

**Ministry of Finance  
Gaming Policy and Enforcement Branch**

**BRIEFING DOCUMENT**

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

**Date Requested:** May 14, 2015

**Date Required:** May 15, 2015

**Initiated by:** John Mazure, ADM  
Gaming Policy & Enforcement Branch

**Date Prepared:** May 14, 2015

**Ministry Contact:** Len Meilleur  
Executive Director  
Compliance Division  
Gaming Policy & Enforcement Branch

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**TITLE:** June 4 2015 Anti-Money Laundering Workshop  
*"Exploring Common Ground, Building Solutions"*

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(X) FOR INFORMATION

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Executive Director approval: \_\_\_\_\_

ADM approval: \_\_\_\_\_

Associate DM approval: \_\_\_\_\_

**DATE PREPARED:** May 14, 2015

**TITLE:** June 4 2015 Anti-Money Laundering Workshop  
*“Exploring Common Ground – Building Solutions”*

**ISSUE:**

The Compliance Division of the Gaming Policy Enforcement Branch in (GPEB) in cooperation with the BC Lottery Corporation (BCLC) is hosting a workshop with subject matter experts and stakeholders on June 4, 2014, in Vancouver at the BCLC office.

The purpose of the workshop is to bring together individuals with expertise and background in money-laundering prevention and compliance to identify and explore collaborative strategies to enhance practices in BC gaming facilities.

This workshop is part of Phase 3 of the 2011 Anti-Money Laundering (AML) Strategy.

**BACKGROUND:**

- In 2011, government implemented an AML Strategy that focuses on minimizing the opportunity for money laundering. Phase 1 of the strategy involved the development and implementation of cash alternatives (substantially complete) and Phase 2 involved intervention by service providers to encourage use of cash alternatives by patrons. Phase 3 involves regulator guidance and where necessary intervention regarding customer due diligence.
- As part of Phase 1 and 2 of that strategy a number of improvements have been made including:
  - Patron gaming fund accounts allowing casino customers to transfer money from regulated banks and credit unions or add funds to their account via certified cheques, bank drafts, internet transfers, or verified win cheques;
  - The ability to electronically transfer money into patron gaming fund accounts through Canadian and U.S. chartered banks;
  - Customer convenience cheques clearly marked as verified win or as a “return of funds that are not gaming winnings”;
  - A “cheque hold” system for high-volume players where players can secure play against a personal cheque from an approved bank that will not be processed by a casino until an agreed upon period of time and any winnings or remaining funds are paid back to the player by casino cheque;
  - Debit withdrawals at the “cash cage”; and
  - ATM withdrawals inside gaming facilities.

- BCLC has also enhanced its AML policies and procedures, staff training and investigation and security and surveillance capacity and is developing new business intelligence software to identify and monitor high-risk patrons and activities.

## DISCUSSION:

- Under Phase 3 of the AML Strategy, GPEB is investigating options for AML compliance, customer due diligence and regulatory intervention.
- In 2014 GPEB commissioned Malysh Associates Ltd. to research customer due diligence standards used by financial institutions and other businesses when accepting cash deposits. The September 2014 report summarizes best practices based on experiences of businesses required to maintain an AML compliance regime and other AML compliance issues identified in the research.
- On June 4, 2015, GPEB in cooperation with BCLC is hosting a workshop of stakeholders and an invitation has been extended to interested parties including representatives from the Financial Transaction and Reporting Analysis Centre of Canada, law enforcement, financial institutions and financial intermediaries, service providers, and provincial and federal government departments.
- The goal of the workshop is to identify strength and weaknesses of the current AML strategy and framework for gaming facilities, increase awareness, and identify and develop possible options and approaches for enhancing AML policies, procedures and practices.
- The findings of the September 2014 Malysh study and the information obtained from the workshop process will be used by the GPEB to complete Phase 3 of the AML Strategy. GPEB will develop recommendations which will be brought forward for the Minister's consideration in order to assist government's strategy in reducing risk concerning money laundering in casinos. This will include collaborative strategies intended to heighten awareness, increase compliance where necessary, reduce risk to the industry and respond to public concern. The recommendations will be provided to the Minister's office by fall 2015.

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Project : Collaborative Anti-Money Laundering Strategy  
Submitted by: Kim Thorau, Perrin, Thorau and Associates Ltd.  
Submitted to: Jillian Hazel, Senior Policy Analyst, Strategic Policy and Projects Division  
Gaming Policy and Enforcement Branch  
Date: April 13, 2015 (revised)

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#### PURPOSE OF PROJECT:

The Gaming Policy and Enforcement Branch (GPEB) and the BC Lottery Corporation (BCLC) are undertaking a joint process to develop a strategy to address the use of cash in gaming facilities with the intent of prevention in the area of money laundering. GPEB is seeking the services of a contractor to assist in planning and facilitating a one- or two-day meeting with multiple stakeholders and to work with BCLC to draft a report and recommendations on a collaborative approach to the issue of cash in gaming facilities.

#### KEY DELIVERABLES:

The key deliverables for the project to be provided by the contractor are:

- Plan all logistics of the meeting with stakeholders, including arranging a location and venue, inviting and coordinating with stakeholders, and managing the meeting budget;
- Work with GPEB and BCLC to plan content of the meeting and determine key meeting activities/discussion topics and outcomes;
- Facilitate the meeting with stakeholders; and
- Lead the drafting of a report, in close consultation with BCLC, outlining recommendations and a proposed collaborative approach to address the potential risk of money laundering in casinos based on the information collected and outcome of the meeting with stakeholders.

The meeting with stakeholders will be held in May 2015, and the report is to be complete by July 2015.

#### HIGH LEVEL WORK PLAN AND COST ESTIMATE:

Following is a high-level work plan and cost estimate for the project work as to be undertaken by Kim Thorau. The work plan is based on the project commencing April 13, 2015 and being complete by July 31, 2015.

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Task	Estimate of Hours	Target Timeline
<i>Meeting Planning:</i>		
• Set meeting date in consultation with GPEB and BCLC		By April 17
• Work with Executive Director, Compliance Division GPEB and BCLC to develop draft plan for meeting including proposed content of meeting, key activities/ discussion topics, desired outcomes and any required background materials	60	April 13 to 24
• Finalize plan for meeting		May 1
• Work with GPEB and BCLC to Identify list of key stakeholders to be invited to the meeting including the police, FINTRAC, government officials, gaming service providers, and private sector financial institutions		By April 20
• Contact stakeholders and coordinate participation		May 8
<i>Meeting Logistics:</i>		
• Develop draft budget for meeting		April 24
• Identify possible venue(s) for meeting and review with GPEB	30 hours	April 24
• Review budget with GPEB		April 30
• Finalize meeting venue and arrangements		May 1
• Finalize budget		May 1
• Send final meeting agenda to stakeholder participants		May 11
<i>Meeting Facilitation:</i>		
• Facilitation preparation	15 to 20 hours	TBD
• Facilitate meeting	(depending if 1 or 2 day meeting)	TBD
• Undertake any required facilitation follow up		TBD
<i>Report and Recommendations:</i>		
• Develop plan for drafting report (e.g., process, timelines)	2	TBD
• Develop outline of draft report and possible recommendations and obtain input from BCLC on outline	18	
• Develop draft report and obtain input from BCLC and stakeholders on draft report	75	
• Finalize report; sign off	5	July 31, 2015
Estimate of hours:	210	

The proposed fees for service based on the scope of the project as outlined above and based on a rate of \$100 per hour for Kim Thorau is estimated at a maximum of \$21,000, plus GST (fees will only be charged for hours worked). An expense budget of \$1,000 is proposed to cover costs of travel to meeting and any related and other project related expenses.

Attached is a CV for Kim and a one-page backgrounder on Perrin, Thorau and Associates Ltd.

**Ministry of Finance  
BRIEFING DOCUMENT**

<b>To:</b>	John Mazure Assistant Deputy Minister	<b>Date Requested:</b>	January 5, 2015
		<b>Date Required:</b>	March 27, 2015
<b>Initiated by:</b>	Terri Van Sleuwen	<b>Date Prepared:</b>	March 26, 2015
<b>Ministry Contact:</b>	John Mazure ADM, GPEB	<b>Phone Number:</b>	250-387-1301
		<b>Email:</b>	John.Mazure@gov.bc.ca

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**TITLE:**     **Minimizing Unlawful Activity in BC Gambling Industry**

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**(X) DECISION REQUIRED**

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**COMMENTS:**

- In 2011, GPEB and BCLC embarked on a strategy to identify and prevent unlawful activity, including money laundering, fraud, theft and cheat at play. A three phase approach was designed which allowed engagement with BCLC and gaming service providers through working groups to develop solutions to address the issue. Phase 1 and 2 are substantially complete and Phase 3 has been started.
  - The Gaming Policy and Enforcement Branch (GPEB) is exploring options that may be undertaken to ensure that the integrity of BC's gambling industry is protected from those that would attempt to use the industry to legitimize funds and proceeds resulting from criminal activities.
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**ISSUE:**

- The variety, frequency and volume of transactions that the gaming industry, particularly casinos, engages in makes them particularly vulnerable to those that would attempt to use the industry to legitimize funds and proceeds resulting from criminal activities.

**BACKGROUND:**

- The Gaming Policy and Enforcement Branch regulate gambling in British Columbia, and are responsible for the overall integrity of gaming and horse racing.
- As an agent of the Crown, BCLC conducts, manages and operates most commercial gaming in the province, including commercial casinos, lotteries, bingo halls and community gaming centres. It contracts with registered service providers to provide operational services, in accordance with its standards, policies and procedures.
- As part of its 15/16 Mandate Letter, BCLC will use information provided by law enforcement to create actions and solutions to prevent money laundering in BC gaming facilities. GPEB will develop anti-money laundering standards, to which BCLC will respond. Additionally, BCLC will identify and implement strategies to increase the use of cash alternatives and measure and demonstrate this progress.
- Money laundering is a term used to describe techniques, procedures and processes used to disguise, obscure or conceal the true ownership and origin (together with the audit trail) of money or other assets derived from criminal activity. The process makes it appear as though the proceeds of crime originated from a legitimate source.
- Under the FINTRAC Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA), casinos must implement a compliance regime, keep records and ascertain client identification. They have to report suspicious transactions and terrorist property to FINTRAC.
- In BC, BCLC is designated as the “reporting entity” by FINTRAC and therefore is responsible for ensuring that gaming entities such as casinos, comply with FINTRAC requirements. The requirements relate to large cash transactions and suspicious currency transactions.
- GPEB’s risk assessment process identified money laundering, or the use of proceeds of crime to gamble in BC gaming facilities, as a top risk.
- In 2011, GPEB and BCLC embarked on a strategy, with a three-phased approach, to frame its regulatory activities to address the issue:
  - “The gaming industry will prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. This shift will respect or enhance our responsible gambling practices and the health of the industry.”
  - A three-phased approach was developed and communicated to internal and external stakeholders, including the general public, through media releases and statements by the Minister.
  - GPEB formed two working groups, an internal GPEB group and an industry group, to develop and implement solutions under the strategy.
  - Phase 1 and 2 are substantially complete and Phase 3 has been started.
- In the Internal Audit and Advisory Services Review of BCLC, ongoing AML enhancements were identified as an important area of focus for BCLC and GPEB.

**DISCUSSION:**

- Casinos face money laundering risks through: refining; currency exchange; and, chip purchases. Implementation of a strong compliance regime by a reporting entity is required to manage the risk.
- The GPEB strategy was intended to complement the FINTRAC requirements, with enhancements meant to reduce the amount of cash being brought into casinos by patrons and introduce direct regulatory intervention for customer due diligence on remaining cash entering casinos.
- The three phases are:
  - Phase 1: Develop and implement cash alternatives, to obtain funds inside the facilities, for gaming.
    - Status: Substantially complete, with research continuing by BCLC and service providers on other cash alternatives to move further away from the use of cash.
  - Phase 2: Operator intervention to more actively engage the use of the cash alternatives by patrons.
    - Status: Substantially complete, with BCLC and service providers continuing efforts to encourage patrons to use available cash alternatives.
  - Phase 3: Regulator intervention, which involves conducting a study and potential direct intervention for customer due diligence of cash entering gaming facilities.
    - Status: CDD research completed by Malysh & Associates on September 15, 2014 and used to develop options contained in this note for ADM decision.
- In FY 2013/14, almost \$1.5 billion of gaming funds were obtained from inside gaming facilities. This represents approximately 23% of all play.
- In FY 2014/15, patron use of cash alternatives continues. Marketing promotion has helped to introduce the alternatives to players resulting in increased use. However, GPEB reviews have shown that while there is some uptake of cash alternatives by patrons, they are not widely accepted by high limit players.
- Increasing numbers of Suspicious Currency Transactions (SCT) continue to be reported at gaming facilities. It should be noted that SCTs do not prove the existence of money laundering; rather, these transactions have been deemed unusual and warrant reporting to GPEB and FINTRAC.
- SCT's were \$82.4 M in 2012/13, \$118.7 M in 2013/14, and \$92.9 M at the end of Q2 2014/15.
- There is ongoing media coverage focused on the instances where large amounts of cash are brought into BC casinos by patrons and questions regarding the legitimacy of these funds. Conclusions of money laundering are being drawn from the increase

in reporting of suspicious transactions by the media. This is simply a false conclusion.

- Global trends in customer due diligence (CDD) finds that other regulatory authorities, such as FinCEN in the United States, have put out stronger messaging that reporting entities will have to conduct stronger CDD, including investigation of source of funds. Australian regulators have also included source of wealth and funds as part of their June 2014 amended requirements in the assessment of customer risk. Mexico has just announced they are developing AML requirements that will include source of funds diligence.
- Recognizing that BCLC has put considerable effort into developing and delivering a stronger AML regime, the GPEB direction will be informed by an assessment of the BCLC diligence.
- GPEB is committed to doing a deep and thorough assessment of BCLC's anti-money laundering initiatives. This will explain the work that is being conducted and the expected results. GPEB is interested in the actions to be taken based on this work, to mitigate the risk of money laundering and to reduce suspicious transactions.

## OPTIONS:

### Option 1:

- **Minister's Directive:** provides BCLC with high-level expectations to prevent unlawful activities at BC casinos, particularly, in relation to anti-money laundering. This creates the responsibility for BCLC directly from government.
- Section 6 (1) of the GCA authorizes the minister to issue written directives to the lottery corporation on matters of general policy.
- Section 7 (1) (j) of the GCA requires that BCLC must do other things that the minister may require and may do other things the minister may authorize.
  - For example:
    - *"BCLC must develop and implement mechanisms which will reasonably identify and prevent unlawful activities at gaming sites in BC."* and,
    - *"Anti-money laundering policies and procedures as required under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) shall be implemented and enforced by BCLC."*

### Implications of Option 1:

- Clarification is provided to BCLC of government's high level expectations for deterring unlawful activities in BC casinos which may ensure that BCLC is aligned with those expectations.
- The public is made aware of government's commitment to deter unlawful activities in BC casinos which may increase their confidence in the regulation of gaming in BC.
- BCLC and the gaming industry may not be enthusiastic and see this as increased regulation by the government.

- The integrity of BC's gambling industry will be protected with the removal of undesirables and those that attempt to use the industry to legitimize funds and proceeds resulting from criminal activities.

### **Option 2:**

- **GPEB Directive:** provides BCLC with specific requirements to prevent unlawful activities at BC casinos, particularly, in relation to anti-money laundering. This provides BCLC with the understanding of how to carry out the responsibility set out in the minister's directive (Option 1).
- Section 28(1) of the Gaming Control Act authorizes the general manager of GPEB to issue directives applicable to the lottery corporation with approval of the minister.
- These requirements should include the following:
  - "BCLC and service providers must develop and implement mechanisms which will reasonably identify and prevent unlawful activities at gaming sites in BC."
  - "Anti-money laundering policies and procedures, as required under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act shall be implemented and enforced."
  - Compliance will be regularly monitored by GPEB, including periodic review of compliance regimes, and appropriate enforcement action taken in instances of non-compliance.
  - Enhanced procedures: Suggestions for prescriptive requirements due to GPEB's lower risk tolerance in these areas:
    - **Enhanced Cash Transaction Handling Procedures:**
      - Cash/out instrument must mirror the cash/in instrument, i.e.: banknote to banknote, cheque to cheque, EFT to EFT, etc.
      - No "coloring up" (trading small denomination bills for larger denomination bills) on return of player gaming funds.
      - Cash transactions (in bundles of denominations of \$20) received in excess of prescribed amount cannot be accepted.
      - No chip or cash passing between players is allowed.
      - No cash transactions allowed in high limit rooms.
      - Mandatory use of PGF accounts for transactions in excess of prescribed amount.
      - Electronic Fund Transfers (EFT) from foreign financial institutions not permitted.
      - Establish a maximum amount of small denomination bills for casino buy-in by a single patron.
      - All table losses are considered PGF first (to prevent outside cash from being deposited into the account).

- Enhanced reporting requirements to be made available to GPEB:
  - Require reporting to GPEB of locally prohibited activities such as large currency transactions, minimal gaming activity with large transactions, use of multiple credit or deposit accounts and false or conflicting IDs (Possibly revise GPEB Section 86 reporting letter).
  - Currency breakdowns to be documented for all large cash transactions.
  - Currency breakdowns in all applicable Section 86 reports;
  - Improved clear, consistent documentation for transactions deemed suspicious.
  - Documented justification is required for transactions initially deemed as suspicious but through secondary review is deemed not suspicious.
  - Large cash transactions must have additional information provided when it is not deemed as suspicious.

#### Implications of Option 2:

- Enhanced clarification is provided to BCLC of government's high level expectations for deterring unlawful activities in BC casinos which may ensure that BCLC is aligned with those expectations.
- The public is made aware of government's commitment to deter unlawful activities in BC casinos which may increase their confidence in the regulation of gaming in BC.
- BCLC and the gaming industry may not be enthusiastic and see this as increased regulation by the government.
- GPEB is seen as being too prescriptive by BCLC and the gaming industry.
- GPEB will need to allocate resources to monitor and test for enhanced industry requirements to ensure compliance by BCLC and the industry.
- GPEB is seen as a leader in regulating this area of the gaming industry delving into enhanced regulation that is not widely seen yet in other jurisdictions, but is being talked about as the way to go.
- The integrity of BC's gambling industry will be protected with the removal of undesirables and those that attempt to use the industry to legitimize funds and proceeds resulting from criminal activities.

#### Option 3:

- **GPEB public interest standard:** publicly communicates government expectations for the BC gambling industry in deterring unlawful activity in the BC.
- Section 27(2) (d) of the Gaming Control Act authorizes GPEB's general manager to establish public interest standards for the gambling industry.
- Section 34(1) (g) of the GCA Regulation requires that gaming service providers must obey all applicable public interest standards established by the general manager under section 27 (2) of the Act.



- The GPEB standard would apply to BCLC, all gaming service providers, and all licensed horse racing service providers which operate lottery schemes at gaming facilities, including casinos, community gaming centres and online through PlayNow.
- The GPEB standard, which would complement the FINTRAC PCMLTFA requirements, are intended to go beyond AML/TF recording and reporting purposes to ensure that BCLC and service providers do not provide a venue for unlawful activity, including money laundering. Some of the GPEB requirements could specify that BCLC and service providers gather more customer information than the related PCMLTFA provisions require, assisting GPEB in the regulation of gambling in BC.
- Suggested wording for objectives of the public interest standard:
  - “Objectives:
    - *To help ensure the integrity of gambling in British Columbia.*
    - *To protect patrons, employees, assets and long-term revenue at commercial gaming premises.*
    - *To detect and deter any activity that may adversely affect patrons, employees and the fair and honest conduct of gaming at casinos, community gaming centres, commercial bingo halls and horse race tracks.”*
  - Suggestions for general requirements of the public interest standard:
    - *“BCLC and service providers must develop and implement mechanisms which will reasonably identify and prevent unlawful activities at gaming sites in BC.”*
      - BCLC and service providers will develop a culture of compliance for all levels of staff. Leadership will actively support and facilitate compliance efforts.
      - Periodic risk assessments shall be conducted to determine the potential for unlawful activities, including money laundering, fraud, theft and cheat at play.
      - All employees, both of BCLC and service providers, involved in the operation, supervision or monitoring of a gaming site shall remain current in techniques identify unlawful activity at a gaming site.
      - Player and employee transactions must be appropriately monitored and suspicious transactions analyzed for possible unlawful activity.
      - Suspicious behaviour, including unlawful activity, shall be reported in accordance with the GPEB Section 86 reporting requirements set out for BCLC and service providers.
    - *“Anti-money laundering policies and procedures, as required under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act shall be implemented and enforced.”*

- AML compliance officers must be qualified and experienced and report directly to the corporation CEO and to the corporate audit committee.
- BCLC and service providers will implement a formal, written anti-money laundering (AML) program that includes appropriate systems and controls to ensure their compliance with FINTRAC (Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and GPEB requirements. This program must be maintained, reviewed and revised as necessary in response to any relevant changes.
- To account for changing conditions, all AML systems and controls must be constantly monitored, updated, and maintained.
- Rigorous “Know Your Customer” procedures must be in place to identify both sources of wealth and sources of funds.
- As a general principle, a business relationship should only be entered into or maintained with a customer if BCLC or service provider is satisfied that the information it has gathered demonstrates that they know the customer (i.e. the customer has disclosed his or her true identity and a legitimate purpose for entering or maintaining the business relationship with BCLC and the service provider).
- Where any doubts persist, BCLC and/or the service provider will not proceed with the relationship or transaction.
- A “Source of Funds Declaration” (to be developed) must be completed when transaction values and frequency of transactions change/elevation of client risk.
- The AML compliance program must be tested by an independent and competent party. Copies of reports shall be made available to GPEB.
- Copies of all reports filed with FINTRAC shall be made available to GPEB.
- Compliance will be regularly monitored by GPEB, including periodic review of compliance regimes, and appropriate enforcement action taken in instances of non-compliance.

