

Sam, Michael LDB:EX

From: Turner, Caeli LDB:EX
Sent: Wednesday, March 23, 2016 4:13 PM
To: Lawson, R. Blain LDB:EX
Subject: FW: FYI - media story involving 39th and Cambie
Attachments: 20160209101923.pdf

Importance: High

Hi Blain, just FYI for when you're back. Follow-up from the media request we received awhile back regarding money laundering.

Caeli Turner

A/Director, Policy & Communications, Corporate Performance Services
BC Liquor Distribution Branch
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From: Kemick, April LDB:EX
Sent: Wednesday, March 23, 2016 4:03 PM
To: Procopio, Michael LDB:EX; Castaneto, Jonathan LDB:EX; Ford, Dale LDB:EX; Prokopyshen, Pauline LDB:EX
Cc: Turner, Caeli LDB:EX; Kaminski, Viola LDB:EX
Subject: FYI - media story involving 39th and Cambie
Importance: High

Hi Mike, Jonathan, Dale and Pauline,

Just wanted to send an email to ensure everyone is in the loop on a media request that came in today related to the 39th and Cambie store.

The details:

- Earlier today, David Eby (Opposition spokesperson on Liquor) held a press conference about money laundering in real estate, at casinos and at BC Liquor Stores. (You can listen to the press conference here: https://www.periscope.tv/w/acGGhzFEWktvYXpMdnJFYXI8MU93eFd5YUVOUFZHUekiHiCdqm5Lqo4VREuc_XgEvkUNM3o_UUESKF5TiGHX)
- After the press conference, Global News called us wanting to know how BCLS handle large cash transactions over \$10,000. They said a BCLS manager at 39th and Cambie had raised concerns about how large cash

transactions are handled in May of 2015, and they wondered whether the LDB had addressed this person's concerns.

- They did not name the manager, but we assume that they are referring to the email attached here – dated May 2015 – in which Richmond Tong asks Jim Chamberlain of Corporate Loss Prevention whether we are required to report cash transactions over \$10,000 to FINTRAC.
- After they called us, Global News immediately went to the 39th and Cambie Store and Pauline gave us a head's up that they were interviewing people outside of the store. They did not go into the store and Pauline promptly let them know they could contact me/my team if they needed any statement from the company.
- The statement and background info we sent to Global News is below and we expect a story to run tonight.
- FYI, a story on this topic already ran on CKNW this afternoon. They did not contact us for comment but we will send them our finalized statement as well.
- As further background, it's important to note that back in February, a reporter at the Province newspaper also contacted us with the attached email, asking questions about how we handle large cash transactions. When we sent him some background information outlining the checks and balances we have in place, however, he did not end up writing a story.

I mentioned to Pauline that she may want to make Richmond aware that media "may" have an email containing his name – although it should be stressed that it is highly unlikely they would ever report his name. (They will simply refer to him as "BC Liquor Store manager.") She is also reminding the store team that they should refer any/all media to me or Caeli. Pauline, if you get any calls on this from angry customers/members of the public, I would suggest taking their information and having a regional manager call/email them back – or else, let them know they can email communications@bclldb.com and we will have someone respond to their concerns.

A big thanks to Pauline for all her help with this today – much appreciated!

Please let us know if you have any questions or concerns.

Mike, we will flag for Blain.

Cheers,

April

What we gave to Global:

Statement from April Kemick, BCLS spokesperson:

"BC Liquor Stores encourages our employees to alert their supervisors about any potentially suspicious transactions or activities – which is something we take very seriously.

While large cash transactions are a reality for most retailers that carry expensive products, at BC Liquor Stores, these purchases and returns are subject to a number of internal checks and balances to help identify potentially suspicious or criminal activity—and these processes are constantly reviewed and evaluated. We offer comprehensive training to our employees to ensure they are vigilant in this regard. We also have strong relationships with law enforcement and the anti-fraud community, which ensures timely information-sharing between all parties."

Background information we provided:

Did the BC Liquor Distribution Branch (LDB) follow up on this manager's concerns since his email correspondence in May 2015?

- In the email correspondence we believe you are referring to from May 2015, the manager at our 39th and Cambie store inquired whether there are any policies related to reporting large cash transactions to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).
- A member of the Corporate Loss Prevention team responded to this inquiry stating that although BC Liquor Stores are not required to report large cash transactions to FINTRAC, such transactions should still be flagged for Corporate Loss Prevention.
- BC Liquor Stores carry many exclusive, high-end products and – as with any retailer carrying exclusive, luxury products – some of our customers choose to pay for large purchases with cash.
- This is more common during annual BC Liquor Stores events that cater to connoisseurs and collectors, including the annual Bordeaux wine release and the Premium Spirit Release.
- As consumers increasingly move to card payments, overall use of cash for retail transactions has declined over time—a trend that BC Liquor Stores have observed.

How are large cash transactions currently handled?

- BC Liquor Stores have a number of checks and balances in place during the purchase and return process to help identify potentially suspicious or criminal activity.
- Policies surrounding large cash transactions are evaluated, reviewed and updated to ensure appropriate procedures are in place.
- The LDB relies on trained store staff and management to help identify potentially suspicious activity and follow procedures, such as flagging large cash transactions to the Corporate Loss Prevention team and having two staff members present to process large cash transactions.
- There are also policies surrounding the return process, to help prevent fraud. For instance, returns must be credited back to the original tender and refunds over \$2,500 must be issued directly by the LDB's Finance Department.

