment and compliance monitoring and reporting. Data from other sources, particularly slot machine play, should be incorporated into the process. Improved data will support province-wide monitoring of activities posing compliance risks.
- 4.11 BCLC should 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. Facility staff should be regularly trained on the completion of the forms. This will encourage consistent and appropriate reporting across the Province.
- 4.12 BCLC's anti-money laundering training programs should be evaluated for up-to-date content and effectiveness. Emphasis should be placed on behavioural red flags, as facility staff have the direct customer interaction. Training should be provided in the primary language of the candidate.
- 4.13 MNP identified instances where non-cash transactions processed to RRCR'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. BCLC advised they were aware of the over-reporting issue and were working with FINTRAC to obtain a Policy Interpretation and determine action to be taken regarding the issue.
- 4.14 While generally consistent with the regulatory requirements, the Know Your Patron ("KYP") framework at River Rock is a task-driven compliance activity rather than a risk management activity. Given the Service Provider's inherent motivation to maximize revenue, it should not be expected to lead compliance and risk management efforts within the gaming industry. BCLC should provide further guidance as the manager and responsible entity for AML regulatory obligations to enhance and enforce appropriate KYP measures.

5.0 DETAILED FINDINGS/RECOMMENDATIONS

Staffing Observations

BCLC:

- 5.1 Operating levels for BCLC Investigators may need to be reviewed as the current staffing levels assigned to River Rock do not appear to be sufficient to address the volume of reports and incidents on a timely basis. In interviews with BCLC, investigators have self-assessed that approximately 95% of their time is focused on AML reporting activities. Non-compliance tasks which used to be completed by investigators located at RRRCR are now being assigned to other investigators with the Lower Mainland region. Additional duties included in the mandates of the investigators at RRRCR may not be being completed or may not be adequately completed to manage the risk associated with the activity at River Rock.

Service Provider:

- 5.2 Experienced managers and supervisory staff who are fully engaged and fully executing on their entire position mandate are able to identify risks within their areas of supervision and apply reasonable assessments and measures to address activity which may be considered unusual. This becomes a first line of defense when identifying potential compliance issues. However, due to high turnover at the Service Provider, management level positions are held by incumbents who have been in the positions less than one year. When asked about issues and risks related to large volumes of unsourced cash being accepted, they advise they are still learning the positions, and feel they are meeting all requirements associated with AML compliance.

- 5.3 Positions with recent turnover at RRRCR include: Interim Chief Compliance Officer, Table Games Manager, Cage Manager, Slot Director, and the Manager of Player Relations. RRRCR has undergone significant turn over in staff ^{s. 22}

At the time of the onsite interviews eight of ten Relief Gaming Manager positions were staffed.

- 5.4 RRRCR employs VIP hosts who report to the manager of Marketing. VIP Hosts are responsible for managing the client experience, which includes managing the amounts of complementary items and services given to players (commonly referred to as player comps), and providing custom gaming experiences with the intention of maximizing patron play. 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. Due to the reporting structure, we would expect that the VIP Hosts have a primary responsibility for revenue generation rather than regulatory compliance or a social responsibility to reduce illicit cash flow. 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.

- 5.5 It was noted on the Service Provider Organizational Chart, dated November 26, 2015 that the Manager, Player Relations did not have a direct reporting relationship to Senior Management. The Director, Surveillance does not show a reporting line to Senior Management. A VP Compliance position reporting to the President and CEO also did not exist on the Chart.

Compliance Program observations

GPEB:

- 5.6 GPEB should 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

BCLC:

- 5.7 BCLC is the reporting entity for the purpose of compliance with PCMLTFR obligations to FINTRAC. AML programs were the responsibility of the Casino Investigations Unit up to 2013. The AML unit was created in 2013 and at that time took over responsibility for all aspects of the AML Program.

Enhanced Due Diligence (“EDD”)

BCLC:

- 5.8 Through iTrak, BCLC has access to all Know You Patron/Player (“KYP”) due diligence, activity records and incident reports including Unusual Financial Transactions (“UFTs”), Suspicious Transaction Reports (“STRs”), and Section 86 reports submitted to GPEB regardless of the facility of play. This allows BCLC to identify patrons at a provincial level who represent higher risks and then perform EDD, risk assessment and ongoing monitoring of these patrons.
- 5.9 BCLC has identified two segments of patrons who have been assessed as requiring EDD to manage the risk of the frequency and value of play. The first segment is comprised of the Top 100 players by volume. The second list, known as the Conditions List, relates to known associates of a high risk player who has been identified by law enforcement to be involved in the provision of large volumes of unsourced bulk cash to VIP patrons. In some instances, the lists overlap. For example, at the time of the review, 36 patrons identified on the Conditions List also appear on the Top 100 list.
- 5.10 All EDD efforts undertaken by BCLC are manual investigations. At the current time, systems do not identify higher risk patterns through an automated alert system. iTrak does not have capabilities for business analytics.
- 5.11 The EDD or “Deep Dive Dossiers” are created using open source information to identify owned properties and business ownership. The one file reviewed during the interviews with BCLC did not include key information such as a synopsis of overall activity, play value or frequency, determined or verified source of funds or wealth information, or an indication of whether the player was cleared for play or had restrictions in place. The file did not present any negative findings, however, the player was indicated as being “on watch.”

- 5.12 There is limited open source information available for Chinese Nationals, which comprise the majority of the identified high risk demographic at RRRC. As, most of the VIP patrons are Asian and many are recent immigrants to Canada or Chinese Nationals there is limited Canadian open source information on which to base risk assessment determinations.
- 5.13 Based on staffing levels and time required to complete an EDD file in the current manner there is a considerable backlog of files to be completed which may increase the risk to all stakeholders as appropriate actions may not be taken in a timely manner. It is anticipated that the volume of patrons requiring ongoing EDD will increase over time.
- 5.14 The Service Provider facilitates gaming through slot machines as well as table games. As at the time of the review, we were not made aware of any EDD on business relationships created due to slot play. In addition there is no review or analytics on slot play including ongoing review of Cash Disbursement Reports ("CDRs") to identify possible anomalies which require further investigation.
- 5.15 BCLC's EDD program for high risk patrons was reviewed to identify if improvements are warranted. EDD measures could be more qualitative, and a formal response to specified risk ratings, similar to other jurisdictions such as Alberta, could be created.
- 5.16 Outsourcing the EDD process for higher risk patrons should be considered to clear the current backlog.

Service Provider:

- 5.17 The Service Provider gathers required information from patrons at particular trigger events during play. This would include when a patron reaches the threshold for the reporting of large cash transactions, which is \$10,000. The Service Provider is responsible for requesting that an acceptable identification document be produced and then recording the type, number and place of issuance as well as gathering mandatory information required for BCLC to file regulatory reports with FINTRAC. Information includes name, address, occupation and date of birth. Policy indicates that the ID document is scanned into the iTrak system. Information gathered at the facility, other than the ID document, is not verified by the Service Provider.
- 5.18 The iTrak system is universal to all facilities under BCLC's supervision. s. 15

Investigative Capabilities

GPEB:

- 5.19 The establishment of a dedicated, cooperative inter-agency AML investigations unit comprised of GPEB and BCLC investigators would delineate the roles between operational and AML investigations and regulatory compliance investigations. This would allow for improved tracking of activities related to regulatory compliance and ensure that employees tasked with compliance and risk management are suitably resourced.

BCLC:

- 5.20 BCLC has three onsite investigators at RRRCR. This was a result of the recognition of the increased risk at the facility as well as the volume of play that requires ongoing BCLC oversight. These investigators have access to iTrak and the facility's surveillance recordings which allow for prompt investigations. AML compliance investigations are supposed to be a component of the investigators duties as defined by BCLC procedures, however the significant volume of reportable transactions at RRRCR and the required reporting due diligence are consuming upwards of 95-100% of investigators' time. Regional investigators not assigned to RRRCR are now being regularly assigned all non AML duties at RRRCR such as theft or patron complaint investigations as the local investigators do not have time to deal with non-regulatory matters.
- 5.21 BCLC investigators regularly provide information to law enforcement on ongoing investigations^{s. 15}
- 5.22 BCLC has entered into an information sharing agreement with the RCMP that allows both parties to share intelligence on ongoing investigations and high risk patron activity.

Service Provider:

- 5.23 MNP has significant experience working with gaming operators and as such has observed numerous surveillance operations including infrastructure and investigative methodologies and procedures. The RRRCR's infrastructure is comparable to other large Canadian casino surveillance operations such as Casino Montreal or Manitoba's combined provincial facility. The operators and supervisors have significant experience in surveillance operations and utilize iTrak to monitor and report all suspicious activity. iTrak is the most common investigative and operations management software utilized by Canadian Casinos.

ITrak

Systems and Data

BCLC:

5.24 BCLC identified a growing need for enhanced capabilities in relation to analytics and the ability to conduct meaningful analysis on the data in its custody. As a result, the AML Operational Analysis Group was formed in 2013 with the mandate to perform statistical analysis of patron transaction data as well as to identify high risk patrons and perform enhanced due diligence on those individuals. With the hire of an AML data analyst in February 2014 it was determined that the data analytics capabilities of iTrak were limited and that exporting the data and using third party tools such as Excel were the preferred method. These limitations led to the identified need for a formal analytics solution and an RFP was issued. SAS was selected as the vendor. The implementation of this software tool is ongoing and has been subject to numerous delays and a work stoppage to clarify scope and estimate over runs. We understand that SAS is scheduled for roll out in the fall of 2016. This is 18 months later than initially anticipated. The successful implementation of this tool should be a priority for BCLC as the current processes are contributing to delays in effectively conducting transactional analysis.

5.25 Despite the limitations of the current tools s. 15

This information was then shared with law enforcement agencies for the purpose of investigating criminal activity related to the large volumes of unsourced cash. After several attempts by BCLC to refer information, law enforcement undertook an investigation into the activities identified through the BCLC analytics. s. 15 This is a positive effort by BCLC to detect and report suspicious activity with the intent of reducing unsourced cash from entering the gaming facilities.

5.26 BCLC provided data to MNP for the period September 1, 2013 to August 31, 2015 ("the Period") to analyze transactional data regarding the volumes of unsourced cash being accepted at River Rock. The analysis would also address efforts taken by BCLC and the Service Provider to gather Know Your Player ("KYP") or CDD information and perform EDD where appropriate; file STRs; and where appropriate impose bans on high risk patrons for participating in suspicious activity. After conducting significant analytical work it was determined, and confirmed by BCLC, that the data was not accurate and included significant numbers over-reported LCTRs and CDRs making trending analysis unreliable. For further details on the reporting issue, refer to 5.32. We were able to make the following limited observations:

- Play with significant volumes of cash was being conducted by patrons with non-Canadian addresses and identification, primarily Chinese; and
- While significant volumes of LCTRs were filed during the Period the number of STRs filed was relatively small and the number of bans for potential money laundering activity was few.
 - 41,187 LCTRS filed during the period;

- 1,194 STRs filed during the period⁵;
- 1,209 BCLC Prohibition Bans⁶.

- 5.27 The limitations of the current analytics tools and the time required to manually process transactions diminishes the effectiveness of a monitoring program for slot disbursements. The risk of money laundering is significantly lower with slots than with table games, due to the limits on how much money can be fed into a machine in one session as well as the limits on single payouts for Ticket In Ticket out ("TITO") ticket redemption at Ticket Redemption Kiosk ("TRK") machines. Although the risk is lower than table games, due diligence on large volumes of slot CDRs should be monitored for suspicious activity.
- 5.28 Completion of the SAS implementation should remain a high priority for BCLC. Improved data analytics and systems for transaction monitoring and reporting will allow for the early detection of potential money laundering or high risk transactions.
- 5.29 The analytic capability of the iTrak system limits BCLC's AML Operational Analysis group in its ability to identify suspicious activity. The reporting is primarily restricted to the identification of thresholds that aid in the identification of mandatory record keeping or reporting. BCLC has made significant investments in advanced analytics in the proposed SAS solution. The continued development and rollout of this product needs to be a priority for BCLC to allow it to conduct meaningful assessment of the data collected in iTrak.

Reporting

BCLC:

- 5.30 Casinos are required the file the following reports with FINTRAC:
- Large Cash Transaction Reports;
 - Casino Disbursement Reports;
 - Suspicious Transaction Reports; and
 - Terrorist Property Reports.
- 5.31 MNP did not conduct an audit of the processes surrounding reporting requirements, nor of the accuracy or timeliness of the reports submitted to FINTRAC. Through interviews and observation MNP is able to make summary comments on the reporting requirements at the Service Provider and by BCLC, who is responsible for filing the reports from information provided by the facility operators.

⁵ STRs identified by incident number which could relate to multiple people.

⁶ Bans are also based on incident numbers and could relate to multiple people and include site bans.

- 5.32 Observed processes appear to be in place to track instances where cash transactions require the completion and filing of reports. This may be done through buy-ins at the table or through transactions at the cash cage. However, it was ascertained that funds credited to a player's PGF, regardless of the source of funds (Cash, drafts or EFTs from a Canadian bank) are being over-reported as cash. This is resulting in a significant number of unnecessary LCTR and CDR reports. In addition, withdrawals from the PGF account for play are being reported as CDRs and appear to be re-reported as cash based on table buy-ins. Review of the transaction and reporting process for all PGF enabled facilities should be done immediately to stop the number of unnecessary and incorrect reports. This over reporting has been disclosed to FINTRAC.
- 5.33 During our interviews with the Service Provider, BCLC, and GPEB, there was ongoing reference to a historical undocumented threshold of \$50,000 which was the trigger value to consider a transaction suspicious at the Service Provider location. The issue of the threshold preceded this report. FINTRAC guidelines confirm there is no minimum dollar value related to the filing of an STR. Suspicious transactions are financial transactions where there is reasonable grounds to suspect they are related to the commission of a money laundering offence. This includes transactions that you have reasonable grounds to suspect are related to the attempted commission of a money laundering offence. As a result, BCLC has undertaken a review of LCTR transactions to determine if STR transactions had been overlooked. BCLC made a self-disclosure to FINTRAC regarding the issue in December 2015.
- 5.34 BCLC's Internal Audit group conducts a Quality Assurance ("QA") of STR and unfiled UFTs. Audit conducts a review regarding timeliness of filings on LCTRs. The BCLC Investigations group also has a process and procedure in place to verify reports for mandatory information. It was noted through our data analysis of the data provided by BCLC that 385 (0.1%) of LCTRs did not contain one of the mandatory fields such as address, occupation or a unique identifier. Of the 41,187 reports contained in the data file:
- 297 addresses were reported as Null
 - 49 occupations were reported as Null
 - 39 reports contained no unique identification number, but rather a generic BCDL or similar descriptor.
- 5.35 A review of the BCLC policy and procedure documents allows for Service Provider staff to accept cash transactions at the cash cage and submit files with certain missing mandatory occupation information if the patron declines to provide full information⁷. Currently casinos are only required to report LCTRs after they have accepted the cash transaction. A directive from GPEB may support BCLC in the creation of a policy which would mandate the Service Provider to decline a transaction or issue a stop play when mandatory occupation data is not provided on the casino floor or at the cash cage. Submitting reports with missing mandatory information is contrary to the PCMLTFA and Regulations.

⁷ Reference to BCLC Casino and Community Gaming Centre Standards, Policies and Procedures section 1-2.3.

5.36 BCLC should review all of the FINTRAC reporting (LCTR/CDR) for non-cash for all facilities which offer PGF accounts due to over-reporting of LCTRs and CDRs in relation to churn⁸ within the patron gaming accounts.

5.37 Review of Terrorist Property reports was out of scope for the review.

Identification and Reporting of UFTs

BCLC:

5.38 BCLC is the reporting entity for gaming activities in BC and is responsible for filing all required reports with FINTRAC. BCLC operates at an arm's length from the facility and relies heavily on the Service Provider to identify instances where UFTs should be submitted for further review and decision making regarding suspicious activity that would require filing. As the Service Provider only has visibility to the patron's activity at its own facility (or facilities) within the iTrak system it may under- or over-report based on restricted intelligence.

5.39 BCLC Internal Audit provided feedback that UFT/STR reports are inconsistent in the assessment approach and narrative format from the Service Providers which may lead to valid UFTs not being reported by BCLC.

5.40 The BCLC investigators assigned to gaming facilities are currently reviewing 10-15% of LCTRs to determine if STR reports should be filed. This method of review does not appear to be effective as it did not identify the existence of the ongoing practice of only reporting transactions above an undocumented \$50,000 threshold.

5.41 BCLC has access to complete patron activity records, however does not conduct facility or province-wide monitoring and analytics due to system capability restrictions and resourcing.

5.42 BCLC's and the Service Provider's monitoring and reporting activities did identify the issue of large volumes of unsourced and unusual cash activity in October 2014, which resulted in an ongoing law enforcement investigation and the 60+ high risk patron registry.

5.43 Other industries, such as Money Service Businesses ("MSBs") have similar reporting models. The reporting entity (BCLC) with access to full data information should be conducting the bulk of the comprehensive monitoring and identifying transactions for review based on analytical indicators. The Service Provider should be responsible for filing UFTs that involve behavioural information or indicators for money laundering activity to BCLC. In many instances, the behavioural red flag information will supplement the data report which will provide valuable and wholesome information to FINTRAC when submitted by BCLC.

5.44 BCLC should create a template for UFT reports to ensure that all required information is included and to create consistency in the quality of submissions between facilities.

⁸ Churn is the terminology where a patron buys in with the same cash which they previously played with and cashed out. As a result, an active player can appear to be bringing in and cashing out large amounts of cash, which the iTRAK system records as new and separate funds for each transaction.

Service Provider:

- 5.45 From observations and interviews conducted with RRRCR staff, the majority of UFTs are identified by surveillance rather than floor staff who have direct interaction with the patron. Employees (floor staff) are not required to document UFT interactions or provide narratives. Relying only on Surveillance observations increases the risk of missing behavioral red flags from direct interactions.
- 5.46 UFT witness narratives (form/document) are not completed by floor staff. Floor staff should have more active involvement in the reporting process as surveillance only has limited information based on video surveillance.
- 5.47 The Service Provider indicated that additional guidance on UFT reporting would be beneficial to meet the needs and expectations of BCLC and would make the process more effective for both entities. Additional on-site training was provided by BCLC in December 2015. Review of the training materials for the on-site training was not in the scope of the current engagement.

Risk Based Approach

BCLC:

- 5.48 As the FINTRAC reporting entity, BCLC is required to take on the role of conducting facility risk assessments. This is consistent with other Canadian jurisdictions. BCLC has developed its risk assessments by region. RRRCR is included in the Lower Mainland risk assessment. This is not consistent with other jurisdictions in Canada who conduct their reviews by facility. As facilities are not operated by a single vendor they have inherent differences in their internal procedures. The patron base varies by facility as well, including a wide variance in the number of VIP patrons and their volume of play. We recommend that these risk assessments include factors specific to the facility. RRRCR, for example is unique in its VIP play and warrants specific attention to its risks and the ongoing mitigation measures.
- 5.49 We also observed that the risk register is not as granular as other jurisdictions we have reviewed. We recommend that BCLC consider if the risk register reflects the current environment.

Know Your Patron (KYP) or standard CDD

- 5.50 Understanding the patrons using BC's gaming facilities is a line of defense against the use of illicit funds. KYP goes beyond recognizing a frequent player or knowing the time of day that they come into play and details about their family. It is about understanding the potential money laundering risk the patron poses to the facility and managing that risk accordingly.
- 5.51 PCMLTF Regulations⁹ require the identification of business relationships, ongoing monitoring and risk assessment of the business relationships as well as the implementation of appropriate special measures to mitigate high risk relationships. One measure is the gathering and verification of source of funds and source of wealth information.

⁹ Reference PCMLTFR 71.1

GPEB:

- 5.52 GPEB, at the direction of the Minister responsible for gaming, should consider issuing a directive pertaining to the rejection of funds where the source of cash cannot be determined or verified at specific thresholds. This would then provide specific guidance for BCLC to create policies and procedures for compliance by all operators.

BCLC:

- 5.53 BCLC investigators do not investigate to confirm the source of funds or source of wealth unless specifically requested at the time an EDD file is created.
- 5.54 BCLC AML manuals and training content appears to be sufficient, however additional training for employees in the VIP area focused specifically on suspicious indicators and required actions to improve independent thinking would be beneficial.
- 5.55 It was observed that most of the employees in the high limits rooms at RRCR speak Cantonese or Mandarin as a first language. Although the game play must be conducted in English, the language of general communication amongst the employees was not English. The mastery of a technical subject as defined in the BCLC Anti Money Laundering online training may be impacted by the presentation of the materials solely in English. BCLC should consider providing training in the primary language of its high risk exposed employees.
- 5.56 Based on the results of GPEB and the Minister responsible for gaming's risk assessment and risk threshold for large unsourced cash transactions, BCLC should revise policies regarding tolerance of high risk play and consequences of unacceptable high risk activity.

Service Provider:

- 5.57 From interviews and observations at the Service Provider, it is determined that source of funds and/or source of wealth information is not gathered for high risk, high volume cash players. Customer profiles do not require this information for continued play except when opening a PGF.
- 5.58 KYP at the Service Provider is based on repetitive observation of high limit player behaviour (no information is verified), and the expectation that BCLC is responsible for all due diligence activities. Additional information on the player is not shared with the Service Provider and is maintained in the iTrak system, to which only BCLC has full access. This process, and the associated accountability gaps, may have contributed to an organizational de-sensitization to cash through continued exposure to high volume bulk cash, especially in the VIP areas.

Business Relationship Risk**BCLC:**

- 5.59 BCLC is in the process of fully implementing the Business Relationship requirements and has identified a list of 670+ high risk patrons. This list is in addition to the previously referenced Top 100 list and the Conditions list which currently includes 75 patrons. The AML and Operational Analysis team is in the process of doing deep dives, however there is a considerable backlog.

- 5.60 At the time of the review, the Top 100 list contained 36 names also appearing on the Conditions list of 75 patrons. Of the 36 names, only 13 had received a comprehensive EDD review. Of all the patrons appearing on Top 100 list, a total of 34 files had received Comprehensive EDD review.
- 5.61 BCLC is working on enhancements to their loyalty program, "Encore" which is intended to increase the amount of carded play which will provide additional KYP for analytics especially for slot play.
- 5.62 As a result of the BCLC's identification of patrons associated to the criminal investigation of unsourced cash utilization, 60+ individuals associated with the activity have been identified for EDD, restricted play and interviews with the BCLC's staff.

Industry Practice

- 5.63 The objectives of the PCMLTFA include:

*"to implement specific measures to detect and deter money laundering... ",
"to respond to the threat posed by organized crime by providing law enforcement officials with the information they need to investigate and prosecute money laundering or terrorist financing offences" and "to assist in fulfilling Canada's international commitments to participate in the fight against transnational crime, particularly money laundering..."*

The PCMLTFA does not specifically legislate the requirements of an entity in relation to how it handles high risk transactions outside of record keeping and reporting obligations.

- 5.64 It is difficult to compare best practices for the management of AML/ATF risk to other industries. We do not believe that the banking sector is a good comparison as there is a significant difference in how banks handle account based risk when compared to transient casino play that is often anonymous. Where reportable transactions do occur, the Casino often only has limited information on which to base its risk assessment. Due to the significant volume of cash and the transient nature of its patrons Casinos are most similar to MSBs in their AML/ATF risk management models. In the absence of specific guidance, other industries regulated under the Act have developed controls and measures to reduce or eliminate the risk associated to the receipt of unsourced bulk cash.
- 5.65 The implementation of controls around bulk cash vary by industry:
- MSBs – Money Services Businesses place limits on the amount of bulk cash accepted from clients. This practice forces alternative funding such as bank drafts, certified cheques or wire transfers.
 - Financial Institutions – Although most financial institutions will not refuse a cash deposit they will close client accounts that exceed their defined risk thresholds. Account based relationships also offer greater monitoring capabilities which aid in managing risk.
 - Security Dealers – The majority of Securities Dealers place outright bans on cash deposits. This is impractical in the gaming industry.

- 5.66 In gaming models where casinos are provincially operated, the ability to implement revenue impacting, socially guided controls and restrictions is simplified in that the revenue of the private operator is not a consideration. Implementing cash controls on private operated facilities requires a greater assessment of revenue impact and how best to ensure the operators remain reasonably compensated.

Cash Alternatives

GPEB:

- 5.67 BCLC's mandate of revenue generation, and GPEB's mandate to ensure the overall integrity of gambling in the province requires a balanced approach to support a restriction or significant reduction in the amount of cash accepted at the casino facilities. The review of proposed cash alternative solutions and the impact of these solutions should remain a priority for both entities to promote gaming integrity and reduce the amount of unsourced cash being used in game play.
- 5.68 We understand that a concept document addressing extension of credit to VIP patrons has been put before GPEB. This concept has not yet been approved or denied as additional information is required by GPEB. Once the information is provided by BCLC, it should be a priority for GPEB to determine feasibility and the implementation criteria.
- 5.69 GPEB and BCLC should undertake a review of large cash transactions to determine if a bulk cash limit can be reasonably set for transactions where no source of funds can be determined. Currently patrons who have not been placed on a watch list can buy in with unlimited cash until flagged for an interview by BCLC.

BCLC:

- 5.70 BCLC has staffed a position to investigate the viability of a number of cash alternative options which need GPEB's approval to move forward. Considerations in developing cash alternative programs and products should include:
- The ability for non-Canadian players to fund PGF accounts if they are subject to cash restrictions in their home country (i.e. China)
 - The ability for non-Canadian player to repay credit extended at facilities if they are subject to cash restriction in their home country (i.e. China)
 - Allocating how defaults on repayments will be determined.(i.e. between BCLC and Service Provider and potentially the tax payer)
- 5.71 It is understood that any controls placed on the acceptance of bulk cash may reduce the volume of play and subsequently the revenue generated for both the operator and the province. BCLC reports that high limit play is a small part of BCLC revenue. As such, it will marginally impact BCLC revenues overall. However these controls may have a significant impact on revenue for the RRRCR operator, Great Canadian Gaming Corporation. The level of acceptable risk, impact on revenue generation and reducing the facilitation of layering of bulk cash must all be considered when determining adequate controls.

- 5.72 The implementation of cash alternatives is likely to bring the greatest reduction in unsolicited cash while having the least impact on overall level of play for VIP patrons. Although we cannot recommend specific options without additional analysis we do acknowledge that the most common options are:
- Domestic and international wires to fund PGFs;
 - The ability to transfer funds between PGFs;
 - Specified limits on chip passing amounts;
 - Front Money accounts and the extension of credit;
 - Removing the current limits for Convenience Cheques for non-verified wins and return of funds.
- 5.73 The Cheque Hold program has been approved, developed and implemented as a cash alternative. However, there has been no utilization to date by Service Providers due to the risk of non-payments.
- 5.74 A verifiable source of funds determination for cash amounts above a defined threshold to be obtained prior to game play should be mandated by GPEB and implemented by BCLC. In our opinion, the only way to verify funds is to obtain documentation for the withdrawal of cash from a financial institution (bank) or entity covered under the PCMLTFA such as a MSB.

Environmental Factors

- 5.75 The issue of casinos, RRCR in particular, accepting large volumes of cash has been a growing issue in the province for a number of years. The source of the cash is now in question, and social and moral responsibility around the unsourced cash has resulted in negative media around gaming operations in BC. A number of factors within the regulatory and guidance documents can be identified as the root cause of the issue.
- There are inherent conflicts between the mandates of GPEB and BCLC and the Service Provider. GPEB is responsible for regulation and the integrity of the gaming industry in BC. BCLC has statutory obligations under the *Gaming Control Act* to GPEB, is accountable to the Province for revenue generation, manages the Service Providers, and responsible to FINTRAC for regulatory compliance. Service Providers, are not covered entities under the PCMLTFA and therefore have limited regulatory obligations and exposure, instead focusing on revenue generation.
 - From discussion with staff and management, examples provided by both GPEB and BCLC identify 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. This has contributed to an increased risk of compliance short-falls, misaligned priorities for implementing cash alternatives, and gaps in the oversight of day-to-day processes.
- 5.76 The PCMLTFA and implementing regulations require that reporting entities report prescribed transactions and identify suspicious transactions. There is no provision within the regulation that requires that funds which may be associated with a predicate offense to be rejected by a reporting entity.

- 5.77 The ongoing investigation by law enforcement into the potential use of proceeds of crime to fund VIP gaming activities prompted BCLC to implement a list of patrons who would be restricted from playing using unsourced cash.
- 5.78 In other industries, such as banking, securities dealers and MSBs, internal policies and procedures are developed based on the entity's risk based approach to determine when transactions should be rejected. Through review of policies and procedures at GPEB, BCLC and the Service Provider, it was noted that there has been no directives made to reject funds where the source of the cash cannot be determined and verified.
- 5.79 Reasonable grounds to suspect Money Laundering activity through the use of unsourced funds has been confirmed by the Service Providers and BCLC through the EDD processes. Interviews have confirmed that players are indeed wealthy non-residents, or business persons with interests both in Vancouver and China, coming to Vancouver to gamble. While the patron may be bona fide, the unsourced cash being accepted by the casino may be associated with criminal activity and poses significant regulatory, business and reputational risk.
- 5.80 The use of possible underground banking operations using large volumes of unsourced cash have become increasingly common and accepted as a convenience feature for VIP players who may not be able to send funds to Canada due to currency restrictions in their own country. The funding arrangements have been confirmed through interviews conducted by BCLC investigators with targeted patrons. The patron advises that they are provided with a contact in Vancouver, either locally or prior to arriving in Vancouver. The contact the person via phone for cash delivery. The funds are later repaid through cash holdings in China. This transaction flow forms an underground or unregistered Hawala type operation using unsourced cash into the casino.
- 5.81 River Rock staffs have fostered a culture accepting of large bulk cash transactions. Through interviews and conversations with facility staff, there is a false reliance of the KYP process, which is developed through the frequency of transactions dealing with large cash values rather than any verified information. This has resulted in a desensitization to the inherent AML risks associated to cash transactions. This was identified by a number of staff at various levels in GPEB, BCLC and the Service Providers.
- 5.82 BCLC's current systems and technology do not allow for analytics or system alerts for activity which is deemed to be suspicious or excessive. There is a reliance on the Operator to file UFTs which may prompt the need for EDD. The implementation of SAS has been significantly delayed due to vendor customization issues which has hindered BCLC's ability to perform efficient and effective monitoring.
- 5.83 Staffing levels do not allow for EDD or deep dive investigations to be completed in a timely manner which allows activity to continue at the facility supporting the apathy to large cash transactions.
 - The EDD process should be reviewed to ensure that data collected and information gleaned from various sources provide a clear picture of the risks and profile of the patron for risk assessment and mitigation purposes.

- 5.84 EDD "Deep dives" have indicated that the players who have been subject of UTFs are themselves are not directly associated with criminal activity. Further actions or reporting is then not deemed suspicious based on reasonable grounds to suspect ML/TF activity. The use of bulk unsourced cash, and the possible use of proceeds of criminal activity, is not clearly identified in the BCLC Risk Assessment.

6.0 RESTRICTIONS AND LIMITATIONS

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- 6.2 Comments in any document or report we produce in the course of this engagement shall not be interpreted to be legal advice or opinion.
- 6.3 BCLC remains solely responsible at all times for adherence with all its compliance obligations.

Yours truly,

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