#### Implications of Option 3:

- Clarification is provided to BCLC of government’s high level expectations for deterring unlawful activities in BC casinos which may ensure that BCLC is aligned with those expectations.
- The public is made aware of government’s commitment to deter unlawful activities in BC casinos which may increase their confidence in the regulation of gaming in BC.

- GPEB is seen as a leader in regulating this area of the gaming industry delving into enhanced regulation that is not widely seen yet in other jurisdictions, but is being talked about as the way to go.
- The integrity of BC's gambling industry will be protected with the removal of undesirables and those that attempt to use the industry to legitimize funds and proceeds resulting from criminal activities.
- GPEB will obtain enhanced reporting that will provide them with a greater understanding of risks prevalent in the gaming industry in BC.
- GPEB is seen as being too prescriptive by BCLC and the gaming industry.
- Public interest standards have little enforcement power; it is up to moral persuasion to obtain compliance by BCLC and service providers which may make them ineffective. However, GPEB has found that existing public interest standards are generally complied with.
- Gaming industry may not be enthusiastic and see this as increased regulation.
- GPEB will need to allocate resources to monitor and test for enhanced industry requirements to ensure compliance by BCLC and the industry.

#### **Option 4:**

- **GPEB Directive:** provided to BCLC to outline GPEB participation in building a "Patron Banning Strategy" which may include: BCLC and service provider banning criteria; circumstances where GPEB would ban a patron; and, timeframes for bans.
- Section 28(1) of the Gaming Control Act authorizes the general manager of GPEB to issue directives applicable to the lottery corporation with approval of the minister.

#### **Implications of Option 4:**

- Greater clarification is provided to BCLC and gaming service providers of government's expectations in deterring unlawful activities in BC casinos.
- The "Patron Banning Strategy" developed by BCLC will be more robust and appropriate for the industry with involvement by GPEB, BCLC and gaming service providers.
- The integrity of BC's gambling industry will be protected with the removal of undesirables and those that attempt to use the industry to legitimize funds and proceeds resulting from criminal activities.
- GPEB will need to allocate resources to participate in this initiative with BCLC and the industry.
- GPEB may be seen as getting too involved in BCLC's manage and conduct role.

**RECOMMENDATION:**

A multi-prong, cascading approach is recommended.

1. **Minister's Directive:** provides BCLC with high-level expectations to prevent unlawful activities at BC casinos, particularly, in relation to anti-money laundering. This creates the responsibility for BCLC directly from government.
2. **GPEB Directive:** provides BCLC with specific requirements to prevent unlawful activities at BC casinos, particularly, in relation to anti-money laundering. This provides BCLC with the understanding of how to carry out the responsibility set out in the minister's directive (Option 1).
3. **GPEB public interest standard:** publicly communicates government expectations for the BC gambling industry in deterring unlawful activity in the BC.
4. **GPEB Directive:** provided to BCLC to outline GPEB participation in building a "Patron Banning Strategy" which may include: BCLC and service provider banning criteria; circumstances where GPEB would ban a patron; and, timeframes for bans.
5. Solicit input from GPEB AML Working Groups and Industry Working Group during development and implementation stages.

The minister's directive will provide BCLC with an enhanced understanding of government's expectations and the GPEB directive will give BCLC more specific requirements in support of the minister's directive.

The public interest standard will provide objectives and enhanced requirements as there are areas where we need to be prescriptive because our tolerance for risk is low and other areas where we can provide general expectations because our tolerance for risk is high.

This multi-prong, risk-based approach should alleviate concerns over GPEB being too prescriptive with BCLC and the industry and will provide clarity for the industry and the general public on government's expectations for minimizing unlawful activity in the BC gambling industry.

A regulation change under Section 105 (1) (a) of the GCA is not recommended as it would need to be very prescriptive in order to be enforceable and is not as easily implemented due to the rigorous process that is required in order to make a change. Change in the industry can be achieved through other authorities in the GCA as outlined above.

A regulation change was a recommended approach in the Malysh & Associates report dated September 15, 2014; however, they may not have fully understood the legislative environment in BC. Their recommendations have been considered in developing this recommended approach.

Legal Services Branch has been engaged in developing this approach.

It is important to solicit input and feedback from both the internal GPEB working group and the industry working group in developing and implementing these recommendations to ensure that a reasonable, acceptable and effective regulatory framework results.

**APPROVED / NOT APPROVED**

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John Mazure  
Assistant Deputy Minister  
Gaming Policy and Enforcement Branch

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Date:

Appendix:**GPEB AML Strategy**

**Goal:** “The gaming industry will prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. This shift will respect or enhance our responsible gambling practices and the health of the industry.”

**Summary of progress of measures being undertaken by GPEB and BCLC:**

- **Phase 1: Develop and implement cash alternatives, to obtain funds inside the facilities, for gaming.**
  - **Substantially complete**, with research continuing by BCLC and service providers on other cash alternatives that could be introduced to provide additional options for patrons to limit amounts of cash being brought into casinos.
- **Phase 2: Operator intervention to more actively engage the use of the cash alternatives by patrons.**
  - Several cash alternatives (Patron Gaming Fund, debit at cage, casino cheques, internet transfer, hold-cheque, etc.) have been developed by all parties involved, given final approval by GPEB, and implemented.
  - **Substantially complete**, with BCLC and service providers continuing efforts to encourage patrons to use available cash alternatives. GPEB reviews have shown there is some uptake of cash alternatives by patrons but they are not widely accepted by high limit players.
- **Phase 3: Regulator intervention, which involves conducting a study and potential direct intervention for customer due diligence (CDD) of cash entering gaming facilities.**
  - CDD research completed by Malysh & Associates on September 15, 2014.
  - Research reviewed and used to develop options contained in this note for ADM decision.

**BCLC Current State:**

(Information obtained from Ministry of Finance presentation: *BCLC's Anti-Money Laundering Program – Changing the Conversation on AML* given in January 2015)

- BCLC has and continues to build a robust anti-money laundering program.
- BCLC has had AML policies in place since 1998.
- In the 2014-15 Government Letter of Expectations, it was outlined that BCLC would: develop & promote cash alternatives for patrons; lead an AML work group; establish AML analytical capacity; and, deliver enhanced due diligence as required by FINTRAC.
- Increased regulatory requirements present an opportunity for BCLC to enhance overall player analytics.
- Existing AML mitigation tactics in place:
  - Patrons are not allowed to exchange small denomination bills for large denomination bills.

- Cheques are clearly marked as a verified win or as a “return of funds that are not gaming winnings”.
- Chip passing on the casino floor is forbidden.
- Casino chips may only be used at a single property.
- Cash alternatives are promoted (i.e.: debit cards, convenience cheques, and Patron Gaming Fund (PGF) accounts).
- BCLC Internal Audit Services reviews large cash transactions on a tri-weekly basis.
- Cash alternatives in place:
  - Cashless methods:
    - Debit card withdrawals at cash cage
    - Customer convenience cheques
    - PGF transactions, ability to electronically transfer money into their accounts through Canadian and U.S. chartered banks.
    - ATM, credit card and Global Cash transactions
    - “Cheque hold” system for high-volume players
- BCLC information sharing agreement with the RCMP allowing for proactive bans: 58 people banned so far, 21 pending.
- Proactive 14 day investigative barring for undesirable activity such as unusual large cash buy-ins or large amount of unsourced chips.
- Investigators are selected using Justice Institute of BC (JIBC) Investigative Aptitude Tool and requirement for ongoing JIBC training.
- Staff certification from the Association of Certified Anti-money Laundering Specialists – gold standard.
- Single team focused on AML with robust analytical capacity.
- Enhanced customer due diligence for large cash transactions using new technology:
  - Business intelligence software.
  - Enterprise Case Management system which tracks cases and creates alerts by risk priority.
  - Automatically monitor patrons by name, date of birth, etc. against a variety of global watch lists.
  - Monitor patron behaviour and business relationships against a series of BCLC developed risk scenarios in order to identify circumstances that require BCLC investigator follow up.
  - 360 degree view of customer.
  - Will monitor an estimated 80,000 transactions annually, in real time.
- iKiosks to screen anyone appearing under 25 years of age.
- License plate recognition software at gaming facilities.
- Gaming security officers stationed at entrances to gaming facilities and on the floors.
- BCLC is purchasing facial recognition technology to rollout at all gaming facilities.

**Outcomes/Implications:**

- BCLC believes that their measures will:
  - Satisfy AML reporting requirements.
  - Allow them to monitor and mitigate risk across all of their business lines.

- Strengthen current reputational risk management strategies.
  - Provide them with advanced analytics to help them better understand their players and provide better predictive analytics around revenue sustainment/growth.
  - Provide them with a cutting edge solution that can benefit other jurisdictions throughout North America.
- BCLC is proposing an enhanced communication plan which includes the following messages:
  - BC's gaming industry is part of the solution to reporting on and identifying potential criminal activity. The reports we file create a data and intelligence trail for FINTRAC and police to identify patterns and criminal activities.
  - We have a robust anti-money laundering program in B.C. with ongoing significant investments in technology, training and certification.
  - Safety and security are our number one priority. Through an information sharing agreement with police we have already barred 58 people who have known criminal ties or may be a threat to public safety.



## INTERNAL MEMO

**To:** Len Meilleur, Executive Director, Compliance Division  
David Pyatt, Director, Commercial Gaming, Compliance Division

**From:** Parminder Basi, Commercial Gaming Auditor

**Date:** January 26, 2015

**Subject:** COMM-8030 BCLC Cash Alternatives Review / July 1, 2014 – December 31, 2014

### Executive Summary

On April 1, 2012, BCLC introduced a series of initiatives to provide non-cash alternatives at gaming facilities. These initiatives included expanded terms of use governing Patron Gaming Fund (PGF) accounts, use of debit card transactions at the cash cage, issuance of convenience cheques and the creation of the Hold Cheque Option. Our objective is to analyze the utilization of these initiatives within commercial gaming facilities in BC on a semi-annual basis. This update covers the period July 1, 2014 – December 31, 2014.

### Key Observations

- A total of \$236,222,335 was deposited into PGF accounts, and \$237,828,852 withdrawn during the period July 1, 2014 – December 31, 2014. This represents a 45% decrease from the previous six month period. Fluctuations are largely attributed to the program's dependence on a few patrons to generate majority of the activity. 75% of the activity this period was generated by 10 patrons.
- 29% of the funds deposited into PGF accounts this period were from bank drafts which represent "new money." Re-deposits and verified wins accounted for 70% of the funds deposited into the accounts, and cheques from a Canadian casino accounted for the remaining 1%.
- Since the PGF program was launched, a total of 701 accounts have been created, of which 52% have subsequently closed. As of December 31, 2014, a total of 338 PGF accounts remain open.
- Debit card transactions conducted at the cash cage amounted to \$19,868,245 which represents a 9% increase from the previous six month period.
- 68 convenience cheques were issued this period for a total amount of \$353,419. This represents a 42% increase in the number of convenience cheques issued from the previous six month period.

### Conclusion

With the PGF program at its five year mark, the following underlying concerns have emerged: the program is highly dependent on a small number of patrons; slightly more than half of the accounts created to date have subsequently closed, while many of the accounts that remain open are seldom used; and "new money" deposits to accounts are nearly always with bank drafts. Bank drafts, unlike electronic fund transfers, do not need to originate from the PGF account holder's personal bank account. The other three non-cash alternatives has had mixed results. Debit card transactions conducted at the cash cage have increased each period; utilization of convenience cheques is minimal, while the hold cheque option has not been utilized to date.

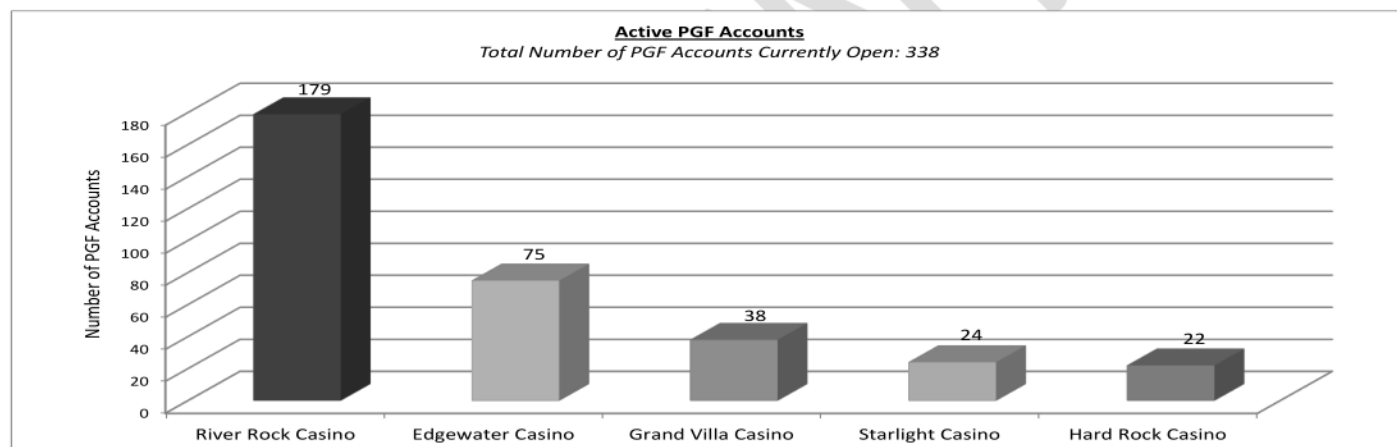
## Analysis of Cash Alternative Options

### 1. Patron Gaming Fund (PGF) Accounts

Approved casinos may offer PGF accounts wherein funds may be deposited, withdrawn for gaming, re-deposited for subsequent play or returned to the patron. A minimum of \$10,000 must be initially deposited by a patron to open a PGF account. Subsequent deposits to PGF accounts after initial opening may be for less than \$10,000. The following five approved casinos offer PGF accounts to their patrons:

Site	PGF Program Launch Date
River Rock Casino	December 2009
Starlight Casino	January 2010
Grand Villa Casino	July 2010
Edgewater Casino	September 2010
Hard Rock Casino	February 2013

Since the PGF program was launched, a total of 701 accounts have been created, of which 52% have subsequently closed. As of December 31, 2014, a total of 338 PGF accounts remain open, as shown below.

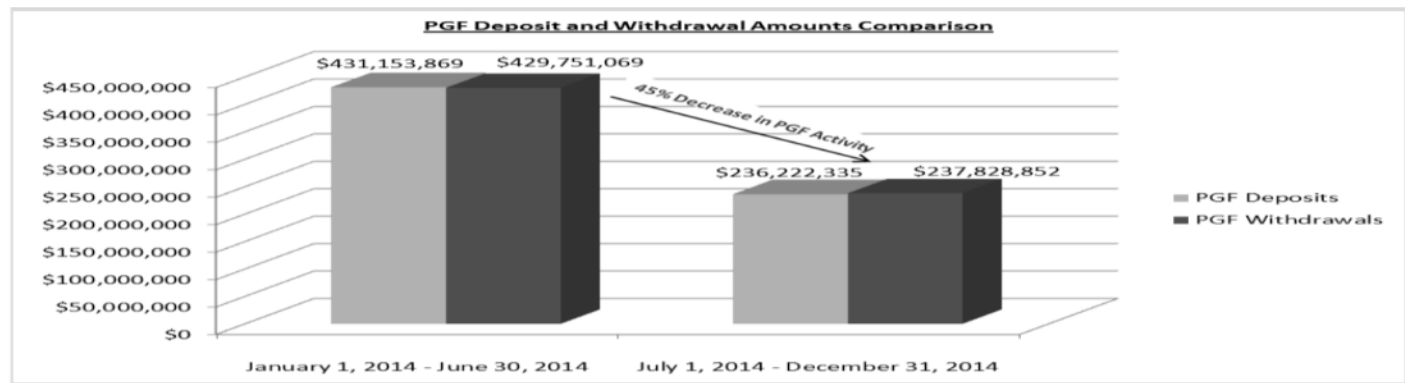


### PGF Account Deposits and Withdrawals for the Period July 1, 2014 – December 31, 2014

A total of \$236,222,335 was deposited into PGF accounts, and \$237,828,852 was withdrawn during the period July 1, 2014 – December 31, 2014. The closing PGF account balance as at December 31, 2014, is \$1,000,401 as detailed below.

Site	Opening Balance July 1, 2014	July 1, 2014 – December 31, 2014		Closing Balance December 31, 2014
		PGF Account Deposits	PGF Account Withdrawals	
s.15	\$2,215,763	\$150,581,631	\$152,339,148	\$458,246
	\$341,000	\$60,598,232	\$60,485,232	\$454,000
	\$5,300	\$14,909,392	\$14,911,392	\$3,300
	\$0	\$6,706,830	\$6,666,830	\$40,000
	\$44,855	\$3,426,250	\$3,426,250	\$44,855
<b>Total</b>	<b>\$2,606,918</b>	<b>\$236,222,335</b>	<b>\$237,828,852</b>	<b>\$1,000,401</b>

The total PGF deposit and withdrawal amounts decreased by 45% from the previous six month period, as shown in the following chart.

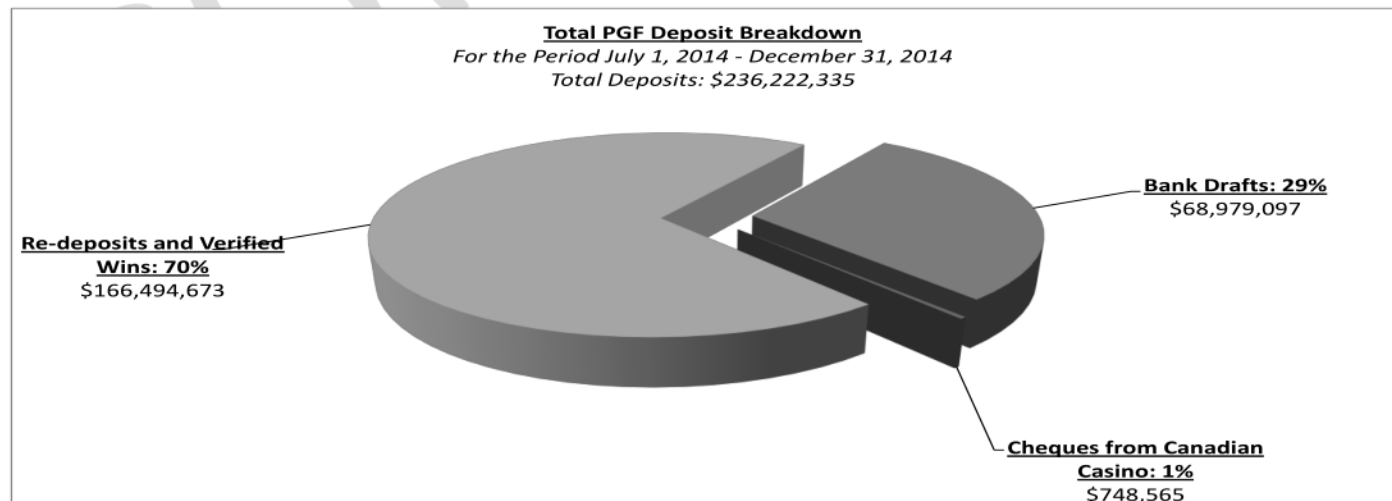


Fluctuations are largely attributed to the program's dependence on a few patrons to generate majority of the PGF dollar volume activity. For instance, although, there are 338 PGF accounts that are open, 75% of the activity during the current review period July 1, 2014 – December 31, 2014, was generated by 10 patrons. During the previous six month period when activity was at record highs, the top 10 PGF account holders contributed 84%.

To further put this into perspective, the program's most active patron, <sup>s.22</sup>, contributed 41% of the total PGF dollar volume activity in the province of BC for all of 2014. This is a good example, of the risks associated with depending on a few patrons, especially if such patrons completely cease their gambling activity as has happened in this case.

#### **PGF Deposit Breakdown for the Period July 1, 2014 – December 31, 2014**

The pie chart below provides a detailed breakdown of the \$236,222,335 that was deposited into PGF accounts during the period July 1, 2014 – December 31, 2014. 29% of the funds deposited into the accounts were bank drafts which represent "new money." Re-deposits and verified wins accounted for 70% of the funds deposited into the accounts. Re-deposits are funds that patrons have withdrawn from their PGF account and then subsequently deposited back after any period of continuous play. Cheques from a Canadian casino accounted for 1% of the total deposits. Cheques from a Canadian casino are those that were issued to a patron at a Canadian casino different from the casino the patron is depositing them at.

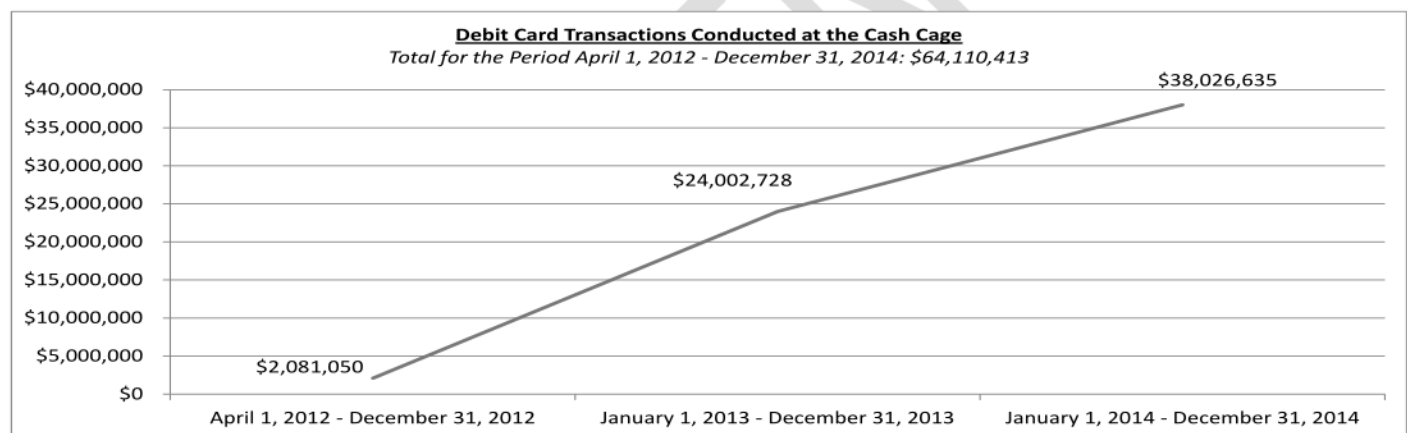


## 2. Debit Card Transactions at Cash Cage

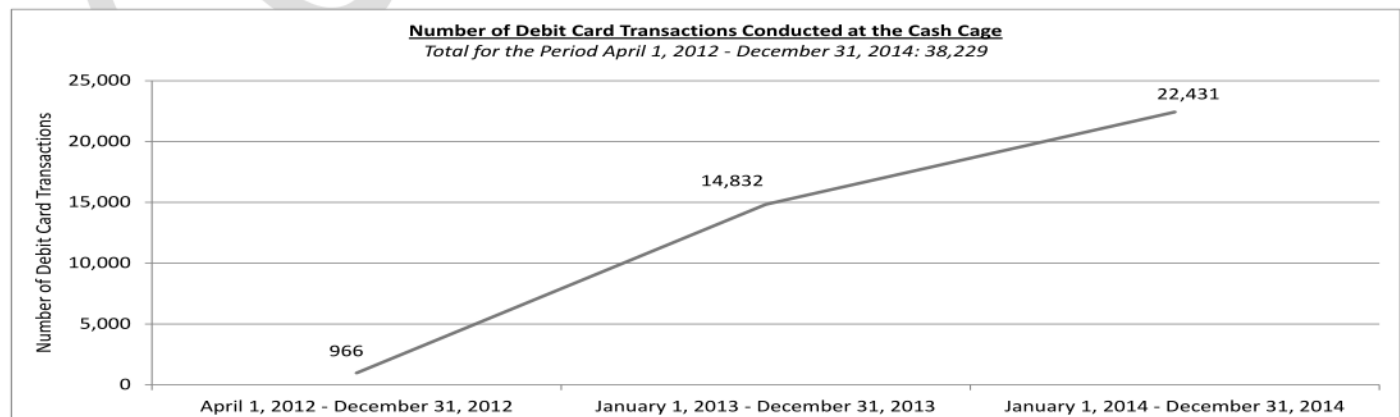
At the service provider's discretion, bank debit cards may be used at the cash cage for patrons to access funds for gaming. The service provider may stipulate monetary thresholds for the maximum allowed amount of the debit card transaction. Although BCLC Casino and Community Gaming Centre Standards, Policies and Procedures state that the minimum amount shall not be less than \$500 per transaction, BCLC has allowed service providers to let patrons purchase funds below the minimum threshold, under certain circumstances.

Presently, 19 of the total 34 casinos and community gaming centres in the province offer debit card services at the cash cage as follows: Cascades Casino, Casino Nanaimo, Chances Abbotsford, Chances Campbell River, Chances Chilliwack, Chances Courtenay, Chances Maple Ridge, Edgewater Casino, Fraser Downs Casino, Grand Villa Casino, Hard Rock Casino, Hastings Casino, Lake City Casino Kelowna, Lake City Casino Vernon, Playtime Gaming Langley, River Rock Casino, Starlight Casino, Treasure Cove Casino, and View Royal Casino.

Debit card transactions conducted at the cash cage during the period July 1, 2014 – December 31, 2014, amounted to \$19,868,245. This represents a 9% increase from the previous six month period. Overall, debit card transactions conducted at the cash cage have increased significantly each year, as shown in the chart below.



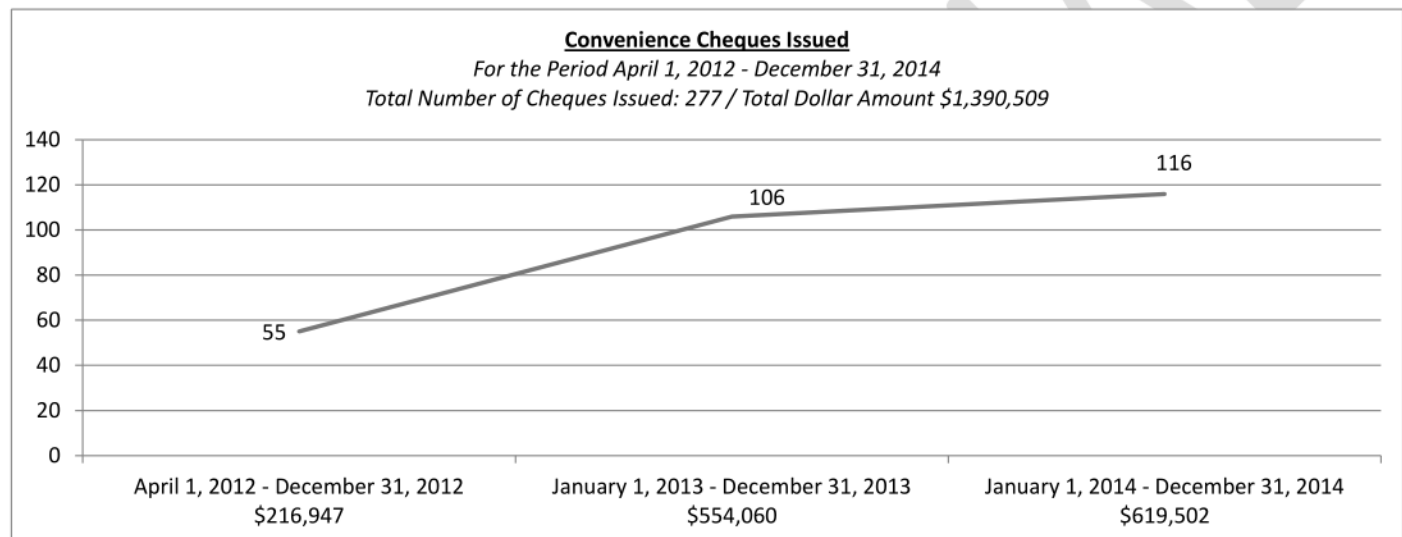
The number of debit card transactions conducted at the cash cage has also increased. During the period July 1, 2014 – December 31, 2014, there were a total of 12,660 debit card transactions conducted at the cash cage, which represents a 30% increase from the previous six month period. To date, there has been a total of 38,229 debit card transactions conducted at the cash cage, as shown below.



### 3. Convenience Cheques

Service providers may, at their discretion and upon the request of the patron, issue a cheque that is not for a verified win, but for the return of buy-in funds or unverified wins. At the launch of this initiative, the maximum limit for convenience cheque issuance was \$5,000, which was later increased to \$8,000 and now effective April 2014, has been increased to \$10,000.

A total of 68 convenience cheques were issued during the period July 1, 2014 – December 31, 2014, which represents a 42% increase from the previous six month period. The dollar value of convenience cheques issued this period was \$353,419, which represents a 33% increase from the previous six month period. To date, a total of 277 convenience cheques have been issued for a total amount of \$1,390,509, as shown in the chart below.



Since this initiative was launched:

- River Rock Casino has issued 176 of the total 277 convenience cheques.
- 31 patrons have received more than one convenience cheque each.
- One patron has received 24 convenience cheques totaling \$183,000.

### 4. Hold Cheque Option

Service providers are permitted to offer a Hold Cheque Option to individual patrons wherein a negotiable financial instrument such as a personal cheque can be held for a period of time before being settled (cashed). Once cleared, the full amount of the cheque can be accepted for gaming. As of December 31, 2014, no patrons have utilized this option at any of the approved sites.

**Anti Money Laundering  
Suspicious Transaction Reporting  
for Large Cash Transaction Buy-ins  
between \$20K and \$50K  
GPEB File # COMM-8224  
2014/2015**

**EXECUTIVE SUMMARY**

A review of suspicious transaction reporting for large cash buy-ins between \$20,000 and \$50,000 was conducted for three large BC casinos. The purpose of the review was to determine, if possible, gaming facility service provider and BCLC methodologies and patterns of identifying and reporting suspicious activity to FINTRAC.

The three gaming facilities reviewed were River Rock Casino Resort, Starlight Casino, and Edgewater Casino, representing three different service providers. The sample period was July 2014; a previous review was conducted for the sample period April 2013.

The review concluded GPEB is currently not able to fully determine gaming facility service provider and BCLC methodologies and patterns of identifying and reporting suspicious activity to FINTRAC. This is due to a lack of additional information (e.g. client is accompanied and watched, client appears to obtain money from suspected loan shark, client appears to be acting on behalf of a third party), available for incidents deemed suspicious. It is recommended service providers and BCLC be required to improve narratives for transactions deemed suspicious, and improve methodologies of identifying suspicious activity, if necessary.

Note: BCLC continues to develop its anti money laundering compliance regime and systems. GPEB has conducted reviews of this program in the past, which have shown improvements over time. GPEB continues to monitor, review and evaluate BCLC's systems regarding anti money laundering. Some of the above concerns may be addressed during these reviews.

**BACKGROUND**

In response to a request from the Investigations team, the Audit team collected and analyzed data pertaining to large cash buy-ins greater than \$20,000 and less than \$50,000 occurring at three large BC casinos. This is the second time we have conducted this review.

The purpose of the review was to determine, if possible, gaming facility service provider and BCLC methodologies and patterns of identifying and reporting suspicious activity to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

GPEB Compliance (Audit) believes there may be instances where:

- Service providers may not be consistently identifying suspicious transactions for large cash buy-ins greater than \$20,000 and less than \$50,000.
- Some money entering BC gaming facilities originates and flows from organized crime.
- Loan sharks lend funds to gaming patrons who then bring the funds into gaming facilities.

As stated in the casinos guidelines on the FINTRAC website, casinos are required to report suspicious transactions where there are reasonable grounds to suspect that a transaction or an attempted transaction is related to the commission or attempted commission of a money laundering offence or a terrorist financing activity offence.

Under Canadian law, a money laundering offence involves various acts committed with the intention to conceal or convert property or the proceeds of property (such as money) knowing or believing these were derived from the commission of a designated offence.

Suspicion is all that is required. Also, there is no monetary threshold for submitting a report. An assessment of suspicion should be based on a reasonable evaluation of relevant factors, including knowledge of the customer's business, financial history, background and behaviour. FINTRAC guidelines remind those reporting that behaviour is suspicious, not people, and all circumstances surrounding a transaction should be reviewed. A list of common indicators of suspicious transactions is included in Appendix 1.

## **SCOPE**

The review covered three large casinos (River Rock Casino Resort, Edgewater Casino, Starlight Casino). A one month sample period (July 2014) of all cash buy-ins greater than \$20,000 and less than \$50,000 was chosen for analysis.

## **PROCEDURES**

Data for cash buy-ins greater than \$20,000 and less than \$50,000 resulting in large cash transaction reports (LCTRs) was collected and reviewed. Transactions were analyzed to determine whether incident reports and/or suspicious transaction reports (STRs) were created. Narratives and rationales for reporting transactions as suspicious were also reviewed. Data was then compared to data from the previous year's review.

## **DATA ANALYSIS – SUMMARIES**

One hundred and seventy discrete patrons generated a total of 315 LCTRs for buy-ins greater than \$20,000 and less than \$50,000 during the sample period (July 2014):

<b>Sample Period: July 2014</b>				
<b>Gaming Facility</b>	<b>Total \$</b> (of LCTRs)	<b>Number of LCTRs</b> (from buy-ins greater than \$20K and less than \$50K)	<b>Number of Discrete Patrons</b>	<b>Number of STRs Filed</b>
<b>Totals</b>	<b>\$9,443,990</b>	<b>315</b>	<b>170</b>	<b>6</b>
River Rock	\$4,811,350	161	90	2
Edgewater	\$4,133,905	135	66	3
Starlight	\$498,735	19	14	1

<b>Sample Period: April 2013 (previous review)</b>				
<b>Gaming Facility</b>	<b>Total \$</b> (of LCTRs)	<b>Number of LCTRs</b> (from buy-ins greater than \$20K and less than \$50K)	<b>Number of Discrete Patrons</b>	<b>Number of STRs Filed</b>
<b>Totals</b>	<b>\$7,393,972</b>	<b>238</b>	<b>130</b>	<b>13</b>
River Rock	\$4,927,837	156	77	10
Edgewater	\$1,544,880	49	31	2
Starlight	\$921,255	33	22	1



**Comparisons:**

<b>Absolute changes from 2013 to 2014</b>				
<b>Gaming Facility</b>	<b>Total \$ (of LCTRs)</b>	<b>Number of LCTRs</b> (from buy-ins greater than \$20K and less than \$50K)	<b>Number of Discrete Patrons</b>	<b>Number of STRs Filed</b>
<b>Totals</b>	<b>\$2,050,018</b>	<b>72</b>	<b>40</b>	<b>-7</b>
River Rock	-\$116,487	5	13	-8
Edgewater	\$2,589,025	86	35	1
Starlight	-\$422,520	-14	-8	0

<b>Percentage changes from 2013 to 2014</b>				
<b>Gaming Facility</b>	<b>Total \$ (of LCTRs)</b>	<b>Number of LCTRs</b> (from buy-ins greater than \$20K and less than \$50K)	<b>Number of Discrete Patrons</b>	<b>Number of STRs Filed</b>
<b>Totals</b>	<b>28%</b>	<b>30%</b>	<b>31%</b>	<b>-54%</b>
River Rock	-2%	3%	17%	-80%
Edgewater	168%	176%	113%	50%
Starlight	-46%	-42%	-36%	0%

## **DATA ANALYSIS – INDIVIDUAL GAMING FACILITIES**

### **River Rock Casino Resort:**

For the sample period, 161 LCTRs for buy-ins totaling more than \$20,000 and less than \$50,000 were attributable to 90 discrete patrons. Sixty of the 161 LCTRs were attributable to 37 discrete patrons that had previously had at least one STR filed in their name. And the two STRs filed were attributable to two discrete patrons.

Changes from 2013 to 2014 sample periods for River Rock Casino Resort:

- The total dollar amount decreased 2% (\$116,487)
- The total number of LCTRs filed increased 3% (5 LCTRs)
- The total number of discrete patrons increased 17% (13 patrons)
- The number of STRs filed decreased 80% (8 STRs)

This information taken together indicates that during the 2014 sample period a larger number of patrons spent less per visit, resulting in a small decrease in the total dollar amount attributable to cash buy-ins between \$20K and \$50K. Also, although the number of LCTRs filed and number of discrete patrons increased, the number of STRs filed decreased. (See the Discussion section below for possible explanations.)

### **Edgewater Casino:**

For the sample period, 135 LCTRs for buy-ins totaling more than \$20,000 and less than \$50,000 were attributable to 66 discrete patrons. Forty-three of the 135 LCTRs were attributable to 26 discrete patrons that had previously had at least one STR filed in their name. And the three STRs filed were attributable to three discrete patrons.

Changes from 2013 to 2014 sample periods for Edgewater Casino:

- The total dollar amount increased 168% (\$2,589,025)
- The total number of LCTRs filed increased 176% (86 LCTRs)
- The total number of discrete patrons increased 113% (35 patrons)
- The number of STRs filed increased 50% (1 STR)

This information taken together indicates that during the 2014 sample period a larger number of patrons spent more per visit, resulting in a large increase in the total dollar amount attributable to cash buy-ins between \$20K and \$50K. Also, although the number of LCTRs filed and number of discrete patrons increased significantly, the number of STRs increased by only one. (See the Discussion section below for possible explanations.)

### **Starlight Casino:**

For the sample period, 19 LCTRs for buy-ins totaling more than \$20,000 and less than \$50,000 were attributable to 14 discrete patrons. Two of the 19 LCTRs were attributable to two discrete patrons that had previously had at least one STR filed in their name. And the one STR filed was for one discrete patron.

Changes from 2013 to 2014 sample periods for Starlight Casino:

- The total dollar amount decreased 46% (\$4,22,520)
- The total number of LCTRs filed decreased 42% (14 LCTRs)
- The total number of discrete patrons decreased 36% (8 patrons)
- The number of STRs filed remained the same at one.

This information taken together indicates that during the 2014 sample period a smaller number of patrons spent less per visit, resulting in a decrease in the total dollar amount attributable to cash buy-ins between \$20K and \$50K. Also, the number of STRs filed remained the same at one. (See the Discussion section below for possible explanations.)

### **DISCUSSION**

s.15

Narratives available for STRs indicate that in some cases STRs resulted from patrons being suspected of associating with loan sharks and/or of unusual play. Based on FINTRAC guidelines, these are clear and understandable reasons for deeming transactions suspicious. In other cases, however, narratives indicate STRs resulted simply from patrons producing large volumes of cash and how the cash was presented (e.g. bundles, bricks, large volumes of same denomination bills). It is GPEB's understanding that in most cases, particularly at larger sites, patrons generally present cash consisting primarily of bundles of the same denomination of currency. Therefore, it is unclear what differentiated the transactions deemed suspicious from similar transactions not deemed suspicious.

In summary, it is GPEB's understanding that LCTRs were created for patrons buying in with similar amounts of cash presented in a similar way, yet some were deemed suspicious while

others were not. This may suggest that narratives do not contain enough information to clearly explain the reason transactions were deemed suspicious. This may also suggest there are inconsistencies in applying the methodology used to determine whether activity surrounding buy-ins should be deemed suspicious. For example, service providers may be paying less attention to buy-ins totaling between \$20,000 and \$50,000.

In some cases, LCTRs were created without an associated STR for patrons for whom STRs were created in the past. This may suggest that there are inconsistencies in applying the methodology used to determine whether activity surrounding buy-ins should be deemed suspicious. It may also suggest that transactions are no longer deemed suspicious because the service provider has learned more about its patrons. This could explain changes from year to year (above); that is, although the number of discrete patrons and number of LCTRs may have increased from one sample period to the other, the number of STRs filed may have decreased as a result of service providers learning more about patrons.

A significant issue for GPEB is that it is very difficult to determine the methodology used to determine whether transactions should be deemed suspicious. If more information were provided for transactions deemed suspicious, GPEB may be better able to understand and evaluate the methodology applied.

## **CONCLUSION**

GPEB is currently not able to fully determine gaming facility service provider and BCLC methodologies and patterns of identifying and reporting suspicious activity to FINTRAC. This is due to a lack of additional information available for incidents deemed suspicious.

## **RECOMMENDATIONS**

GPEB may want to consider instituting its own policies and procedures to enhance identification and reporting of suspicious transactions, regardless of whether BCLC improves its systems on its own. For example, GPEB could require BCLC and its service providers to clearly and consistently document rationales for transactions deemed suspicious. Documented rationales should clearly differentiate suspicious transactions from those not deemed suspicious. Other additional information GPEB could require for all large cash transactions:

- currency breakdowns for all large cash transaction reports (LCTRs);
- currency breakdowns in all applicable S.86 reports;
- descriptions of how cash is presented for all large cash buy-ins (e.g. how cash is bundled);
- documentation detailing the rigorous review undertaken to determine whether any of FINTRAC's common indicators of suspicious transactions are present;
- documentation of the rigorous review undertaken for patrons previously associated with transactions deemed to be suspicious.

Service providers are not required by FINTRAC to provide rationales for transactions not deemed suspicious. Therefore, it is currently difficult for GPEB Compliance Division to

determine if service providers are consistently applying FINTRAC's guidelines. That is why we stress it is important for service providers to be as clear as possible when documenting transactions deemed suspicious. Again, documented rationales should clearly differentiate suspicious transactions from those not deemed suspicious.

Note: BCLC continues to develop its anti money laundering compliance regime and systems. GPEB has conducted reviews of this program in the past, which have shown improvements over time. GPEB continues to monitor, review and evaluate BCLC's systems regarding anti money laundering. Some of the above concerns may be addressed during these reviews.

Commercial Gaming Audit  
Compliance Division  
November 10, 2015

### **DISTRIBUTION LIST**

Anna Fitzgerald, Director Compliance, Compliance Division, GPEB  
Derek Dickson, Director Compliance, Compliance Division, GPEB

## APPENDIX 1: Common Indicators

FINTRAC guidelines include a list of indicators of suspicious transactions to assist those evaluating transactions, whether completed or attempted, and are to be assessed in the context in which transactions occurred or were attempted. Below is a partial list of common indicators that may be relevant in a gaming facility setting:

- Client admits or makes statements about involvement in criminal activities.
- Client conducts transactions at different physical locations in an apparent attempt to avoid detection.
- Client is accompanied and watched.
- Client shows uncommon curiosity about internal systems, controls and policies.
- Client has only vague knowledge of the amount of a deposit.
- Client over justifies or explains the transaction.
- Client is nervous, not in keeping with the transaction.
- Client is involved in transactions that are suspicious but seems blind to being involved in money laundering activities.
- Client appears to be acting on behalf of a third party, but does not tell you.
- Client is involved in activity out-of-keeping for that individual or business.
- Client insists that a transaction be done quickly.
- The transaction does not appear to make sense or is out of keeping with usual or expected activity for the client.
- Client attempts to develop close rapport with staff.
- Client uses aliases and a variety of similar but different addresses.
- Client spells his or her name differently from one transaction to another.
- Client provides false information or information that you believe is unreliable.
- Client offers you money, gratuities or unusual favours for the provision of services that may appear unusual or suspicious.
- You are aware that a client is the subject of a money laundering or terrorist financing investigation.
- You are aware or you become aware, from a reliable source (that can include media or other open sources), that a client is suspected of being involved in illegal activity.
- A new or prospective client is known to you as having a questionable legal reputation or criminal background.
- Transaction involves a suspected shell entity (that is, a corporation that has no assets, operations or other reason to exist).

It should be noted that the gaming patron himself (or herself) does not have to be suspected of being the source of proceeds of crime for a transaction to be deemed suspicious. It is enough for the patron to be suspected of being party to a money laundering or terrorist financing offence.

**GAMING POLICY  
AND  
ENFORCEMENT  
BRANCH**

**AUDIT REPORT**

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**BCLC  
Cash Alternatives Compliance Audit  
GPEB File # COMM-8305  
2014/2015**

**EXECUTIVE SUMMARY**

An audit of the policy initiatives introduced by BCLC to reduce the volume of cash being brought into gaming facilities was conducted to verify compliance with the Gaming Control Act, Regulation and all applicable standards, policies and directives.

The scope of the audit included a review of the Patron Gaming Fund (PGF) program, debit card transactions conducted at the cash cage, and the issuance of convenience cheques for the period February 7, 2014 – February 6, 2015.

Although exceptions were identified in this audit, there was no high impact areas noted.

**AUDIT OBJECTIVES**

The objectives of the audit were to:

- Verify compliance with the Gaming Control Act (GCA) and Regulation (GCR);
- Verify compliance with GPEB standards, policies and directives;
- Verify compliance with BCLC Casino and Community Gaming Centre Standards, Policies and Procedures (CCGC SPP);
- Verify best practices are followed in the absence of policy.

**AUDIT SCOPE**

The scope of the audit included a review of the Patron Gaming Fund (PGF) program, debit card transactions conducted at the cash cage, and the issuance of convenience cheques for the period February 7, 2014 – February 6, 2015. The scope was limited to sites that utilized these initiatives.



## **AUDIT PROCEDURES**

Fieldwork was conducted throughout the audit period at applicable gaming facilities. An exit interview was conducted on February 6, 2015, with the BCLC Gaming Compliance Officer to discuss preliminary audit findings. Audit procedures were conducted on a sample testing basis to provide reasonable assurance of compliance, and included a review of:

- PGF account records, deposits, and withdrawal activity;
- §.15 and §.15 debit card transaction reports;
- Convenience cheques issued;
- iTrak incident reports;
- Gaming related paperwork and transaction slips.

## **EXCEPTIONS**

Details of the issues resulting from the audit procedures are discussed below:

### **Patron Gaming Fund (PGF) Accounts**

1. At River Rock Casino, PGF account deposit and withdrawal transactions entered in the trust accounting system for the period August 1 - 3, 2014, were accidentally voided by the site. Furthermore, instead of keying the canceled transactions back into the trust accounting system to restore the data back to its original form, the site opted to adjust the opening account balances. As a result, PGF opening account balances were misstated and the trust accounting system did not reflect PGF transactions conducted by account holders.

Control Failure: The automated accounting system used by the site for maintaining and tracking PGF accounts must reflect account holder transactions. Failure to maintain the accuracy and completeness of the data increases the risk of unreliable reports being generated. (CCGC SPP S.3-8.3, 2)

Impact: Medium

**BCLC Response** – The BCLC acknowledges the finding. The noted PGF transactions were reviewed with the cage shift manager who confirmed the withdrawals were accidentally voided in the system resulting in the increase in the account balance. The only way to correct the mistake is to re-enter all transactions into the system using the paperwork on file until the account had the correct balance. The cage shift manager confirmed all deleted transactions were re-entered into the system. The BCLC Gaming Compliance Officer has reviewed the procedure of closing PGF accounts with the Cage Shift Manager. The program §.15 ) that



is used for PGF transactions requires all transactions to be deleted first before the account can be closed; the program will not allow the account to be closed without first deleting all transactions. Going forward prior to deleting all transactions, cage staff will print the patron's account ledger as well as save the information in a text format in the PGF file to ensure that there is a permanent record of all transactions.

2. At Edgewater Casino, the 'Patron Gaming Funds Account Application and Operating Agreement' and 'Signature Card' were not completed upon the re-opening of the following two accounts:

- PGF account number s 15 was closed in 2014 and then re-opened January 2015. The operating agreement and signature card on file were dated October 10, 2013. In addition, the occupation stated on the operating agreement was s.22 while the patron's current occupation as detailed in iTrak is s 22

**BCLC Response** – BCLC accepts the finding in relation to the Patron Gaming Fund account being re-opened, January 5, 2015. Documentation has been added to the Signature Card confirming the PGF account has been re-opened. Further documentation on the PGF Account Application and Operating Agreement related to the patron's occupation has been amended to reflect the occupation documented in iTrak.

- PGF account number s 15 was closed in 2014 and then re-opened January 2015. The operating agreement and signature card on file were dated April 4, 2013. In addition, the operating agreement on file did not state the occupation of the patron.

**BCLC Response** – BCLC accepts the finding in relation to the Patron Gaming Fund account being re-opened, January 17, 2015. Documentation has been added to the Signature Card confirming the PGF account has been re-opened. Further documentation on the PGF Account Application and Operating Agreement has been added, noting the patron's occupation.

**Control Failure:** To meet customer due diligence and know your client obligations, service providers must ensure compliance with required processes for account openings and re-openings, to confirm that the information on file is current and accurate. (CCGC SPP S.3-8.3, 2.10)

**Impact:** Medium

3. The occupation of the patron was not stated on the 'Patron Gaming Funds Account Application and Operating Agreement' for PGF account number  $\alpha$  at Grand Villa Casino, and PGF account number  $\alpha$  at Starlight Casino.

Control Failure: All required sections of the Patron Gaming Funds Account Application and Operating Agreement must be completed. Documenting sufficient information in relation to the occupation is part of meeting customer due diligence obligations to ensure that the site knows the patron with whom they are dealing with. (CCGC SPP S.3-8.3, 2.10.2)

Impact: Medium

**BCLC Response** – BCLC accepts the finding. Review of this PGF application reveals that there is no occupation listed on the PGF Application and Operating Agreement. The oversight was corrected by the Senior Cage Supervisor at Starlight Casino and the occupation is now listed as per the requirement.

### Convenience Cheques

4. Two convenience cheques were issued to the same patron within the same week by River Rock Casino. The patron in question received a convenience cheque from River Rock in the amount of \$8,000 on June 29, 2014, and then another convenience cheque in the same amount from River Rock on July 3, 2014.

Control Failure: Service providers are restricted to the issuance of only one 'Return of Funds-Not Gaming Winnings' convenience cheque per week per patron. (CCGC SPP S.3-9.3, 3.2.4)

Impact: Medium

**BCLC Response** – BCLC accepts this finding. The reviews completed during the last three quarters did not find any issue relating to this finding. The BCLC Gaming Compliance Officer reviewed the above transactions with the Cage Shift Manager. The site has adequate procedures in place to prevent the issuing of more than one convenience cheque to a patron within the same week. The second cheque issued was an error by the cage staff who miscounted the days between the issuing of the cheques during a very busy time in the cage. Cage staffs has been reminded to be more diligent in completing the required checks; which involves checking the log sheet to verify if any cheques have been issued recently to the customer, and checking the patrons subject profile for comments regarding convenience cheques issued. This incident was reviewed with the site by the BCLC investigators at River Rock casino on July 03, 2014.

5. A review of convenience cheques issued for the period March 1, 2014 – January 31, 2015, identified numerous instances where the patron's date of birth was not documented in the 'narrative' field of the iTrak incident report. In addition, a few instances were identified where the narrative field did not state any information.

Control Failure: An incident report is required to be created in iTrak for the issuance of any convenience cheque. s.15

s.15

Impact: Low

**BCLC Response – Cascades Casino Langley – IN2014-0022056** BCLC accepts the finding relating to IN20140022056 (May 1, 2014). This IN File was generated as a result of the BCLC FY14/15 Q1 AML Compliance Review. On February 25, 201, the Surveillance Manager corrected the IN File Narrative section to capture all required information relating to the issuance of this Convenience Cheque.

**BCLC Response – Cascades Casino Langley – IN2014-0054399; 2014-0063029; 2014-0063057.** BCLC does not agree with findings related to: IN20140054399 (October 27, 2014); IN20140063029 (December 15, 2014) and IN20140063057 (December 15, 2014). These Incident Files were noted by the BCLC Gaming Compliance Officer during the FY14/15 Q3 AML Compliance Review and brought to the attention of the Surveillance Manager at that time. Resolution to the related issues identified in the BCLC Q3 AML Compliance Review FY14/15 were implemented January 23, 2015 by the Surveillance Manager, who updated each of the Incident File Narrative sections documenting all required information. Further as part of the resolution, the Surveillance Manager forwarded communication to members of the Surveillance Department outlining reporting requirements. This information had been added to the above noted Incident File Narrative sections prior to the GPEB Audit Notification letter being received by BCLC.

**BCLC Response – Edgewater Casino – IN2014-0023784; 2014-0024407; 2014-0024409; 2014-0026651; 2014-0029355; 2014-0031614; 2014-0033609; 2014-0038414; 2014-0043953; 2014-0045264; 2014-0046866; 2014-0050086; 2014-0051682; 2014-0053213; 2014-0054368; 2014-0058803.** BCLC accepts the findings. The Surveillance Manager has directed Surveillance staff to ensure the s.15

s.15 is documented in the narrative field of the incident report.

**BCLC Response – Grand Villa Casino – IN2014-0038047.** BCLC accepts the finding. The Service Provider has directed appropriate staff to ensure all required information related to Convenience Cheque transactions are documented in iTrak.

**BCLC Response – Chances Cowichan – IN2014-0062509.** BCLC acknowledges the finding. Staff responsible for the specified oversight have been directed to ensure the Patron's name, date of birth and Convenience Cheque amount be documented in the narrative field of the iTrak Incident file. The absence of an iTrak Incident File to document the Issuance of this Convenience Cheque was identified as an issue in the Q3 AML Compliance Review completed on December 2, 2014.

**BCLC Response – Hard Rock Casino – IN2014-0049447.** BCLC accepts this finding. The Cage Manager was advised of the missing DOB in the narrative, which resulted in Cage Staff being directed by the Cage Manager to ensure the DOB is entered in the narrative as required. It should be noted the DOB was noted in the Subject Profile of the Incident file.

**BCLC Response – Hard Rock Casino – IN2014-0058611.** BCLC accepts this finding. The Cage Manager was advised of the missing DOB and amount of the convenience cheque in the narrative, which resulted in Cage Staff being directed by the Cage Manager to ensure the DOB and cheque amount is entered in the narrative as required.

**BCLC Response – Lake City Casino Penticton – IN2014-0035641.** BCLC acknowledges this finding. This incident was categorized as a convenience cheque due to the fact s.15  
s.15 : drop down menu. The synopsis clearly identified this event as a “Tito tickets mailed in for redemption” as well as all the documentation in the incident itself is very clear. s.15  
s.15

**BCLC Response – Lake City Casino Penticton – IN2014-0036727.** BCLC acknowledges this finding. This incident was categorized as a convenience cheque due to the fact there are s.15

s.15 There is no requirement in BCLC P & Ps to document the Patron's name, date of birth, and convenience cheque amount in the narrative field for mailed in electronic tickets. The drop down selections may not suit all circumstances and further examination of the incident may be needed for any event. The category for this incident has been changed to blank to avoid further confusion. BCLC will be adding a drop down option to identify mailed in electronic gaming

**BCLC Response – Lake City Casino Penticton – IN2014-0046300.** BCLC acknowledges this finding. This incident was categorized as a convenience cheque due to the fact there are  
s.15

the BCLC OCO. There is no requirement in BCLC P & Ps to s.15  
s.15

1

**BCLC Response – Lake City Casino Kelowna - IN2014-0057551.** BCLC acknowledges this finding. This incident was categorized as a convenience cheque due to the fact there are  
s.15

**BCLC Response – Lake City Casino Kelowna - IN2014-0062436.** BCLC disagrees with this finding. The date of birth was documented in the narrative; however there was an incorrect entry of the year 2014 instead of 1961. The correct year was documented elsewhere in the iTrak incident. The year has now been modified in the narrative to reflect 1961.

**BCLC Response – Lake City Casino Kelowna – IN2014-0065100.** BCLC accepts this finding. The date of birth has now been entered into the narrative. The correct information was documented elsewhere in the iTrak incident.

**BCLC Response – Lake City Casino Vernon – IN2014-0048493.** BCLC acknowledges this finding. This incident was categorized as a convenience cheque as there are no other options  
s.15

## **CONCLUSION**

Issues were identified in this audit. BCLC has acknowledged the exceptions in this report and either risk will be accepted or changes will be made to service provider operations as noted.

Commercial Gaming Audit  
Audit and Compliance Division  
May 7, 2015

## **DISTRIBUTION LIST**

Brad Desmarais, Vice President, Corporate Security & Compliance, BCLC  
Gurmit Aujla, Director, Audit Services, BCLC

## **INTERNAL MEMO**

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**To:** Anna Fitzgerald, Director, Compliance Division, GPEB

**cc:** Douglas Mayer, A/ Manager of Audit, Compliance Division, GPEB

**From:** Tim Storms, Auditor, Compliance Division, GPEB

**Date:** April 16, 2015

**Subject:** COMM-8307 Edgewater – High Limit Cash Cage Activity

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### **BACKGROUND**

Gambling is a predominantly cash driven business, and as such, it is vulnerable to money laundering and other criminal activities.

Under Canadian law, a money laundering offence involves various acts committed with the intention to conceal or convert property or the proceeds of property (such as money) knowing or believing that these were derived from the commission of a designated offence.

Section 86 of the Gaming Control Act requires specific information to be provided to GPEB regarding anything that may be considered relevant to an investigation or investigative audit including anything that may be related to the commission of a criminal offence. This includes anything that may be related to the commission of a money laundering offence.

FINTRAC guidelines require casinos to report suspicious transactions where there are reasonable grounds to suspect that a transaction or an attempted transaction is related to the commission or attempted commission of a money laundering offence or a terrorist financing activity offence.

### **OBJECTIVE**

The objective of the review was to observe and collect data surrounding large cash transactions and suspicious cash transactions in high limit rooms at the Edgewater Casino. Surveillance and cash cage staff were observed and transactions were reviewed to determine how staff deals with patrons buying in with large amounts of cash.

Auditors performed the review in the casino surveillance room and at the Salon cash cage. All large cash transactions were cross-referenced with applicable iTrak reports, Section 86 reports and Suspicious Transaction Reports (STRs) in order to understand the service provider's criteria for identifying and reporting large cash and suspicious transactions. The scope of this review was limited to Edgewater Casino on February 20, 21 and 23, 2015, which coincided with Chinese New Year celebrations. The timing of this work was based on a similar review (COMM-7744) at the River Rock Casino over the 2014 Chinese New Year period. Activity was considerably lighter this year at Edgewater than what was encountered at River Rock in 2014.

## **APPROACH**

GPEB auditors attended Edgewater Casino on February 20, 21 and 23, 2015, to observe surveillance staff and high limit room cash cage staff. GPEB auditors attended the gaming facility during Chinese New Year celebrations in order to observe as many large cash and/or suspicious transactions as possible and observe how staff perform its duties when the gaming facility is busy. No cash-outs were observed from patrons who had previously completed a Large Table Buy-In.

## **KEY OBSERVATIONS**

- During the periods that auditors were onsite, a total of 10 Large Table Buy-Ins (LTBI) took place at the Salon cash cage which reached or exceeded the \$10,000 threshold for large cash transaction (LCT) reporting. Individual large cash buy-ins ranged from \$10,000 to \$20,000. None of these 10 buy-ins were considered suspicious by Edgewater surveillance or cage staff.
- A further 23 buy-ins reaching or exceeding the LCT threshold that occurred during the review period but when the auditors were not site were also analyzed to verify if reporting was completed as required. These buy-ins ranged from \$10,000 to \$150,000.
- Suspicious Transaction Reports (STR's) were sent to FINTRAC for three buy-ins (*part of the 23 not observed by auditors*) along with a corresponding Section 86 report to GPEB. These three buy-ins all contained 2,500 \$20 bills wrapped in elastic bands.
- STR's were not sent in for two other buy-ins containing 900 & 1,000 \$20 bills respectively. These two buy-ins were not documented in an iTrak incident report. Surveillance staff indicated anything under \$30K in twenties from a known patron would not generate an STR.



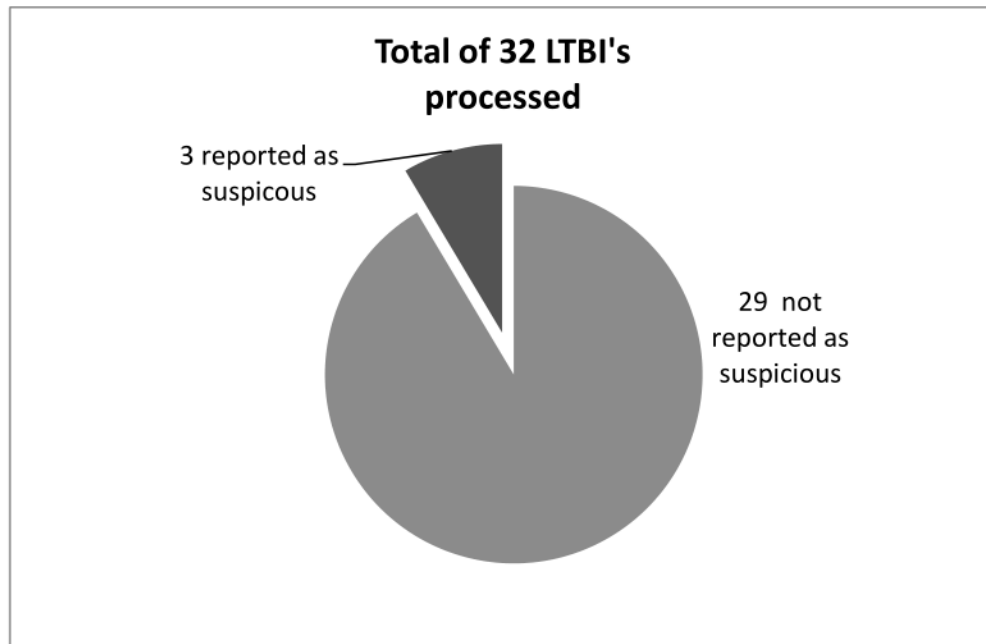
- STR's were not filed for any of the LTBI's that were comprised of \$100 bills. These buy-ins contained anywhere from 100 to 1,000 \$100 bills and at least one contained bundles wrapped in elastic bands. According to surveillance staff, STR's are generally not filed for buy-ins consisting of \$100 bills.
- LCTs were filed for all reviewed transactions that reached or exceeded the \$10,000 threshold for large cash transaction (LCT) reporting.
- Of the 22 patrons who conducted LTBI's during the period reviewed, 15 were on BCLC's Watch list as High Risk patrons.

## **CONCLUSIONS**

- High limit activity can vary considerably from one casino to another.
- Similar to what was observed at River Rock Casino last year, instances were noted of large volumes of cash coming into the high limit room wrapped in elastic bands.
- Buy-ins with only \$100 bills were not deemed suspicious regardless of the amount.
- Buy-ins with only \$20 bills were reported as suspicious only for larger amounts, as determined by surveillance staff.
- Total buy-in amounts and denomination type appear to main the main drivers for determining if a transaction is suspicious. The influence on any other factor appears to be minimal.

## DATA SPECIFICS

**Edgewater Casino**  
Salon & Satellite High Limit Cage  
Large cash transactions (buy-ins)  
February 20, 21 & 23, 2015  
20:00-03:00





6 buy-ins with mixed bills



Three reported as suspicious:

Denom:					Total:
\$5	\$10	\$20	\$50	\$100	
		2500	150		\$65,000
		2500	1000		\$150,000

Four not reported as suspicious:

Denom:					Total:
\$5	\$10	\$20	\$50	\$100	
			100	100	\$15,000
	100	300	100		\$12,000
	100	200	200		\$15,000
		100	100	110	\$18,000

## Internal Memo

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

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

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

Date: August 20, 2015

Subject: COMM-8490 PGF Review / January 1, 2015 – June 30, 2015

### EXECUTIVE SUMMARY

The Patron Gaming Fund (PGF) program allows patrons to deposit funds into their accounts, which can then be withdrawn for gaming, re-deposited for subsequent play or returned to the patron. Our objective is to analyze the utilization of PGF accounts within casinos in BC on a semi-annual basis. This update covers the period January 1, 2015 – June 30, 2015.

### Key Observations

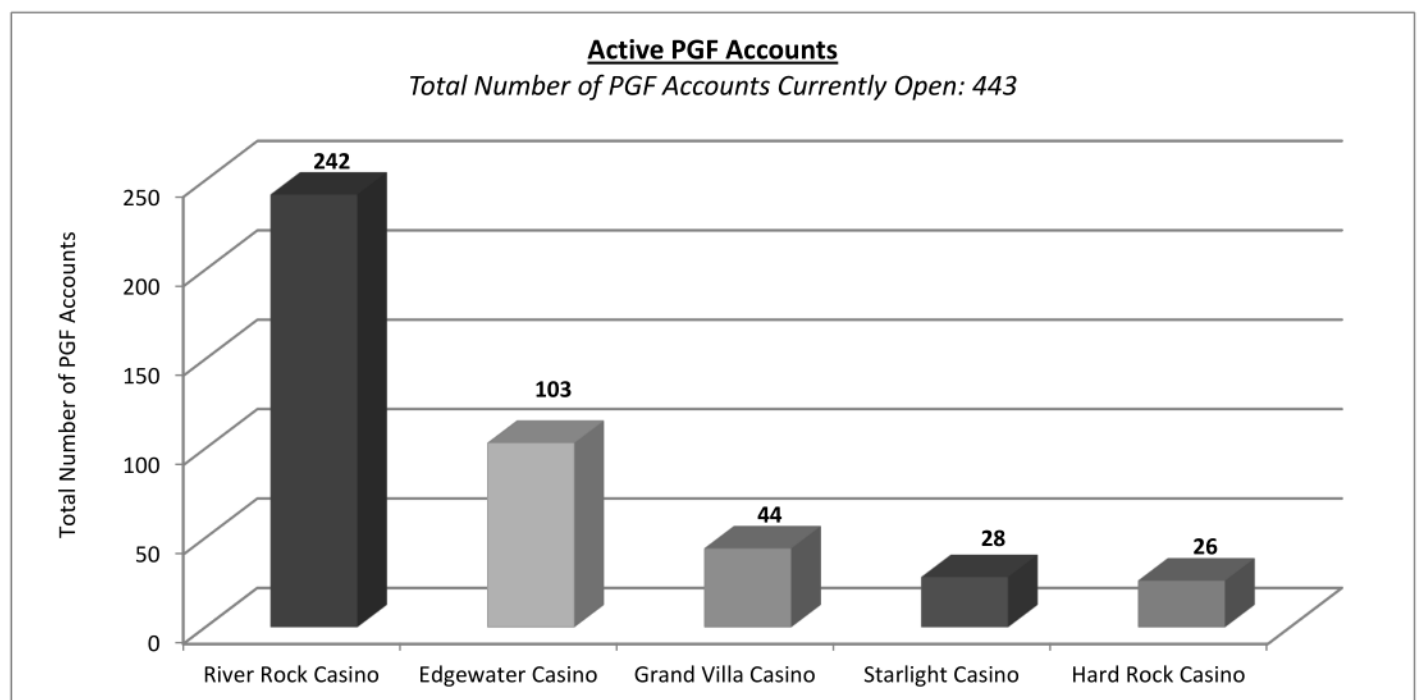
- Since the introduction of the PGF program in December 2009, a total of \$1.385 billion has been deposited, with nearly the same amount withdrawn. 30% of the \$1.385 billion deposited to PGF accounts were primarily from bank drafts, which represent “new money.” Re-deposits and verified wins accounted for 68% of the deposited funds while cheques from a Canadian casino accounted for the remaining 2%.
- During the period January 1, 2015 – June 30, 2015, a total of \$164,926,511 was deposited into PGF accounts, and \$164,136,075 was withdrawn. This represents a decline of 30% from the previous six month period, and a decline of 62% from one year ago.
- Fluctuations in PGF activity are attributed to the program’s dependence on a few patrons. 52% of PGF activity during the period January 1, 2015 – June 30, 2015 was generated by 10 patrons. During the previous six month period, 75% of the activity was generated by 10 patrons.
- Since the PGF program was introduced, a total of 823 accounts have been created, of which 46% have subsequently closed. As of June 30, 2015, a total of 443 accounts remain open, of which 22% have not had any activity for more than one year.
- In January 2015, BCLC revised its policy to state that if an account is inactive for three years, and no direction has been received from the patron, the account may be closed. Prior to the revision, accounts which were inactive for one year may be closed at the service provider’s discretion. One effect of this policy change is that more dormant accounts will remain open.

## PART 1: PGF ACCOUNT STATUS

The Patron Gaming Fund (PGF) program was created to offer high limit patrons at participating lower mainland casinos a viable option to transport large sums of money into the gaming facility. The program allows patrons to deposit funds into their PGF accounts, which can then be withdrawn for gaming, re-deposited for subsequent play or returned to the patron. The PGF program was launched in December 2009. The following five approved casinos offer PGF accounts to their patrons:

Site	PGF Program Launch Date
River Rock Casino	December 2009
Starlight Casino	January 2010
Grand Villa Casino	July 2010
Edgewater Casino	September 2010
Hard Rock Casino	February 2013

Since the PGF program was introduced, a total of 823 accounts have been created, of which 46% have subsequently closed. As of June 30, 2015, a total of 443 accounts remain open, as shown below.



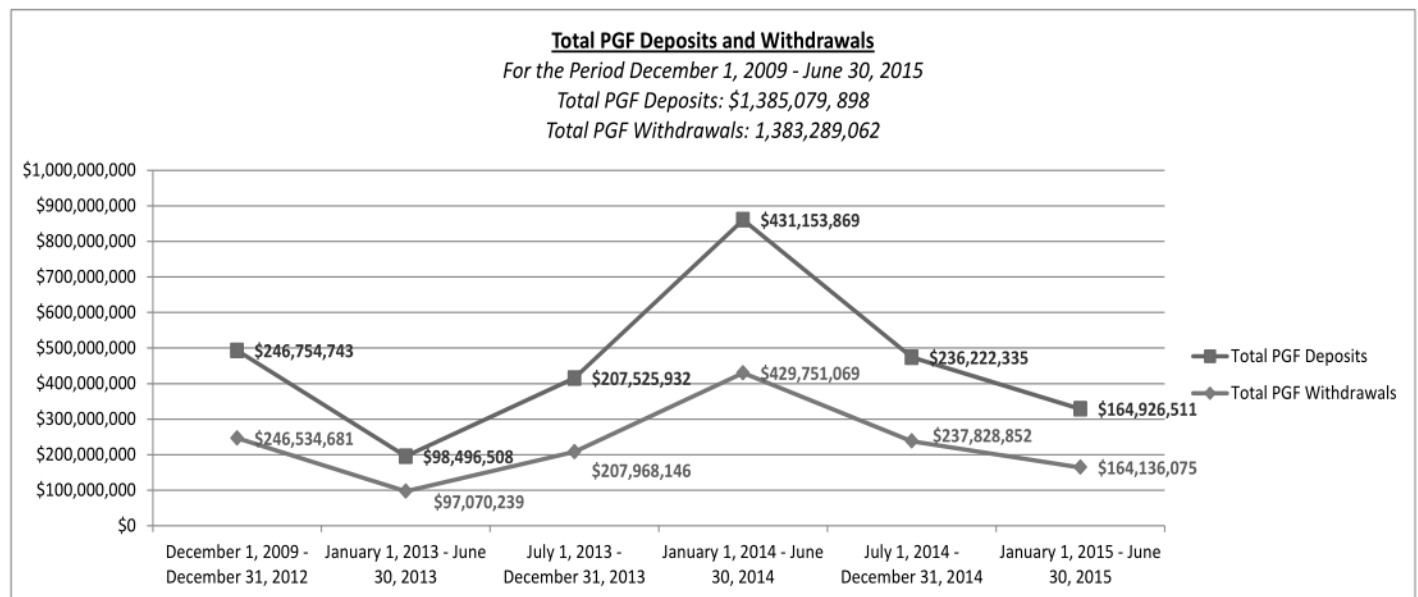
In January 2015, BCLC revised its policy to state that if an account is inactive for three years, and no direction has been received from the patron, the account may be closed. Prior to the revision, accounts which were inactive for one year may be closed at the service provider's discretion. One effect of this policy change is that more dormant accounts will remain open. For instance, of the 443 PGF accounts that are currently open, 22% (99 accounts) have had no activity for more than one year.

## PART 2: PGF ACCOUNT DEPOSITS AND WITHDRAWALS

A total of \$1.385 billion has been deposited, with nearly the same amount withdrawn since the introduction of the PGF program in December 2009. The closing PGF account balance as at June 30, 2015, is \$1,790,836 as shown below.

Site	December 1, 2009 – June 30, 2015		Closing PGF Account Balance, June 30, 2015
	PGF Account Deposits	PGF Account Withdrawals	
s.15	\$782,872,229	\$781,493,348	\$1,378,881
	\$274,502,621	\$274,255,521	\$247,100
	\$215,281,824	\$215,181,824	\$100,000
	\$94,806,894	\$94,786,894	\$20,000
	\$17,616,330	\$17,571,475	\$44,855
<b>Total</b>	<b>\$1,385,079,898</b>	<b>\$1,383,289,062</b>	<b>\$1,790,836</b>

The line graph below shows total PGF deposits and withdrawals at different intervals throughout the past 5 ½ years. During the period, January 1, 2015 – June 30, 2015 a total of \$164,926,511 was deposited into PGF accounts, and \$164,136,075 was withdrawn. This represents a decline of 30% from the previous six month period, and a decline of 62% from one year ago.

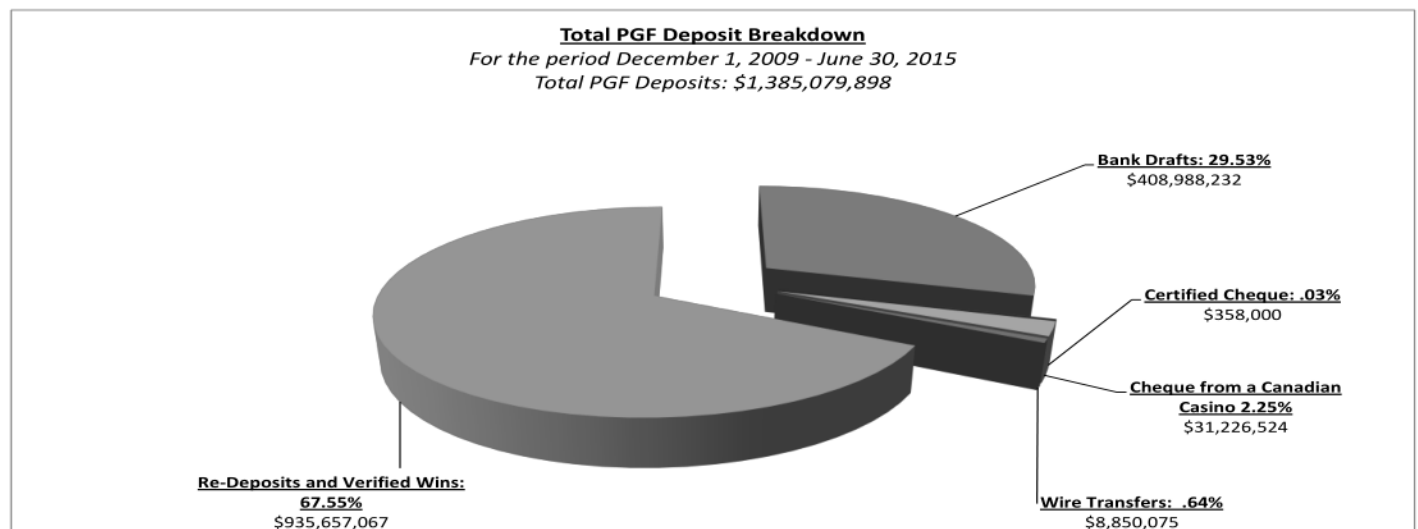


Fluctuations are largely attributed to the program's dependence on a few patrons to generate majority of the dollar volume activity. For instance, although, there are 443 PGF accounts that are currently open, 52% of the activity during the current review period January 1, 2015 – June 30, 2015 was generated by 10 patrons. During the previous six month period, July 1, 2014 – December 31, 2014, 75% of the activity was generated by 10 patrons. For the period January 1, 2014 – June 30, 2014, when PGF activity was at record highs, 84% of the activity was generated by 10 patrons.

### PART 3: PGF DEPOSIT BREAKDOWN

Deposits to PGF accounts can be made by bank draft, certified cheque, cheque from a Canadian casino, wire transfer, electronic funds transfer (EFT), debit card transaction, or internet banking transfer from an authorized personal bank account, and chips from a 'verified win' issued at the same casino opening the account.

The pie chart below provides a detailed breakdown of the \$1.385 billion that was deposited into PGF accounts since the program was introduced. Approximately 30% of the funds deposited into the accounts were from bank drafts, with less than one percent from wire transfers, and certified cheques. Together, bank drafts, wire transfers, and certified cheques represent "new money" coming into the casino. Re-deposits and verified wins accounted for 68% of the funds deposited into the accounts. Re-deposits are funds that patrons have withdrawn from their PGF account and then subsequently deposited back after any period of continuous play. Cheques from a Canadian casino accounted for 2% of the total deposits. Cheques from a Canadian casino are those that were issued to a patron at a Canadian casino different from the casino the patron is depositing them at.



### CLOSING COMMENTS

Over a billion dollars has flown in and out of PGF accounts since the program was introduced in December 2009. A majority of the funds deposited into PGF accounts consist of funds moving around the casino (re-deposits and verified wins). Without the existence of PGF accounts, patrons would either cash out their gaming chips or leave the facility with the gaming chips until their next visit. To this extent, re-deposits of funds into PGF accounts reduces the amount of cash patrons may leave and subsequently re-enter the casino with. In relation to "new money" such deposits into the accounts have been almost always with bank drafts. Only a handful of deposits have been made by wire transfers and certified cheques, while the other options for authorized deposits such as electronic funds transfer (EFT), debit card transactions, or internet banking transfers from an authorized personal bank account have not been utilized. The PGF program is highly dependent on a small number of patrons that generate a vast majority of the activity. Almost half of the accounts created to date have been closed, and the majority of those that remain open are seldom used.



## Internal Memo

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

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

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

Date: August 20, 2015

Subject: COMM-8506 Debit at Cage and Convenience Cheque Review / January 1 – June 30, 2015

### EXECUTIVE SUMMARY

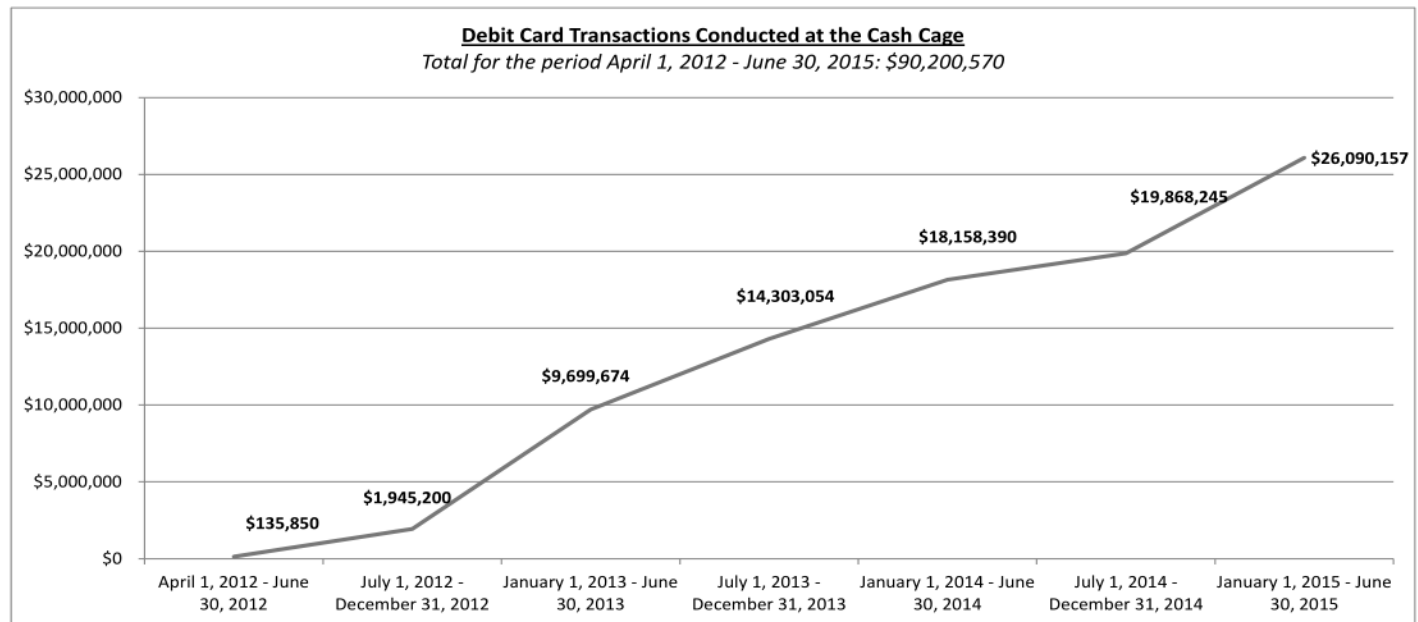
On April 1, 2012, BCLC introduced a series of initiatives to provide non-cash alternatives at gaming facilities. Among these initiatives were the use of debit card transactions at the cash cage, and the issuance of convenience cheques. Our objective is to analyze the utilization of these initiatives within commercial gaming facilities in BC on a semi-annual basis. This update covers the period January 1, 2015 – June 30, 2015.

### Key Observations

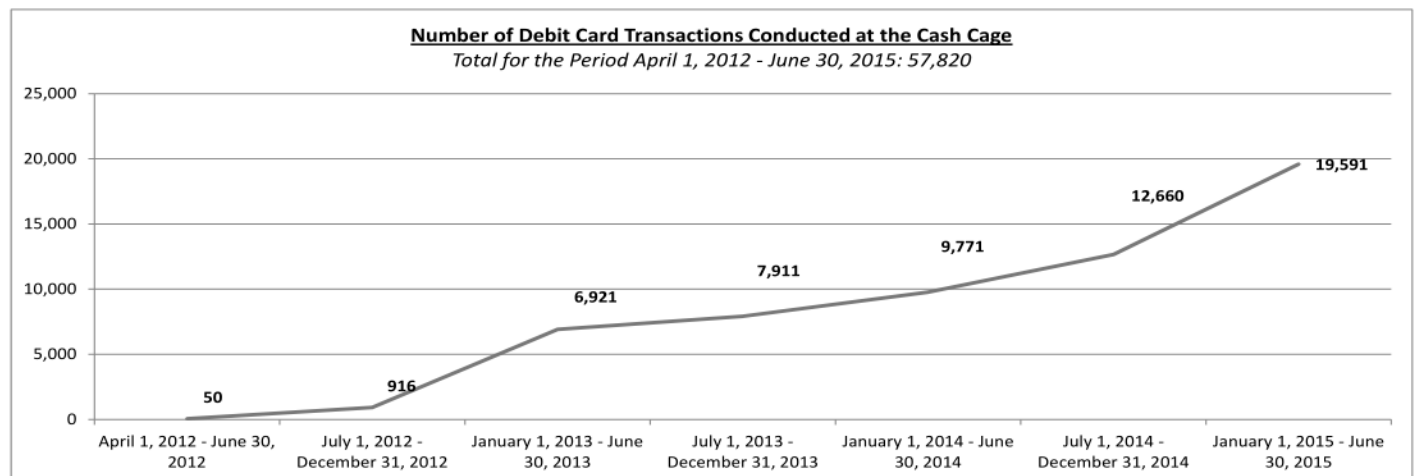
- Debit card transactions conducted at the cash cage during the period January 1, 2015 – June 30, 2015, amounted to \$26,090,157. This represents a 31% increase from the previous six month period. Since the launch of the initiative, April 1, 2012 – June 30, 2015, a total of \$90,200,570 of debit card transactions at the cash cage have been conducted.
- A total of 19,591 debit card transactions were conducted at the cash cage during the period January 1, 2015 – June 30, 2015. This represents a 55% increase from the previous six month period. Since the launch of the initiative, April 1, 2012 – June 30, 2015, a total of 57,820 debit card transactions at the cash cage have been conducted.
- 46 convenience cheques were issued during the period January 1, 2015 – June 30, 2015, which represents a 32% decrease from the previous six month period. Since the launch of the initiative, April 1, 2012 – June 30, 2015, a total of 323 convenience cheques have been issued for \$1,636,962.
- River Rock Casino has issued 199 of the total 323 convenience cheques to date. Notable large, lower mainland casinos, specifically Grand Villa, Hard Rock and Starlight Casino, have all issued less than 10 convenience cheques each.
- Since the introduction of the convenience cheque initiative in April 2012, 38 patrons have received more than one convenience cheque in total. One patron has received 24 convenience cheques totaling \$183,000. Overall, based on the low volume and small dollar amounts of convenience cheques issued, it does not appear that convenience cheques have been exploited or misused by patrons.

## DEBIT CARD TRANSACTIONS AT THE CASH CAGE

At the service provider's discretion, bank debit cards may be used at the cash cage for patrons to access funds for gaming. Debit card transactions conducted at the cash cage during the period January 1, 2015 – June 30, 2015, amounted to \$26,090,157. This represents a 31% increase from the previous six month period. A total of \$90,200,570 of debit card transactions at the cash cage have been conducted since the initiative was introduced in April 2012. Overall, debit card transactions conducted at the cash cage have increased each period, as shown in the chart below.



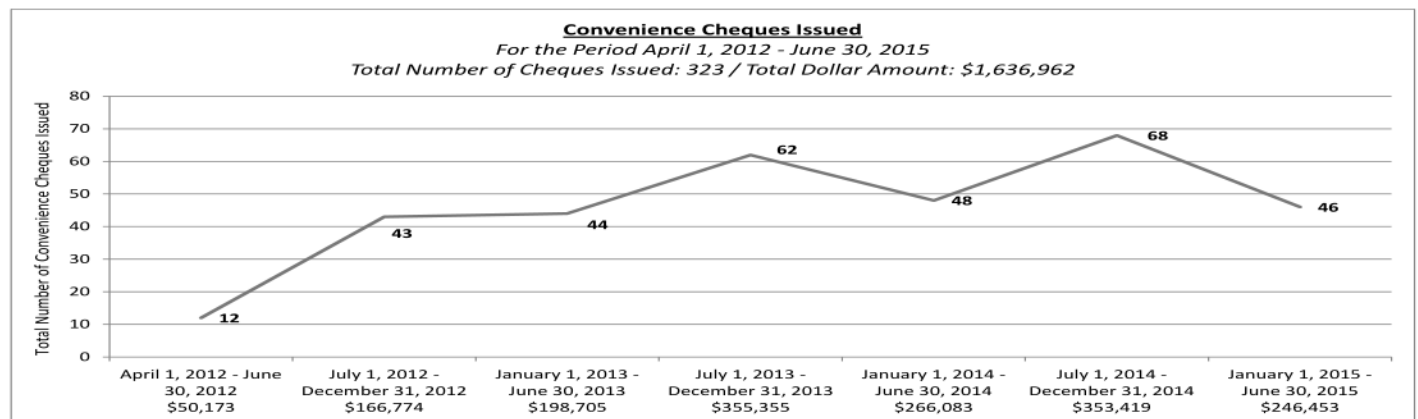
The number of debit card transactions conducted at the cash cage has also increased. During the period January 1, 2015 – June 30, 2015, there were a total of 19,591 debit card transactions conducted at the cash cage, which represents a 55% increase from the previous six month period. To date, there has been a total of 57,820 debit card transactions conducted at the cash cage, as shown below.



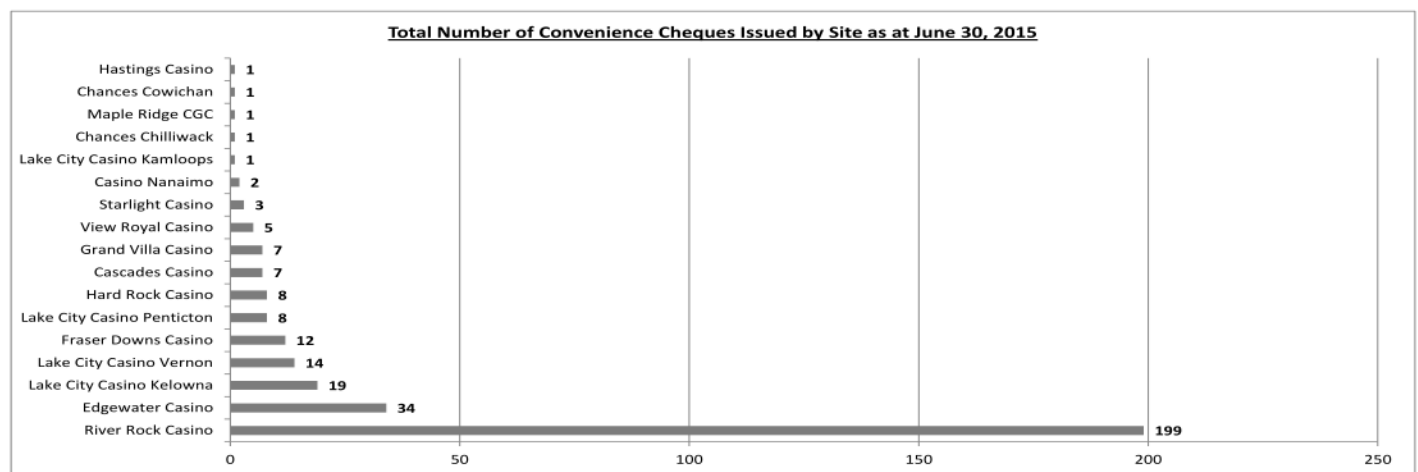
## CONVENIENCE CHEQUES

Service providers may, at their discretion and upon the request of the patron, issue a cheque that is not for a verified win, but for the return of buy-in funds or unverified wins. Presently, convenience cheques may be issued up to a maximum dollar amount of \$10,000. Convenience cheques, must have prominently endorsed on the face the phrase – “Return of Funds –Not Gaming Winnings”.

For the review period January 1, 2015 – June 30, 2015, a total of 46 convenience cheques were issued, which represents a 32% decrease from the previous six month period. To date, a total of 323 convenience cheques have been issued for a total of \$1,636,962, as shown in the chart below.



Of the total 323 convenience cheques issued to date, 199 have been issued by River Rock Casino, as shown in the chart below. Notable large, lower mainland casinos, specifically Grand Villa, Hard Rock and Starlight Casino, have all issued less than 10 convenience cheques each.



Since the introduction of the convenience cheque initiative in April 2012, 38 patrons have received more than one convenience cheque in total. One patron has received 24 convenience cheques totaling \$183,000. Overall, based on the low volume and small dollar amounts of convenience cheques issued, it does not appear that convenience cheques have been exploited or misused by patrons.



## INTERNAL MEMO

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

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

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

**Date:** December 15, 2015

**Subject:** Unusual Financial Transaction/Suspicious Transaction Verification Review (COMM-8513)

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### **EXECUTIVE SUMMARY**

This review provides an analysis of BCLC's process for the identifying and reporting of unusual or suspicious currency transactions occurring at BC gaming facilities. The objective was to further our understanding of what BCLC is deeming a reportable transaction and to quantify the number of reportable vs. non reportable transactions in the review period.

The scope is limited to a review of transactions or events occurring in six Lower Mainland casinos: River Rock, Edgewater, Hard Rock, Grand Villa, Starlight and Cascades. The period reviewed was dependent on the specific tests and will be detailed below. The review contains 4 key sections:

#### **1. Review of BCLC's Anti-Money Laundering Monitoring Program:**

- BCLC has processes in place to ensure their AML team reviews all Unusual Financial Transaction (UFT) incident reports created in iTrak by service provider staff. The AML Specialist and the BCLC Investigators make the decision on whether a transaction is reportable to FINTRAC or not.
- BCLC Audit Services reviews all UFT transactions to confirm that evidence has been provided to allow a decision to report or not. Audit Services does not evaluate the quality of the evidence nor whether the decision was correct. They also confirm that those deemed "substantiated" were reported to FINTRAC.

## **2. Analysis of “Unusual Financial Transactions” in iTrak:**

- Our review found that 95% of all UFT’s created between July 1, 2014 and July 31, 2015 were deemed substantiated by BCLC and reportable to FINTRAC. There were 2,008 incidents during this period that were tagged as an “Unusual Financial Transaction” by service provider staff. 1,912 were deemed substantiated and therefore reportable to FINTRAC.

## **3. Analysis iTrak Incident Report Data for miscategorized UFT’s:**

- iTrak incident reports for the period May 1 to July 31, 2015 were reviewed to see if suspicious transactions were not reported to FINTRAC as a result of an incorrect categorization in iTrak, specifically as a result of not being labelled as an Unusual Financial Transaction.

## **4. Analysis of Large Table Buy-In’s to quantify UFT reporting:**

- Large Table Buy-ins occurring at the River Rock Casino between January 1 and June 30, 2015 were analyzed to determine if Unusual Financial Transactions were being created in iTrak for these.
  - 92% of Large Table Buy-in’s consisting primarily of \$100 bills were not deemed suspicious enough to be designated as an Unusual Financial Transaction and therefore not reportable to FINTRAC.
  - 98% of Large Table Buy-in’s with 2,500 or more \$20 bills ( $\geq \$50,000$ ) were considered suspicious enough to be designated as an Unusual Financial Transaction and therefore reportable to FINTRAC. For amounts of less than 2,500 \$20 bills the UFT designation falls to approximately 25% of LTBI transactions reviewed.

## **CONCLUSION**

Given that 95% of UFT’s were designated “Substantiated” there does not seem to be intent on the part of BCLC to avoid reporting to FINTRAC those transactions identified as suspicious or by service provider staff.

There does not seem to be widespread intentional or erroneous miscategorizing of incidents in iTrak to avoid reporting unusual financial transactions. The mining of the iTrak data did not identify material evidence of suspicious transactions being wrongly categorized and therefore not reported to FINTRAC.

Large Table Buy-ins consisting of primarily \$100 bills are generally not being deemed a suspicious transaction reportable to FINTRAC. Large Table Buy-in’s consisting of large volumes of \$20’s are being deemed suspicious and reportable to FINTRAC.

The review of iTrak did not identify any material evidence that incident report data had been modified by someone other than the originator. There does not appear to be any evidence that data was modified subsequent to initial entry, as a means to avoid reporting suspicious transactions.

## Internal Memo

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

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

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

Date: December 15, 2015

Subject: COMM-8513 Unusual Financial Transaction\Suspicious Transaction Verification Review

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### EXECUTIVE SUMMARY

- A review was conducted on Unusual Financial Transactions (UFT's) incident reports created in iTrak by service provider staff. A risk was raised that BCLC was overriding the service providers' concerns and deeming these not suspicious and therefore non-reportable to FINTRAC. Our review found that 95% of all UFT's created between July 1, 2014 and July 30, 2015 were deemed substantiated by BCLC and reportable to FINTRAC.
- Incident reports for the period May 1 to July 31, 2015 were reviewed to see if suspicious transactions were being missed from the reporting process due to incorrect categorization in iTrak, specifically as a result of not being labelled as an Unusual Financial Transaction. There did not appear to be any material evidence that suspicious transactions were not being reported as a result of incorrect categorization.
- Large Table Buy-ins occurring at the River Rock Casino between January 1 and June 30, 2015 were analyzed to determine if Unusual Financial Transactions were being created in iTrak for these. The UFT designation is the precursor to the transaction being filed as an STR with FINTRAC. Key observations were:
  - 92% of Large Table Buy-ins consisting primarily of \$100's were not deemed suspicious enough to be designated as an Unusual Financial Transaction and therefore not reportable to FINTRAC through an STR.
  - 98% of Large Table Buy-ins consisting of large volumes ( $\geq 2,500$ ) of \$20's were considered suspicious enough to be designated as an Unusual Financial Transaction and therefore reportable to FINTRAC. For amounts less than 2,500 in \$20's, the UFT designation falls to approximately 25% of transactions.
- User access levels and transaction audit logs were reviewed in iTrak to determine if data had been manipulated after entry, by someone other than the originator. The risk identified was that individuals could potentially be altering details of a UFT in iTrak to make it appear non-suspicious. There was no evidence of this being done.

## **PART 1: INTRODUCTION**

### **BACKGROUND**

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

### **OBJECTIVE**

The objectives of this review were as follows:

1. Further our understanding of the framework BCLC is using for reporting unusual or suspicious financial transactions to FINTRAC.
2. Identify the criteria BCLC is using as a determination for whether to report these transactions to FINTRAC.
3. Evaluate whether these criteria are being used on a consistent basis throughout different gaming facilities.
4. Identify transactions not reported to FINTRAC which appear to have met the criteria as outlined in objective 2.
5. Quantify the levels of non-reporting of unusual or suspicious financial transactions.

### **SCOPE**

The scope of the review was limited to transactions or events occurring in six Lower Mainland casinos: River Rock, Edgewater, Hard Rock, Grand Villa, Starlight and Cascades. The timeframe reviewed was dependent on the test conducted. This review was intended to complement the work already being done as part of GPEB’s BCLC Anti-Money Laundering Compliance Regime audit. Reliance was placed on work BCLC Audit Services conducts to confirm that those transactions designated as a substantiated Unusual Financial Transaction were filed as an STR with FINTRAC.

### **APPROACH**

1. Document the criteria that BCLC uses to determine what constitutes an unusual or suspicious transaction that will be reported to FINTRAC.

2. Review the transactions deemed unsubstantiated by the BCLC Investigator to determine if the decision follows the criteria identified in step 1.
3. Identify iTrak incident reports created by the six sites during the review period for large and/or unusual currency transactions. ACL was used to search for key words indicating suspicious or unusual transactions in incidents not tagged as a UFT in iTrak. Determine volume of suspicious transactions which weren't captured through the normal UFT/STR process.
4. Obtain large table buy-in (LTBI) tracking sheets created for transactions during the review period for the casinos being reviewed. Determine if Unusual Financial Transactions were created in iTrak for these transactions.

## **PART 2: ANALYSIS**

### **Component I – Review of BCLC's Anti-Money Laundering Monitoring Program**

A meeting was held with the BCLC AML Specialist on September 10, 2015. The purpose of the meeting was to gain a further understanding of BCLC's AML Compliance Regime and how suspicious events were monitored.

Some key points discussed with the AML Specialist include:

- Oversight of the program to ensure suspicious transactions are captured and reported to FINTRAC.
- Procedures to ensure consistency of policy between different service providers and gaming sites.
- Steps being taken by BCLC to reduce risk associated with suspicious activity.

#### **I. Oversight of the program**

The BCLC AML team is responsible for anything AML related at BC gaming facilities. In his role as the AML Specialist, he reviews incident report data in the Casino Reporting System (iTrak) related to potential money laundering activity. The AML Specialist receives automatic notification, by email, from iTrak each time an incident report is created with category of "Unusual Financial Transaction" or "UFT". He will review supplemental entries that investigators have created to either substantiate or unsubstantiate a UFT. Based on what details are provided in the supplemental, he will approve the decision or request more info from the investigator. The Specialist indicated that he will not directly override the decision of the investigator. If he feels that their decision may not be correct he will go back to the investigator and have them review and/or provide any further support needed. Final authority on whether a transaction should be reported still lies with the AML Specialist.

The AML Specialist also scans iTrak looking for incidents that may relate to money laundering but which weren't classified as a UFT in iTrak, for example an incident tagged an "Exchange of Cash/Chips". If he feels these warrant reporting he will instruct investigator to channel the incident through the normal process for a UFT.



BCLC Audit Services conducts a review of all UFT's every two weeks. The focus of this review is to ensure that there is evidence presented by the BCLC Investigator to support the decision to substantiate or unsubstantiated the UFT. However, their review does not analyze the quality of the evidence and whether or not the decision was a correct one. Audit Services feels that only the AML team has the sufficient knowledge and experience to make that decision. Audit Services also confirms that the substantiated transactions are reported to FINTRAC within the required timeframe.

## **II. Consistency of policy between service providers and gaming sites.**

The AML Specialist indicated that the AML program is tailored to the size of the gaming facility, so that what may be suspicious at one facility may not be considered suspicious at another. However the goal is to ensure policy is being adhered to on a consistent basis across the province. For example Cascades Casino, a smaller facility, is raising the threshold of what needs to be reported (i.e. reporting less immaterial transactions) and River Rock Casino is lowering its thresholds (i.e. reporting more transactions). FINTRAC has indicated to BCLC that it was important to ensure only reportable transactions were being received by them as they could be overwhelmed by large volumes of immaterial transactions. However, in order to ensure that the decision to report lies with BCLC, service provider staff have been encourage to err on the side of caution and over report . The AML Specialist indicated that service provider staff have never been given a listing of what not to report.

BCLC works with service provider surveillance and compliance staff to ensure policies are being adhered to. Extensive training has taken place and BCLC has provided gaming staff with tools to help determine what constitutes a suspicious transaction. For example a large laminated poster detailing the risk level for certain types of behaviors and transactions was developed for gaming staff.

## **III. Steps being taken to reduce risk**

BCLC has begun sanctioning high risk players that exhibit suspicious behavior, such as bringing in huge amounts of currency or associating with known loan sharks. BCLC relies on service provider staff as the initial contact to dissuade players from this type of behavior. Further suspicious behavior will then result in a meeting with the BCLC Investigator. At the time of testing, the AML Specialist indicated they currently have 12 to 13 individuals that have reached the "second" status requiring an interview with BCLC with the potential for 10 more. These patrons can be banned from gaming based on their willingness to meet with BCLC Investigators and/or their inability to substantiate source of funds. BCLC has also begun issuing directives against high risk patrons such as prohibiting gaming with currency.

According to the AML Specialist there are currently no hard and fast rules about what will result in a gaming ban, for example there is no "three strikes and you are out" rule. The AML Specialist feels that given the nature of the casino business, structured rules such as that are impractical and patrons need to be reviewed on a case by case basis.

## **Component II - Review of Unsubstantiated “Unusual Financial Transactions” in iTrak.**

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

iTrak has a hierarchical categorization framework where incidents are classified by “Type”, then “Specific” and then “Category”. The “Specific” label for a suspicious transaction is “Unusual Financial Transaction” or “UFT”. The available Category selections for a UFT are “Substantiated”, “Unsubstantiated” and “Null”. When surveillance staff at the site have created the UFT incident in iTrak, they will leave the category as Null. The BCLC Investigator responsible for that site reviews all Null UFT’s and then changes the Category to Substantiated or Unsubstantiated, based on whether they feel the transactions meets FINTRAC’s criteria for a Suspicious Transaction Report (STR).

A review of all UFT’s created at the six large Lower Mainland casinos (River Rock, Edgewater, Starlight, Grand Villa, Hard Rock and Cascades) for the period July 1<sup>st</sup> 2014 to July 31<sup>st</sup> 2015 was conducted to identify those categorized as “Unsubstantiated”. The information provided by the BCLC Investigator to deem the transaction as unsubstantiated was reviewed to see:

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

This review did not evaluate whether the transaction required submission as an STR or not, primarily as we do not have access to the KYC information that the BCLC Investigators use to assist in making this decision. Rather the review evaluated the completeness and consistency of information provided to make such judgments. The unsubstantiated transactions were also reviewed to identify any transactions where the information provided in iTrak overwhelmingly indicated an attempted money laundering activity.

Between July 1<sup>st</sup> 2014 and July 31<sup>st</sup> 2015 there were 2,008 incidents categorized as Unusual Financial Transactions in iTrak for the six sites under review. The following chart breaks this number out by site and by whether or not the incident was considered substantiated, and therefore filed as an STR with FINTRAC, or unsubstantiated.

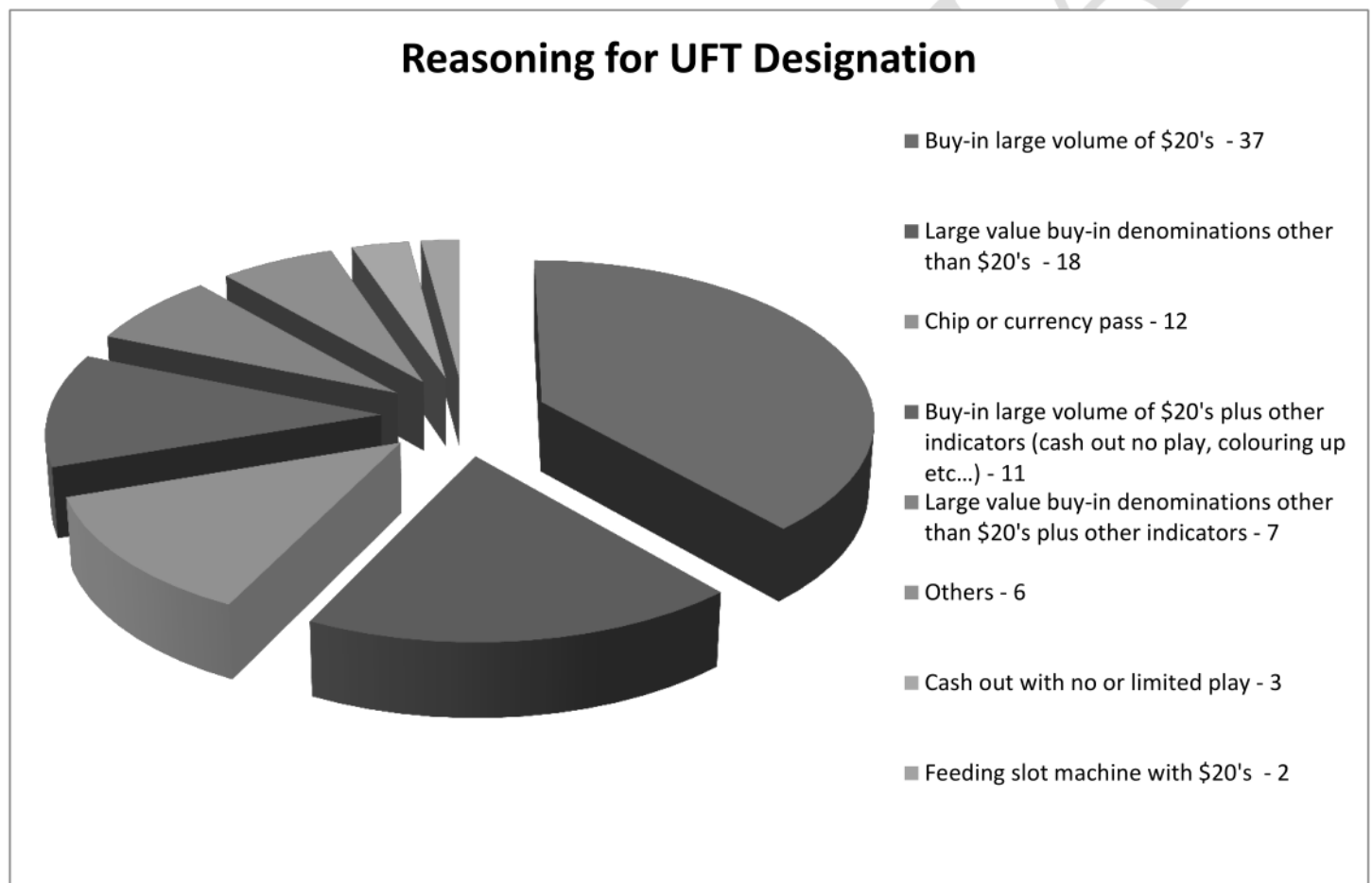
### **UFT Breakdown: Substantiated vs. Unsubstantiated**

Site	Total UFT's	Substantiated	%	Unsubstantiated	%
River Rock	1250	1238	99.0%	12	1.0%
Grand Villa	155	120	77.4%	35	22.6%
Starlight	211	182	86.3%	29	13.7%
Edgewater	355	349	98.3%	6	1.7%
Hard Rock	23	15	65.2%	8	34.8%
Cascades	14	8	57.1%	6	42.9%
<b>Total</b>	<b>2008</b>	<b>1912</b>	<b>95.2%</b>	<b>96</b>	<b>4.8%</b>

Overall, BCLC deemed 95% of all UFT's to be substantiated and therefore reportable to FINTRAC. This would indicate that there does not appear to be a significant attempt by BCLC to avoid reporting transactions the sites deemed suspicious.

As noted in the table, 96 UFT's were later deemed to be unsubstantiated by the BCLC Investigator reviewing the circumstances. These 96 were therefore not forwarded to FINTRAC as an STR.

The review of the reasoning behind the service provider staff identifying these transactions as unusual are varied, however there are several commonalities. The chart below summarizes the primary reasoning why they were considered suspicious:



Once the transactions were tagged as a UFT in iTrak, the BCLC Investigator for the site reviewed the details as well as surveillance footage capturing the transaction. Based on that review the investigator did not feel that these transactions met the criteria for reporting to FINTRAC as an STR.

The following table summarizes the reasons why the BCLC Investigator felt they did not meet the criteria for a reportable STR. Quite often an investigator will provide multiple indicators as to why he felt the transaction was not substantiated.

Reasons for deeming UFT as Unsubstantiated	#
Occupation provides access to amount of funds	31
Recycled funds	25
Funds put at risk	23
No facilitation of funds (patron had funds in possession from outset)	20
No previous history of STR's	22
Long standing relationship with BC Casinos	19
No attempt to colour up or ask for cheque	16
Small denominations accessible through ATM or Global Cash	16
No suspicious indicators	15
Occupation provides access to denomination (\$20's)	15
Buy-in amount/level of play consistent with regular play	13
Chip/currency pass OK - known associates	10
Chip/currency pass overt	5
Source of funds identified - not suspicious	3
Buy-in amount deemed insignificant	2
Large denomination (\$100's) not suspicious	2
No commercial intent	2
PGF Activity - source of funds confirmed	2
Bundles of cash appear to be prepared by financial institution	1
Large volume of small denomination not considered suspicious for River Rock	1
No buy-in, chip-in only	1
STR submitted under other incident #	1

This second table breaks down the explanations by gaming facility.

Unsubstantiated Reason	River Rock	Edgewater	Starlight	Grand Villa	Hard Rock	Cascades
Occupation provides access to amount of funds			18	7	4	2
Recycled funds	1	1	22	1		
Funds put at risk	3	2	5	12	1	
No facilitation of funds (patron had funds in possession from outset)	1		2	17		
No previous history of STR's	3	1	1	15		2
Long standing relationship with BC Casinos		1	17	1		
No attempt to colour up or ask for cheque		1		12		3
Small denominations accessible through ATM or Global Cash		1		13		2
No suspicious indicators	3		2	7	1	2
Occupation provides access to denomination (\$20's)	1		2	12		
Buy-in amount/level of play consistent with regular play			3	7	2	1
Chip/currency pass OK - known associates	3	3	2	1	1	
Chip/currency pass overt		1		2	2	
Source of funds identified - not suspicious	1	2				
Buy-in amount deemed insignificant	1				1	
Large denomination (\$100's) not suspicious			2			
No commercial intent		1	1			
PGF Activity - source of funds confirmed	2					
Bundles of cash appear to be prepared by financial institution					1	
Large volume of small denomination not suspicious for River Rock					1	
No buy-in, chip-in only		1				
STR submitted under other incident #	1					
<b>TOTAL</b>	<b>20</b>	<b>15</b>	<b>77</b>	<b>107</b>	<b>14</b>	<b>12</b>

As previously noted, this analysis does not attempt to determine the validity of the investigator's decision, as the only information available for review is that contained in iTrak, i.e. no surveillance footage or access to BCLC's KYC data was considered and/or available for review. However there were several transactions noted which could present an increased risk of money laundering or proceeds of crime. These are presented for information purposes.

**1. IN20140052578 2014-10-17 Edgewater Casino:**

SID#s.22 wanted to exchange a bag of \$20 bills (approx. \$20K) to \$100 bills. His request was denied.

BCLC Reasoning for deeming unsubstantiated:

*SID#s.22 did attempt to exchange the \$20 bills into \$100 bills; however, once the site had denied the exchange, SID#s.22 continued to game for several more hours. Furthermore, although the exact number of \$20 bills is unknown, it appears to be a small amount that would be easily accessible through an ATM or Global Cash. It is suspected that SID#s.22 wanted to change these bills solely for convenience as he was wagering substantial amounts per hand and clearly had a large amount of \$100 bills in his possession this date as well*

**2. IN20140053029 2014-10-19 Edgewater Casino:**

SID#s.22 ... and observed him driving up to the valet circle. Once leaving his car, SID#s.22 was observed walking toward the taxi loop area while using his cell phone. SID#s.22 entered a white BMW SUV for a short while. The activity and/or transaction that occurred inside the vehicle could not be confirmed either. After exiting the SUV SID#s.22 headed into the salon and sat down at MDB21, where he pulled out 2 X \$5000 chips for play.

BCLC Reasoning for deeming unsubstantiated:

*I find that the chips that SID#s.22 produced for his buy in could have come from anywhere and was not necessarily dropped off by the white BMW. On October 5 when SID#s.22 was at Edgewater last, s.22 may not have played his entire bankroll and left with some chips. Furthermore, as the camera cannot see inside the vehicle, it is unclear at this time as to the conversation that took place and the activity that had occurred inside the BMW*

**3. IN20140053298 2014-10-21 Langley**

SID#s.22 is buying in \$2,000 with small denomination (\$20's) at DDBJ2 and attempting to cash out at the main cage without playing.

BCLC Reasoning for deeming unsubstantiated:

*No history of suspicious activity. SID#2s.22 was noted to game on site for a period of 2hrs (prior to this buy-in). SID#s.22's occupation supports his level of play and he was gaming within his regular level. s.22 was cooperative and did not conceal the fact that he wanted larger bills, which at that amount he could have obtained from an ATM or a Global Cash machine*

**4. IN20150020526 2015-04-18 Edgewater**

14:25 - SID#s.22 attempted to buy-in for \$150,000 in cash, \$100 bills. The buy-in was denied (as per BCLC directive no cash buy in's allowed). Subject took back the cash, exited the Salon (high limit

room) to sit with his female associate. He was seen making phone calls. 15:37 - A patron, who appears to be SID#s.22 sits next to SID#s.22 and passes him a piece of paper. Surveillance could not see what was on the paper, but judging by the shape of it, it could be a cheque. 16:05 - SID#s.22 buys in with two cheques: one for \$100,000 (RBC Royal Bank), and one for \$30,000 (BMO Bank). 16:08 - Cheques are made in order to SID#s.22, which is why cage returns them and asks SID#s.22 to correct it, cross out his name and put Edgewater instead.

BCLC Reasoning for deeming unsubstantiated:

*Bank Drafts were used and not cheques this was not considered to be unusual. The circumstances of this report do not meet the criteria for filing a STR to FINTRAC.*

### **Component III - Review of iTrak Incident Report Data for miscategorized UFT's**

A risk was identified that gaming facilities could have miscategorized unusual financial transactions in iTrak, whether intentionally or by error. As detailed in the background section, the BCLC Investigators and the BCLC AML team are primarily concerned with reviewing transactions that are labelled "Unusual Financial Transactions" in iTrak. Transactions that did not have the UFT designation may not have been captured in that review process. A test was developed to "mine" iTrak incident reports during the review period for those containing key words which may indicate money laundering or other suspicious activity.

iTrak Incident Reports (*for the same six sites as used in the Part II UFT Analysis*) for the period May 1 to July 31 2015 were analyzed to determine if they contained any of the key words. This was done by using the ACL software application. 5,187 records came back as containing one of the key words. These were manually reviewed to remove false positives, i.e. key word hit in an incident report that was not related to money laundering. There were 996 records, or 263 discrete incidents, which contained indicators that reflected a suspicious transaction. The 263 incidents were further reviewed to classify the risk (H/M/L) based on BCLC's Anti-Money Laundering *Identifying High Risk Patrons – What to Look Out For* documentation.

- 53 were submitted to FINTRAC under a related iTrak Incident Number
- 5 deemed to be **HIGHER** risk based on BCLC criteria – *no indication in iTrak these were reported as an STR*
- 70 deemed to be **MEDIUM** risk based on BCLC criteria – *no indication in iTrak these were reported as an STR*
- 135 deemed to be **LOW** risk based on BCLC criteria

The incidents deemed to be rated HIGH are as follows:

#### **IN20150022943 & IN20150024081 May 1, 2015 River Rock Casino**

Female patron assaulted by BCLC Barred Patron SID s. 15. References made to SID s. 15 being a loan shark trying to collect funds from assaulted patron. *When this issue was addressed with the AML Specialist he indicated it wasn't considered a UFT as no transaction had taken place in the casino.*

#### **IN20150026198 May 19, 2015 Edgewater Casino**

Unknown Asian male (SID#s.22), passed \$27,030 total to an Asian female associate for an attempted 3rd party cash out. BCLC Investigator indicates "As this is the second incident where this male has attempted to be identified and refused, it appears as though he is attempting to avoid LCT reporting".

**IN20150026735 May 21, 2015 River Rock Casino**

BCLC Prohibited Loan Shark drops off patron who subsequently attends to Phoenix Room to join tables.

**IN20150027357 May 25, 2015 River Rock Casino**

Third party cash out on behalf of a patron who has a directive against his involvement in such transactions. After the transaction was refused another patron attempted to cash out with the same chips.

The main indicators as to why items were classified as Medium are:

Reason for MEDIUM Risk Rating	IN Count
Covert chip or currency pass	40
Cash out patron did not present ID or other required info	13
Buy-in patron did not present id or other required info	7
F/X patron did not present ID or other required info	7
Unknown source of chips for cash out	3

While these were not captured in the UFT automatic reporting to the BCLC AML team, they were still reviewed by the BCLC Investigator for the site.

In summary the reasons why the BCLC Investigator did not consider these reportable suspicious transactions were:

- The individuals involved are known associates.
- Sharing of chips and cash in a common occurrence in BC Casinos.
- The individuals involved have a long standing business relationship with the site.
- The transaction was refused because identification or other required info was not presented.

With regards to the last bullet, the question is do these still qualify as suspicious and reportable because of the attempted transaction.

In conclusion, given the low number of transactions with a higher risk rating and the relatively low number of transaction of medium risk, it does not appear that there is an attempt to miscategorize unusual financial transactions to avoid reporting. It should be noted that 472 transactions during the same period were reported as UFT's.



#### **Component IV - Review of Large Table Buy-In's to determine UFT reporting rates**

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

Large table buy-in tracking sheets received from the River Rock Casino for the period January 1 to June 30, 2015 were analyzed to determine if an Unusual Financial Transactions had been created in iTrak. These UFT's were then reviewed to determine if the transaction had been substantiated (leading to an STR being filed with FINTRAC).

It is important to note that this analysis does not intend to pass judgment on whether a UFT/STR should have been created for each of the LTBI's reviewed. The large number (2,000+) of LTBI's reviewed, combined with the sheer volume of other critical information (i.e. iTrak incident reports, surveillance footage, BCLC KYC information) made such a determination very difficult and impractical given the parameters of this review. The intent of this analysis is therefore to provide a snapshot of the statistics surrounding LTBI's and what has been reported.

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

- LTBI's including 500+ \$20's
- LTBI's including 200+ \$50's – *with less than 500 \$20's and less than 100 \$100's*
- LTBI's including 100+ \$100's – *with less than 500 \$20's and less than 200 \$50's*

These thresholds intended to isolate the effect of each denomination on the decision to report. In order to determine if an incident report had been created, a test was done to create a unique field combining the transaction date and the iTrak subject ID of the patron from the LTBI worksheet. This was then compared to a similar combined field in the iTrak Incident Report extract for the same period. This lookup returned two results, either a match indicating there was an incident report for that patron on the date of the LTBI or an N/A indicating that there was no iTrak incident report.

For those LTBI's where a match was returned – the incidents were reviewed in iTrak to confirm they specifically related to the LTBI. 767 LTBI's were returned with a match. There were 1,349 LTBI's where an N/A was returned, indicating no match. Given the large volume and the effort it would take to search iTrak for confirmation no incident existed, a sample of 404 or 30% of the N/A's were reviewed to gain assurance that no incident existed.

The analysis identified the following breakdown:

Category	Total # of Transactions	No UFT Incident	UFT Created	UFT Substantiated
Cash LTBI's with 500+ \$20's (regardless of volume of \$50's and \$100's)	1090	439	651	649
Cash LTBI's with 200+ \$50's (no large volume of \$20's or \$100's - <\$10,000)	71	65	6	6
Cash LTBI's with 100+ \$100's (no large volume of \$20's or \$50's - <\$10,000)	955	881	74	73

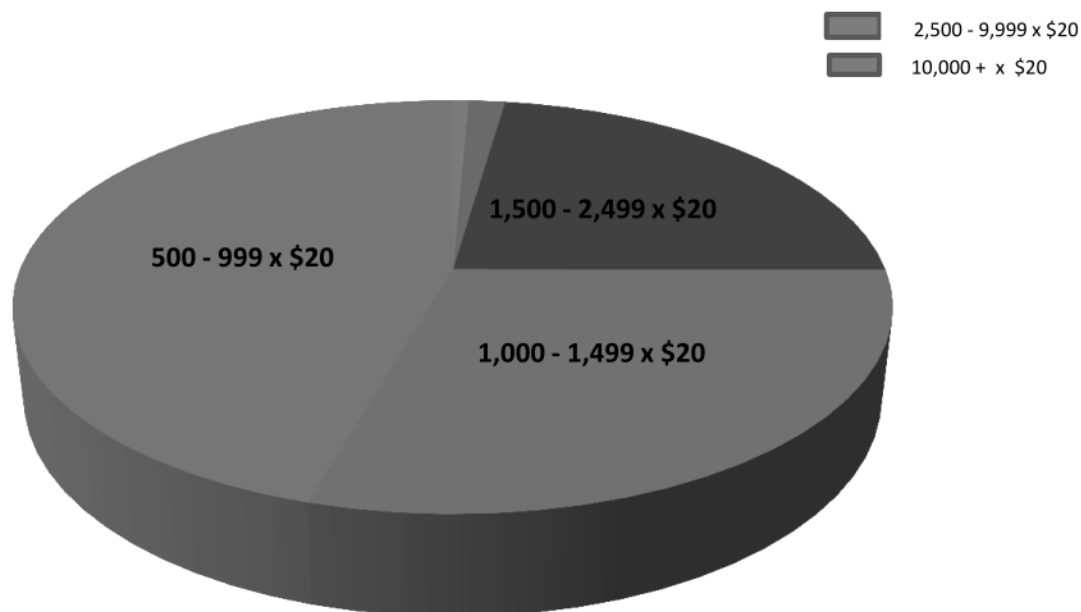
The following points need to be taken into consideration:

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

Emphasis was placed on the LTBI's consisting of large volumes of \$20 bills. The following chart shows the breakdown between UFT and Non – UFT based on volume of \$20's:

Volume (pieces) of \$20's in LTBI	Total # of Transactions	No UFT	%	UFT	%
10,000 or more \$20's	28	3	10.7%	25	89.3%
2,500 - 9,999 \$20's	490	7	1.4%	483	98.6%
1,500 - 2,499 \$20's	199	100	50.3%	99	49.7%
1,000 - 1,499 \$20's	160	129	80.6%	31	19.4%
500 -999 \$20's	213	200	93.9%	13	6.1%
<b>Grand Total</b>	<b>1090</b>	<b>439</b>	<b>40.3%</b>	<b>651</b>	<b>59.7%</b>

### Composition of Large Volume \$20 Bill LTBI's Without a UFT



Conclusions from the data:

- Very few UFT's are being created for LTBI's consisting primarily of \$100 bills. This reaffirms previous work we have done that indicates that buy-ins of \$100 bills are generally not considered suspicious based solely on volume.
- The dollar value of the buy-in appear to strongly determine whether a UFT was created for those LTBI's consisting of large volumes of \$20 bills. The overwhelming majority of the large value \$20 LTBI's, i.e. 2,500 or more \$20's, did have a UFT created.

### Component V - Integrity of iTrak Data

Concerns were raised about the integrity of the data in iTrak, specifically in regards to individuals having the ability to change incident report data created by someone other than themselves. For example, did certain user levels have the ability to change the data in other users' supplementals? Was information recorded in iTrak indicating a UFT potentially changed at a later date to make the transaction details appear unsubstantiated or a non-reportable event?

Analysis was undertaken to review ADD, MODIFY or DELETE actions recorded in the iTrak Audit Logs between April 1, 2014 and September 24, 2015. The analysis confirms that there are permissions that allow users to edit or delete supplementals that they did not create. There are approximately 600 user ID's in iTrak that allow this type of modification.

During the review period there were 12 instances where users edited supplementals that they did not create. There were no instances of a user deleting a record they did not create.

The 12 instances were reviewed to determine what if any information had been changed. There was no indication of any change for nine of the instances. The remaining three were modifications done by system administrators to correct a date error at the request of the supplemental originator.

While it does appear that users have the ability to modify other users' data, the actual usage of this function is extremely limited. For those cases where modifications were done, the reasons were valid and were documented. Only three of the twelve related to UFT's and for those three they were all substantiated transactions that were sent to FINTRAC as an STR.

In conclusion, it does not appear that there was any attempt to modify information in order to avoid filing an STR with FINTRAC.

### **PART 3: CONCLUSIONS**

There does not seem to be intent on the part of BCLC to avoid filing an STR for unusual financial transaction identified by service provider staff. More than 95% of all site-generated UFT's are being treated as substantiated and sent to FINTRAC.

Based on the analysis of the River Rock data it was noted that very few UFT's are being created for Large Table Buy-ins consisting primarily of \$100 bills. This reaffirms previous work conducted indicating that buy-ins of \$100 bills are generally not considered suspicious based solely on volume. The dollar value of the buy-in appear to strongly determine whether a UFT was created for those LTBI's consisting of large volumes of \$20 bills. The overwhelming majority of the large value \$20 LTBI's, i.e. 2,500 or more \$20's, did have a UFT created.

There does not seem to be widespread intentional or erroneous miscategorizing of incidents in iTrak resulting in unreported unusual financial transactions. The mining of the iTrak data identified only five high risk events and 70 medium risk incidents. In all cases the BCLC Investigator still completed a review of the incident. The 70 medium risk items consisted mainly of either chip passing (primarily amongst known associates) and transactions refused because the patron did not present identification or required information. It could be argued that the refused transactions should have been reported if BCLC considered them an attempt at money laundering.

While it was identified that a certain class of users have the ability to modify data in iTrak they did not author, there was very limited use of this; 12 times in the year reviewed. It did not appear that any of these modifications were done to prevent a UFT from being reported to FINTRAC.



## INTERNAL MEMO

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

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

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

**Date:** December 15, 2015

**Subject:** Quick Report Summary  
COMM-8514 Cash Flow Review of River Rock Casino High Limit Rooms

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### QUICK REPORT SUMMARY

The review provides an analysis of cash flows at River Rock Casino; with the focus on the site's high limit rooms. The objective is to understand the volume of cash by denomination flowing through the high limit rooms. This information will assist GPEB in evaluating the extent patrons are buying in with smaller denomination bills, and if possible, the associated risk of refining (colouring up).

The scope is limited to a review of the cash buy-ins conducted at the cages for the period January 1, 2015 – June 30, 2015. Below are the key observations from the main sections of the report.

#### **Analysis of Cash Buy-Ins Conducted at the Cage**

- Total cash buy-ins conducted at the cage amounted to \$140,997,590 over the six month period. Of this amount: 78% of the cash buy-ins occurred with \$20s; 16% with \$100s; and 6% with \$50s, \$10s and \$5s.
- Majority of the patrons conducting cash buy-ins at the cage are playing in the VIP high limit rooms.