Is BC Liquor Stores legally required to report large cash transactions over \$10,000 to FINTRAC?

- BC Liquor Stores, like most other retailers, is not legally required to report large cash transactions over \$10,000 to FINTRAC.

April Kemick

Manager, Communications

BC Liquor Distribution Branch

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Re: Large cash transactions

Chamberlain, Jim LDB:EX

Wed 5/27/2015 6:16 PM

To: Tong, Richmond LDB:EX <ricmond.tong@bcliquorstores.com>;

Cc: Fantaziu, Dana LDB:EX <dana.fantaziu@bclldb.com>; Kelly, Mike LDB:EX <Mike.Kelly@bclldb.com>;

Hi, Ric

We are not considered a "Reporting Entity" within the Acts that FINTRAC operates under, therefore there is no legal requirement for us to report such large cash transactions.

However, that said, I would still like to be advised and provided the details on these types of purchases.

Thanks

Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Tong, Richmond LDB:EX
Sent: Wednesday, May 27, 2015 6:01 PM
To: Chamberlain, Jim LDB:EX
Cc: Fantaziu, Dana LDB:EX
Subject: Large cash transactions

Hi Jim,

I was wondering if we had a corporate policy regarding cash transactions over \$10,000. Recently, we have had a few transactions in cash over \$10,000, and the staff has brought it to management's attention that cash transactions over this amount require a FINTRAC report.

Do you happen to know if this is the case? Thank you very much for your assistance.

Ric Tong

Store Manager

BC Liquor Stores #160 39th & Cambie Signature

5555 Cambie Street, Vancouver, BC V5Z 3A3

Phone: 604-660-9463 Fax: 604-664-0878

ricmond.tong@bcliquorstores.com

MINISTRY OF SMALL BUSINESS AND RED TAPE REDUCTION
AND MINISTER RESPONSIBLE FOR LIQUOR DISTRIBUTION BRANCH
INFORMATION NOTE

Cliff #: 37583

Date: April 1, 2016

PREPARED FOR: Minister Tim McEwan, Deputy Minister of Small Business and Red Tape Reduction and Minister Responsible for the Liquor Distribution Branch

ISSUE: Large Cash Transactions in BC Liquor Stores

BACKGROUND:

- In May 2015, a BC Liquor Store (BCLS) employee at the 39th and Cambie location in Vancouver asked her Store Manager about the reporting requirements for large cash transactions over \$10,000.
- The Store Manager emailed the Corporate Loss Prevention department at the LDB's Head Office to inquire about any policies related to reporting large cash transactions to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).
- A Corporate Loss Prevention investigator replied that while there is no legal requirement for the LDB to report large cash transactions to FINTRAC, "I would still like to be advised and provided the details on these types of purchases."
- It should be noted that BCLSs, like most other retailers, are not legally required to report these transactions to FINTRAC as they are not considered "Reporting Entities" under the Acts that FINTRAC operates under.
- The media received a copy of the email correspondence and have been reporting on this story.

DISCUSSION:

Nature of Transactions

- During fiscal 2016, there were 24 cash transactions over \$10,000 at BCLSs. To put this number in context, over this same time period there were over 40 million counter customers served at BCLSs.
- The 24 cash transactions totalled \$783,782, with 15 transactions taking place at the s.15 and 7 transactions at the s.15
- At least 5 of the 24 cash transactions took place on the same days as the annual Bordeaux and Premium Spirit releases. These exclusive product releases are held once a year and cater to connoisseurs and collectors, during which BCLS often see customers making large/expensive purchases.

- According to BCLS staff, large cash transactions are typically made by regular customers who are known by staff and, in many instances, are customers with whom the staff have cultivated strong relationships. These customers also tend to be collectors who purchase specific products. Over time, BCLSs have seen a decrease of cash-only transactions as more customers choose to use credit and debit cards.

Employee Training and Procedures

- There are store-level procedures in place and all BCLS employees undergo training to learn how to identify potentially suspicious or criminal activity. For instance, all employees are required to review a new employee orientation manual that teaches them how to detect counterfeit bank notes by checking features such as the feel of the polymer notes, the bleed or fade of the colour or numbers and checking for holograms, watermarks and other security features. The manual also outlines the steps to take if an employee believes that a customer has attempted to use counterfeit currency, which include obtaining supervisor verification of a note if needed and, if the customer leaves without the note, notifying police of the suspected counterfeit and giving the note to police when they attend.
- With respect to large cash transactions at the ^{s.15} and ^{s.15} in particular, store practice is for two employees to be present when processing large cash transactions.
- In addition, stores are encouraged to flag potentially suspicious transactions (including large cash transactions) for the Corporate Loss Prevention team. The Corporate Loss Prevention team will then look into the details surrounding the transaction and, if necessary, will carry out a formal investigation and involve law enforcement.
- There are also policies surrounding the return process, to help prevent fraud. For example, all refunds over \$2,500 must be approved and issued directly by Head Office. Store Managers are encouraged to routinely review refunds for any irregularities.
- It should be noted that, prior to media reporting on this issue, 80 currency denomination counters were ordered and are expected to be deployed to various BCLS locations (including Signature Stores) in the coming weeks. These machines will provide further protection against the use of counterfeit bills and will help eliminate counting errors.

NEXT STEPS:

- ^{s.17}

Contact: Melissa Tang, Senior Policy Analyst
 Telephone: (604) 252-3159

Reviewed by				
Dir: CT, BA	ED:	ADM: BL	DM: TM	MIN: