

Money Laundering in BC

General

- Money laundering is a blight on our communities. It is linked to organized crime, gang activity, and violence.
- We have been very clear dirty money has no place in B.C. and we are doing everything possible to identify, prevent and relentlessly disrupt this illicit activity.

Casinos

- We have worked aggressively to reduce the risk of money laundering by criminal organizations in B.C. casinos.
- Key new measures we have put in place include:
 - requirement that every casino customer who tries to buy-in with cash of \$10,000 or more within a 24-hour period provide documentation showing the source of those funds, and
 - enhanced presence of government regulators at Lower Mainland casinos during peak hours.
- Our tough new approach has continued a dramatic decrease in suspicious cash transactions in B.C. casinos – from a high of over \$27 million in July 2015 -- to just over \$240,000 for the same period in 2019.

Real Estate

- We're also taking action to disrupt money laundering activities in real estate.
- Earlier this year, we introduced Canada's first public registry of beneficial owners and interest holders.
- This world leading legislation ends hidden land ownership and makes it harder for criminals to accumulate real estate holdings with dirty money.
- We have also strengthened property transfer tax auditors' ability to act on tax evasion.

Civil Forfeiture

- We have updated B.C.'s 13-year-old civil forfeiture legislation, so we can better combat organized crime and curb their ability to hide assets.
- We want our province to be in a place where honest, hard working people can compete on a level playing field – for homes, businesses and economic opportunities.

If asked about the Cullen Commission Inquiry:

- British Columbians demanded a public inquiry into how money laundering activities became so prolific in our province, and we have acted.
- In May, we set up a public inquiry to be headed by Justice Matthew Cullen of the BC Supreme Court.
- The inquiry will look at the full scope of money laundering in British Columbia, including real estate, gambling, financial institutions and the corporate and professional sectors.
- It will tell us who knew what, when, and who profited from these illicit activities.

If asked about federal government commitment for AML activities:

- While our government has been active, the federal government also has a role to play.
- In response to our concerns, they've changed the laws around money laundering, making it easier for police to lay charges.
- The federal government also committed new anti-money laundering funding in March — we're waiting to hear what share of that money will come to B.C. in the form of new officers.
- There are things only Ottawa and federal police officers can do. The federal government is responsible for banks, for the anti-money laundering agency FINTRAC, for the RCMP, for international work with governments and police agencies around the world.
- We can't fix this problem without Ottawa; the work needs to continue after the election.

If asked about Dr. German's first report ("Dirty Money")

- Dr. German's report on money laundering gave us a strong foundation to take the actions needed to crack down on this criminal activity in our casinos.
- In his report, Dr. German also identified other sectors that may be vulnerable to organized crime.
- That's why the Province launched a two-pronged review in September 2018, aimed at shutting down avenues for money laundering in real estate and other sectors of the economy.

If asked about Dirty Money recommendations:

- Dr. German outlined the scope of the problem and gave us 48 recommendations and a roadmap forward.

- We believe it's critical to restore British Columbia's reputation and ensure that B.C. is never again considered a safe haven for laundering the proceeds of crime.

If asked about German #2 and Maloney reports:

- The reports showed us that billions of dollars are being laundered in B.C. each year - far more than anyone predicted.
- It is affecting many sectors of our economy and it is hurting hard working B.C. families, who can't compete for housing or business opportunities with organized crime.
- Wealthy criminals and those attempting to evade taxes have had the run of our province for too long.
- We are closing loopholes and enforcing improved laws to ensure British Columbians who play by the rules are rewarded, and those who break the law face appropriate consequences.

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Background:

In 2015, BC's Gaming Policy and Enforcement Branch learned Lower Mainland casinos were processing millions of dollars that appeared to be linked to organized crime. One casino recorded \$13.5 million in cash buy-ins- mainly in \$20 bills - in a single month.

Following the election in 2017, the new government hired Peter German, a former RCMP officer and expert in money laundering, to investigate what was happening in B.C. casinos.

German found evidence that B.C. casinos were being used in large scale, transnational money laundering operations. His report, Dirty Money, outlined how gaps in policy and enforcement allowed the

“Vancouver Model” to thrive. He made 48 recommendations for tightening controls in casinos. He also found indications that money laundering activities had infiltrated other areas of the economy

The Province subsequently launched a two-pronged review to investigate money laundering in real estate, financial services, luxury car sales and horse racing.

The German and Maloney reports found:

- as much as \$7 billion in dirty money may have been laundered through BC real estate in 2018, hiking the cost of buying a home by about five per cent,
- thousands of properties worth billions that are high risk for money laundering, tax-evasion or both,
- extensive use of straw buyers in real estate,
- vulnerabilities in the horse racing sector,
- a complicated luxury car export scheme involving straw buyers, and
- a lack of dedicated federal police officers responsible for investigating and deterring money laundering in B.C.

To disrupt money laundering activities, the government has:

- strengthened regulations in casinos,
- passed new, world-leading legislation to end hidden land ownership in real estate
- strengthened B.C.’s civil forfeiture legislation, and
- strengthened tax auditor’s ability to act on tax evasion associated with property transfers.

Cullen Inquiry

In response to public demand, the Province announced a public inquiry into money laundering activities in May. The inquiry will be led by Supreme Court Justice Matthew Cullen. He has the ability to compel witnesses and order the production of documents and records. The Commission will look at the full scope of money laundering in B.C., including real estate, gambling, financial institutions and corporate and professional sectors. It will also examine regulatory authorities and barriers to effective law enforcement of money laundering activities. Cullen will deliver an interim report by November 15, 2020 and a final report by May 2021.

On September 24, the commission announced 16 people and organizations have been given official standing to participate once the hearings get underway. Participants include:

The Society of Notaries Public of BC, The Law Society of British Columbia, Great Canadian Gaming Corporation, Gateway Casinos & Entertainment Limited, Canadian Gaming Association, British Columbia Government and Service Employees’ Union, Robert Kroeker, BMW Canada Inc. and BMW Financial Services, a division of BMW Canada Inc., British Columbia Civil Liberties Association, The Canadian Bar Association, British Columbia Branch, Criminal Defence Advocacy Society and a coalition comprising of Transparency International Canada, Canadians for Tax Fairness, and Publish What You Pay Canada (the “Coalition”).

Federal Anti-money laundering task force

On March 19, the federal government announced it would spend \$24 million over five years to fund an anti-money laundering action and coordination team. It will focus on identifying and combatting money laundering activities in high risk areas like Montreal, Toronto and Vancouver. Although B.C.’s Attorney

General has called upon the federal government to give B.C. the bulk of this money, the federal government has not yet announced how much it will ultimately allocate to the province. The Prime Minister and the leaders of the NDP and Conservative parties of Canada have all pledged to tackle money laundering if elected.

E-Pirate

In 2015, RCMP raided a Richmond-based business called Silver International, in response to allegations it was providing illegal money services businesses linked to organized crime. The RCMP seized millions in cash, cellphones and tens of thousands of documents, and federal prosecutors laid charges in 2017. Unfortunately, the case collapsed in 2018 due to alleged inadvertent disclosure of information that could have endangered an informant. The collapse of the E-Pirate case has shown that B.C. currently lacks investigative and enforcement expertise needed to successfully prosecute complex money laundering cases.

Program Area	Deputy / ADM	GCPE
T. Nelson – 10/01/19 BCLC – L. Gerrits – 10/02/19 GPEB – J.Hazel – 10/02/19 M. Harris - 10/02/19	D. Scott – DATE	C.Dargie – Sept. 30/19 (update) R. Duffus – DATE T. Chu - DATE

Page 07 of 27 to/à Page 12 of 27

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ADVICE TO MINISTER

**CONFIDENTIAL
GCPE-FIN ISSUE NOTE**

Ministry of Finance

RECORD OPR:

Date: October 16, 2019

Minister Responsible: Carole James

Money Laundering in Real Estate

RECOMMENDED RESPONSE:

- Our real estate market should be used for housing people — not for laundering the proceeds of crime.
- With the release of the Maloney report, we found that the amount of money being laundered in B.C. through real estate is much more than anyone was aware of, and as a result no one was prepared for what it inflated real estate prices by an estimated 5%.
- For homes in Metro Vancouver, that 5% increase translates to \$32,000 more for a condominium, \$39,000 more for a townhouse and \$71,000 more for a detached home.
- We know that we are just starting to understand the scope of the problem.
- That's why we launched a public inquiry into money laundering, so that we can get the answers to the questions we're all asking.

If asked: What changes is government considering? When can we expect these changes to be implemented?

- Government is committed to cracking down on tax fraud and money laundering, and we are just as committed to addressing the findings and recommendations in both reports.
- In fact, we've already begun by launching a public inquiry into money laundering in B.C., and we expect an interim report within 18 months.
- We have introduced measures to make B.C. real estate more transparent and fair, like introducing Canada's first registry for beneficial land owners, which the Expert Panel identifies as the "single most important measure" that can be taken to combat money laundering.

If asked: What progress have you made on the recommendations in the Maloney report?

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- **Government is committed to cracking down on tax fraud and money laundering, and we are just as committed to addressing the findings and recommendations in both reports.**
- **Important work to crack down on money laundering is already underway, including progress on four of the recommendations provided by the Expert Panel on Money Laundering in Real Estate.**
- **Those recommendations are:**
 - **Recommendation 1: The BC government should implement the Land Owner Transparency registry as quickly and effectively as possible. (Which the Expert Panel identifies as the “single most important measure” that can be taken to combat money laundering)**
 - **Recommendation 2: The BC Minister of Finance should encourage other provincial finance ministers across the country to implement beneficial ownership of land registries that are consistent with best practices.**
 - **Recommendation 3: The BC government should proceed with its commitment to require corporations to maintain beneficial ownership information and require existing bearer shares to be converted to shares compliant with the Business Corporations Act within a specified, reasonable time frame.**
 - **Recommendation 4: The BC Minister of Finance should encourage other finance ministers across the country to implement the Agreement to Strengthen Beneficial Ownership Transparency and enhance the disclosure of beneficial ownership for corporations, as soon as possible.**

BACKGROUND:

The Expert Panel on Money Laundering in Real Estate and Peter German released their [final reports on money laundering](#) on May 9, 2019. In their review of the sector, the Expert Panel found that more than \$7 billion in dirty money was laundered in B.C. in 2018 and estimated that about \$5.3 billion was laundered through the real estate market, raising housing prices by an estimated 5%.

ADVICE TO MINISTER

On April 2, 2019, the Land Owner Transparency Act was introduced to establish Canada's first public registry of beneficial owners of property in B.C. The Expert Panel cited this registry as "the single most important measure" that can be taken to combat money laundering.

On May 15, 2019, the Province decided to launch a public inquiry into money laundering. The inquiry is being led by B.C. Supreme Court Justice Austin F. Cullen, and an interim report will be delivered within 18 months and a final report by May 2021. s.13; s.17

s.13; s.17

On June 13, 2019, Minister James and Attorney General Eby met with federal Minister of Finance Bill Morneau and federal Minister of Border Security and Organized Crime Reduction Bill Blair to discuss shared efforts to deter money laundering.

On Sept. 24, 2019, the Cullen Commission of Inquiry into Money Laundering in British Columbia released the Participants Application Ruling, and granted standing to 16 of the applicants, including the British Columbia Ministry of Finance and the Gaming Policy and Enforcement Branch of the British Columbia Ministry of Attorney General.

Expert Panel on Money Laundering in Real Estate

The Expert Panel on Money Laundering in Real Estate was appointed by the Minister of Finance in September 2018 to review money laundering in the real estate sector after two independent reports revealed that BC's real estate market is vulnerable to criminal activity and market manipulation.

The Expert Panel consisted of chair Maureen Maloney, Tsur Somerville and Brigitte Unger, all leading experts in their respective fields of policy, real estate economics and money laundering. They were tasked with providing recommendations for change to prevent and deter money laundering in the future.

The Expert Panel was asked to:

- Consider B.C.'s existing legislative framework and financial oversight:
 - Identify gaps in the B.C. legislation with respect to the impact of foreign investment and money-laundering in B.C. real estate
 - Review the compliance regime, with a focus on integrity of the system and public confidence
 - Evaluate work underway or completed by the provincial government that may address some of these systemic challenges
- Review best practices adopted by other jurisdictions
- Provide recommendations on:
 - Prevention of market manipulation and abuse
 - Monitoring and reporting on activities of real estate market and regulators
 - Aligning federal policy and enforcement with B.C.'s regime
 - Improving standards in financial services

Peter German — Dirty Money Part 2

In September 2018, the Attorney General engaged Dr. Peter German to follow up his review of money laundering in B.C. casinos by investigating whether other sectors of B.C.'s economy are vulnerable to these activities.

Dr. German conducted his review according to the terms of reference laid out by the Attorney General. The review focused on whether there is evidence that B.C. real estate, luxury car sales and horse racing industries are being used for money laundering.

On April 8, 2019, the Attorney General and Peter German released some of German's second report to government and revealed that there were no federal RCMP officers in B.C. investigating criminal money laundering.

On May 7, additional chapters of German's report were released and detailed money laundering in the B.C. luxury car market. The final report was released in full on May 9, alongside the findings of the

Expert Panel on Money Laundering.

Advanced Education

German's report identified reports of money laundering in other vulnerable sectors, including the province's post-secondary system. He reported that people are using large cash payments to pay tuition for multiple semesters and then seeking refunds by cheque. As of May 28, 2019, post-secondary institutions are now required to review their financial policies to ensure large cash payments from a single student are not accepted.

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Program Area	Comm. Director	Deputy	Minister's Office
T.N. / J.P.			

GPEB – Money Laundering in BC Casinos

SUGGESTED RESPONSE:

- Dr. German's report on money laundering provides us with a strong foundation to take the actions needed to crack down on this criminal activity in our casinos.
- In his report, Dr. German also identified other sectors that may be vulnerable to organized crime.
- That's why the Province launched a two-pronged review in September 2018, aimed at shutting down avenues for money laundering in real estate and other sectors.
- Dr. German is leading one of these reviews to determine the extent of illicit activity in the real estate, horse racing and luxury car sectors.
- At the same time, Finance Minister Carole James has launched a review chaired by Maureen Maloney, to identify systemic risks that leave the real estate and financial sectors open to money laundering.
- Our government has a very clear message: dirty money has no place in B.C.

IF ASKED ABOUT DIRTY MONEY RECOMMENDATIONS:

- Our government accepts Dr. German's recommendations in principle and is leading implementation in coordination with the British Columbia Lottery Corporation (BCLC).
- We believe it's critical to restore British Columbia's reputation and ensure that B.C. including its casinos, are never again considered a safe haven for laundering the proceeds of crime.
- Dr. German has outlined the scope of the problem, given us specific recommendations and a roadmap forward.

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- We also implemented the two interim recommendations that Dr. German provided to the Attorney General in December 2017.

- In January 2018, BCLC implemented a policy requiring casino customers to complete a Source of Funds Declaration for cash deposits or bearer bonds of \$10,000 or more.
- There is now an increased regulator presence at casinos in the Lower Mainland. Government regulators have implemented on-site scheduling of investigators in casinos, based on identified high-risk times, and are continuing to increase coverage as resources become available.
- The Gaming Policy and Enforcement Branch's (GPEB) increased presence and availability at casinos has resulted in improved information sharing with BCLC and service providers and the ability to cultivate first-hand information, which informs government, law enforcement, and policy decisions.
- We are taking the time to thoughtfully determine how to best address Dr. German's recommendations and are working with other ministries, agencies and the federal government on the complex items.

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Page 19 of 27

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Background:

Money laundering through B.C.'s Lower Mainland casinos and other sectors is a recurring media topic, initially covered through a series of breaking articles by Postmedia's Sam Cooper (now with Global) in 2017. Money laundering is also frequently the subject of FOI requests.

Money laundering in B.C. real estate

On Sept. 27, 2018, the Minister of Finance and the Attorney General announced a two-pronged review aimed at shutting down avenues for money laundering in real estate and other sectors:

- The first component led by the Ministry of Finance will identify systemic risks that leave the real estate and financial services sectors open to money laundering.
- The other component, led by the Attorney General, will investigate specific case examples of problematic activity in real estate, horse racing, and luxury car sales.

Dr. Peter German is leading the second review for the Attorney General. Reports for both ministries are expected to be submitted to government by the end of March 2019.^{s.13}

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Public inquiry

Media and others have asked the Minister about the government's interest in conducting a public inquiry. Fred Pinnock, former head of B.C.'s Integrated Illegal Gambling Enforcement Team, alleged that the former provincial government didn't crack down on money laundering in casinos because they didn't want to disrupt the flow of money in an [interview with Global](#) in July 2018. Also, an [August 23, 2018 ResearchCo poll](#) found that 76% of British Columbians, based on a representative sample, believe the provincial government should "definitely" or "probably" call a public inquiry into money laundering in casinos.

News in November 2018 spurred further calls for a public inquiry. Global ran a five-part investigative series about money laundering, real estate, and the overdose crisis called "[Fentanyl: Making a Killing](#)." Also, on Nov. 28, 2018, [the RCMP stayed charges](#) in E-Pirate, a high-profile RCMP investigation into money-laundering in B.C.

The Attorney General met with the federal Minister of Border Security and Organized Crime Reduction Bill Blair on Jan. 22, 2019 to talk about money laundering and improving information sharing between relevant organizations and levels of governments. The Attorney General stated publicly that he felt more confident about communication and federal support after the meeting.

Minister Eby wrote a letter to Blair on Jan. 29, 2019. The letter was also copied to the federal Justice Minister and federal Public Safety Minister. Minister Eby mentioned steps that the Province is taking to deal with money laundering in gaming, horse racing, luxury cars and real estate. He stressed commitments made by the federal government to address challenges in providing the Province information related to money laundering. He also requested the Federal government provide him with a copy of the police study identified by members of the media.

The Minister stressed a need for reforms including:

- Establishment of an agency or body to deal with money laundering and organized crime investigations in B.C. across jurisdictional lines.
- Reform or Federal law related to money laundering.
- Establishment of a Canadian version of the Racketeer Influenced and Corrupt Organizations Act and/or Continuing Criminal Enterprise Statute.
- The establishment of a Canadian version of the U.K.'s Unexplained Wealth Order.

- Explore options to strengthen FINTRAC and provide support for Canadian securities regulators including the BC Securities Commission
- Improvements in the interaction between provincial Civil Forfeiture statutes and the criminal code.
- Support for implementation of a provincial law enforcement and industry strategy.

Peter German review – Part 1

On June 27, 2018, the B.C. government released Dr. Peter German's report, "[Dirty Money: An Independent Review of Money Laundering in Lower Mainland Casinos.](#)" The report made 48 recommendations, identifying that large-scale, transnational money laundering that has been occurring in B.C. casinos represented a collective system failure.

On March 19, 2018, Dr. German recommended the Province of British Columbia make presentations to the House of Commons Standing Committee on Finance with respect to a public consultation underway regarding amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. The Attorney General travelled to Ottawa to share Dr. German's concerns with the federal government on March 27, 2018.

Dr. German provided two interim recommendations to the Attorney General on Dec. 5, 2017:

- That casino customers be required to complete a Source of Funds Declaration for cash deposits or bearer bonds (e.g. bank drafts and certified cheques) of \$10,000 or more. BCLC implemented this recommendation on Jan. 10, 2018.
- That there be an increased regulator presence at casinos in Lower Mainland. Government regulators have implemented on-site scheduling of investigators in casinos, based on identified high-risk times, and are continuing to increase coverage as resources become available (the hiring of new staff).

Program Area	Deputy / ADM	GCPE
A. Harper – Jan. 25/19 J. Henderson Jan. 28/19 A. Fitzgerald – Jan. 29/19 C. Skrine – Jan. 29/19 J. Hazel – Jan. 29/19 - Acting ADM M. Harris – Feb. 1/19	D. Scott – Feb. 1/19	L. Hurrell – Jan 24/19 R. Duffus – Jan 24/19 N. Fellingner – Jan 24/19

Page 22 of 27 to/à Page 27 of 27

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