#### **Analysis of Cash Transfers Between the Vault and VIP High Limit Cages**

- A review of cash transfers between the VIP cages and vault indirectly shows that patrons buying-in with smaller denomination bills (primarily \$20s) are cashed-out with \$100s.
- Our analysis was further corroborated through discussions with cage personal at River Rock who indicated that patrons will be paid out in large denomination bills; if the site deems that the patron had reasonable play or reasonable net gaming losses.

## **Snapshot of Patrons Conducting Cash Buy-Ins at the Cage**

- 482 different patrons conducted cash buy-ins at the cage during the six month period, of which 66% were PGF account holders. This indicates that many PGF account holders are conducting buy-ins, with cash, outside of their PGF accounts.
- BCLC is aware of the patrons that most often conduct cash buy-ins at the cage. At the time of testing, of the 33 patrons that conducted cash buy-ins at the cage of \$1 million or more:
  - 28 are on BCLC's "watched" status, due to unusual or suspicious activity.
  - 16 of the 33 patrons, including eight of the top 10, have been issued directives by BCLC stating that the patron is not permitted to buy-in with "un-sourced" cash (all cash without a bank or ATM withdrawal slip).

## **CONCLUSION**

The denomination of currency used to conduct cash buy-ins at the cage, is of concern. Cash buy-ins were mainly with smaller denomination bills, specifically \$20s, and primarily occurred at the Salon and Phoenix cages, which service patrons playing in the VIP high limit rooms.

Many of River Rock's PGF account holders chose to conduct buy-ins with cash, outside of their PGF accounts. This indicates that although the site is encouraging patrons in the high limit rooms to open PGF accounts, getting them to use their accounts more frequently is not occurring.

Our analysis, corroborated through discussions with cage personal working at River Rock, showed that the site does not pay out patrons in the same denomination of bills that they bought in with. Their practice is subject to discretion, particularly if the patron had reasonable play or reasonable net gaming losses.

Our analysis also shows that BCLC is aware of the patrons that most often conduct cash buy-ins at the cage, as most are on BCLC's "watched" status, and many have been issued directives, which state that the patron is not permitted to buy-in with "un-sourced" cash.

## Internal Memo

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

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

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

**Date:** December 15, 2015

**Subject:** Cash Flow Review of River Rock Casino High Limit Rooms (COMM-8514)

### EXECUTIVE SUMMARY

This review provides analysis of the cash flows at River Rock Casino; with the focus on the site's high limit rooms. The objective is to understand the volume of cash by denomination flowing through the high limit rooms. This information will assist GPEB in evaluating the extent patrons are buying in with smaller denomination bills, and if possible, the associated risk of refining (colouring up). The scope is limited to a review of the cash buy-ins conducted at the cages for the period January 1, 2015 – June 30, 2015.

### Key Observations for Period Reviewed January 1, 2015 – June 30, 2015

- Total cash buy-ins conducted at the cage amounted to \$140,997,590 over the six month period. Of this amount: 78% of the cash buy-ins occurred with \$20s; 16% with \$100s; and 6% with \$50s, \$10s and \$5s.
- Majority of the patrons conducting cash buy-ins at the cage are playing in the VIP high limit rooms.
- 482 different patrons conducted cash buy-ins at the cage during the six month period, of which 66% were PGF account holders. This indicates that many PGF account holders are conducting buy-ins, with cash, outside of their PGF accounts.
- BCLC is aware of the patrons that most often conduct cash buy-ins at the cage. At the time of testing, of the 33 patrons that conducted cash buy-ins at the cage of \$1 million or more:
  - 28 are on BCLC's "watched" status, due to unusual or suspicious activity.
  - 16 of the 33 patrons, including eight of the top 10, have been issued directives by BCLC stating that the patron is not permitted to buy-in with "un-sourced" cash (all cash without a bank or ATM withdrawal slip).
- A review of cash transfers between the VIP cages and vault indirectly shows that patrons buying-in with smaller denomination bills are cashed-out with \$100s. Our analysis was further corroborated through discussions with cage personal at River Rock who indicated that patrons will be paid out in large denomination bills; if the site deems the patron had reasonable play or reasonable net gaming losses.

## PART 1: INTRODUCTION

### BACKGROUND

In 2013 the audit team conducted analysis of cash by denomination flowing through River Rock Casino. Our analysis focused on cash buy-ins for table games and slot play. The analysis highlighted areas of concern, specifically the denomination of currency used for table play in the high limit rooms. Reserved for high stakes betting, red flags arose when significant amount of large cash buy-ins with small denomination bills were conducted at the high limit cage. Our work also showed that the risk of patrons using slot machines to launder money was not high. This review revisits our prior work on cash flows at River Rock Casino; however, with the lens focused on the high limit rooms. River Rock was selected based on past concerns, and because it generates the highest table game revenue in the Province. River Rock is a hot spot for high limit gamblers, and being in close proximity to the Vancouver International Airport, it attracts visits from wealthy tourists, particularly those from Asia.

### OBJECTIVE

The objective of the review is to understand the volume of cash by denomination flowing through the high limit rooms at River Rock Casino. This information will assist GPEB in evaluating the extent patrons are buying in with smaller denomination bills, and if possible, the associated risk of refining (colouring up).

### SCOPE

The scope is limited to a review of cash buy-ins conducted at the cages of River Rock Casino for the site's five high limit table rooms (Salon Privé, Salon Premium, Phoenix Room, Dogwood Room, and Maple Leaf Room) for the six month period January 1, 2015 – June 30, 2015.

### TERMINOLOGY

*Cash Buy-In* – Purchase of casino chips with cash for table play.

*Cashier Drop Buy-In Tracking Sheet*- Tracking sheet used by River Rock Casino to document cash buy-ins for tables that occur at the cage. The following information pertaining to each cash buy-in is documented: Time, cash desk, table number, patron name, subject ID, and total cash buy-in by denomination.

*Patron Gaming Fund (PGF) Account* – Program created to offer patrons at participating lower mainland casinos a viable option to transport money into the gaming facility. The program allows patrons to deposit funds into their accounts at the casino, which can then be withdrawn for gaming, re-deposited for subsequent play or returned to the patron.

*Table Drop Revenue* – Total revenue from table games.

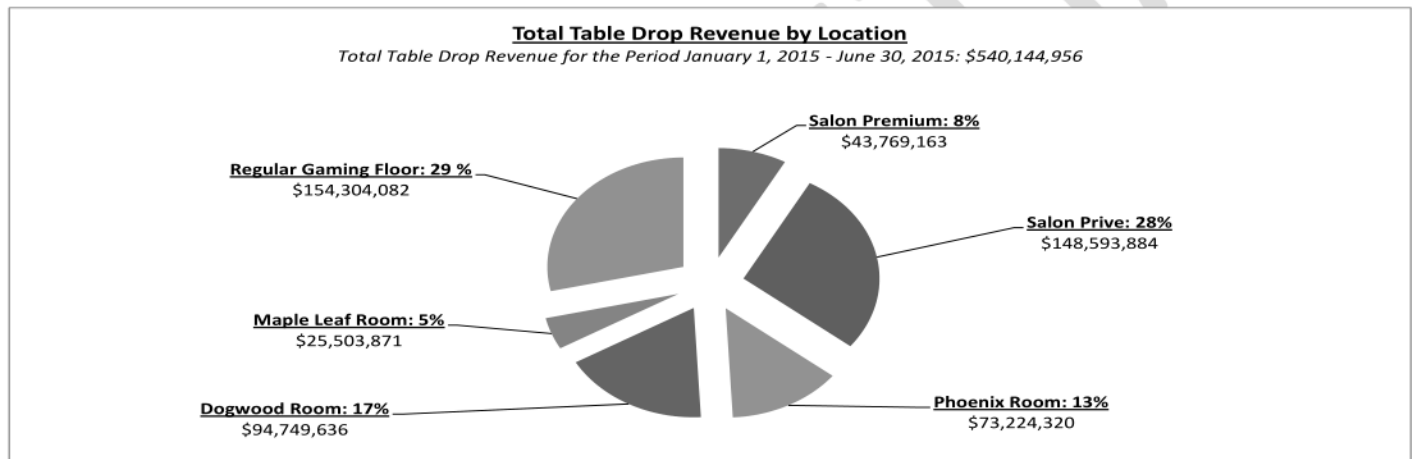
*Table Net Win Revenue* – Table revenue net of prizes paid.



## PART 2: ANALYSIS OF TABLE DROP REVENUE

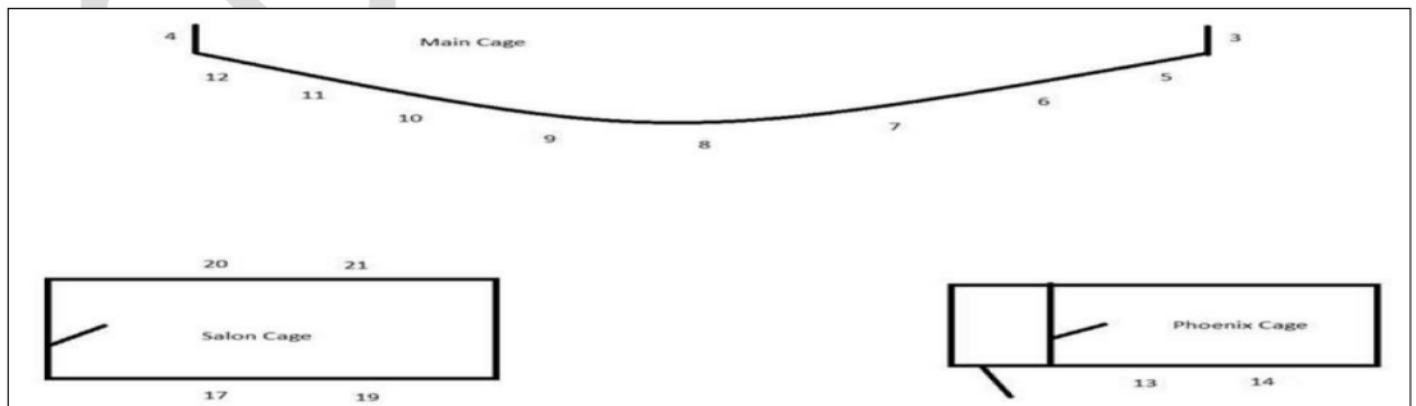
River Rock Casino has a total of 121 tables. The casino has five high limit rooms. The five high limit rooms consist of the Salon Privé (21 tables), Phoenix Room (18 tables), Salon Premium (10 tables), Dogwood Room (10 tables) and the Maple Leaf Room (six tables). The Salon Privé, Salon Premium and the Phoenix Room are VIP access high limit rooms. The Salon Premium opened in February 2015, and is the site's newest VIP baccarat room and is the gaming area of choice for players who seek discretion and privacy.

For the period January 1, 2015 – June 30, 2015, the total table drop revenue at River Rock Casino was \$540,144,956, of which the table net win revenue was \$118,649,612. The chart below provides a breakdown of the total table drop revenue by location. As shown, 49% of the table drop revenue was from the casino's three VIP high limit rooms (Salon Privé, Salon Premium, and Phoenix Room), 29% was from table games on the regular gaming floor, and 22% from the Dogwood and Maple Leaf high limit rooms.



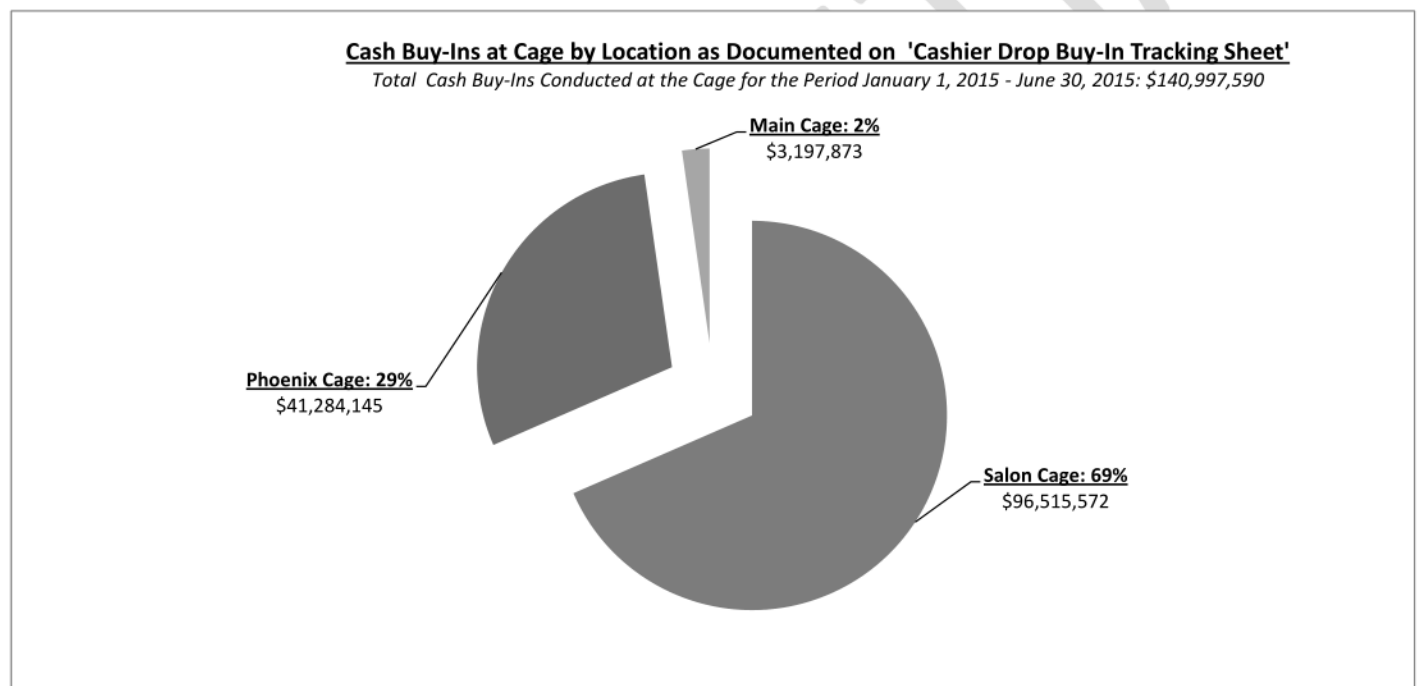
## PART 3: ANALYSIS OF CASH BUY-INS CONDUCTED AT THE CAGE

The cage is the focal point for majority of activities and transactions on the gaming floor. River Rock Casino has three cages, as shown in the diagram below. The main cage services all patrons playing on the regular gaming floor, Maple Leaf and Dogwood high limit rooms. The Salon and Phoenix cages service VIP patrons playing at the Salon Privé, Salon Premium and Phoenix Room.



For table play, patrons may purchase chips directly at the table or at the cage. On the regular gaming floor, the cash buy-in is smaller and often occurs at the table. In the high limit rooms, the cash buy-ins are larger, and often occur at the cage, but may also occur at the table, dependant on the buy-in amount, and environment (i.e. empty table, little table action etc.). Cash buy-ins which occur at the cage, are for large dollar amounts, mixed denominations, or because the patron approached the cage to conduct the buy-in.

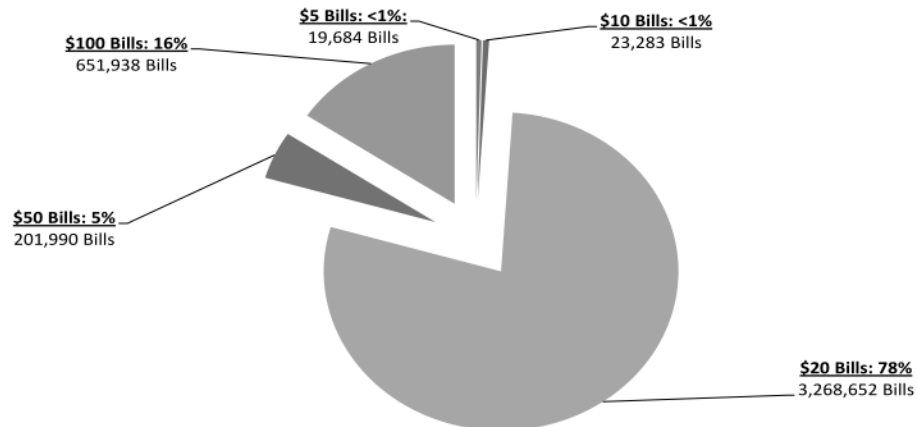
At River Rock Casino, cash buy-ins which occur at the cage, are documented manually on a 'Cashier Drop Buy-In Tracking Sheet.' The Cashier Drop Buy-In Tracking Sheets were reviewed for the period January 1, 2015 – June 30, 2015. During this period the total cash buy-ins conducted at the cages amounted to \$140,997,590, as shown below. As can be seen, 69% of the cash buy-ins occurred at the Salon cage, 29% at the Phoenix cage and the remaining 2% at the main cage. This indicates that majority of the patrons conducting cash-buys at the cage are playing at the Salon Privé, Salon Premium or Phoenix Room, which are the casino's three VIP high limit rooms.



The following chart provides a detailed denomination breakdown of the cash buy-ins which occurred at the cage. As shown, 78% of the cash buy-ins at the cage occurred with \$20s, 16% with \$100s, and the remaining 6% with \$50s, \$10s and \$5s. Together with the previous chart, this indicates that majority of the cash buy-ins are conducted at the VIP cages and with small denomination bills, which corroborates the discussions we have had with cage managers and cashiers working in the Salon and Phoenix VIP cages.

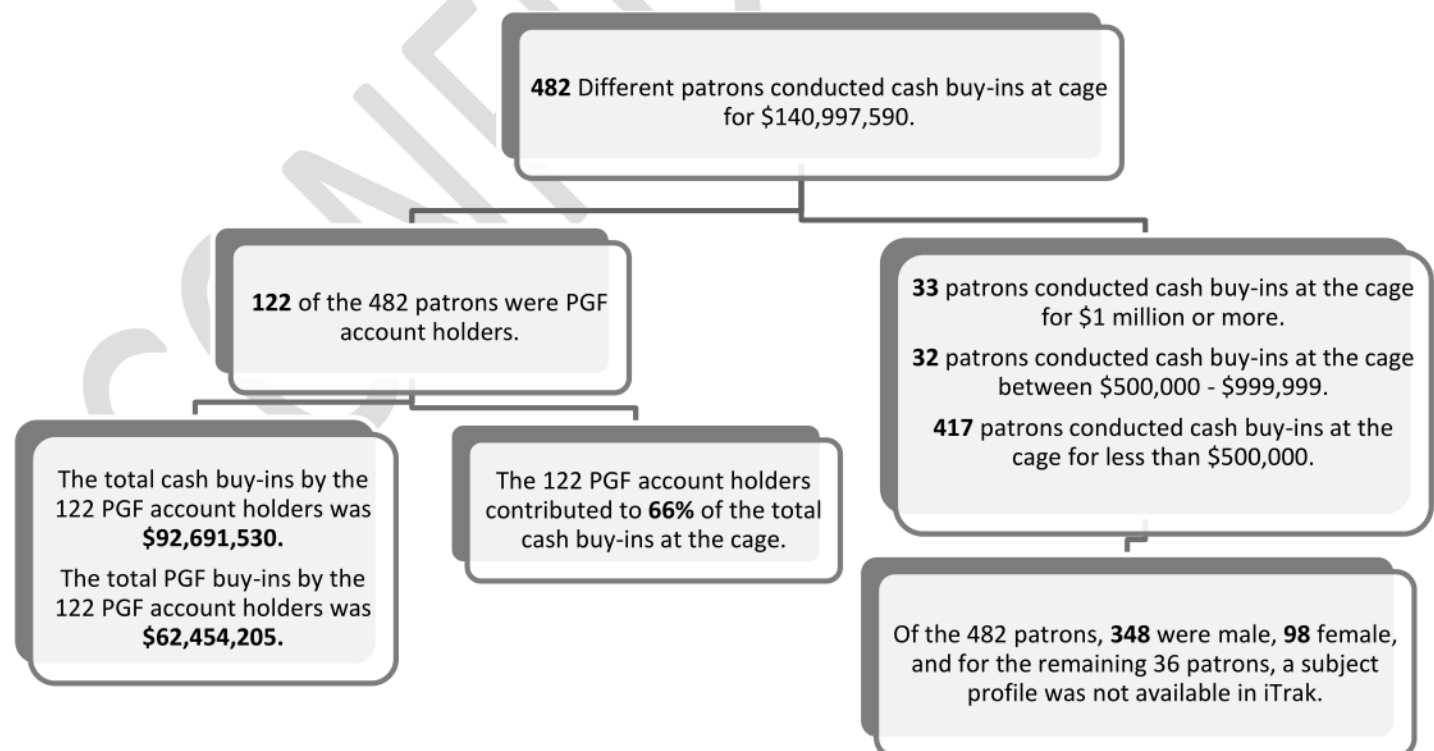
**Cash Buy-Ins Conducted at Cage by Denomination as Documented on the 'Cashier Drop Buy-In Tracking Sheet'**

Total Cash Buy-Ins Conducted at Cage for Period January 1, 2015 - June 30, 2015: \$140,997,590



**PART 4: SNAPSHOT OF PATRONS CONDUCTING CASH BUY-INS AT THE CAGE**

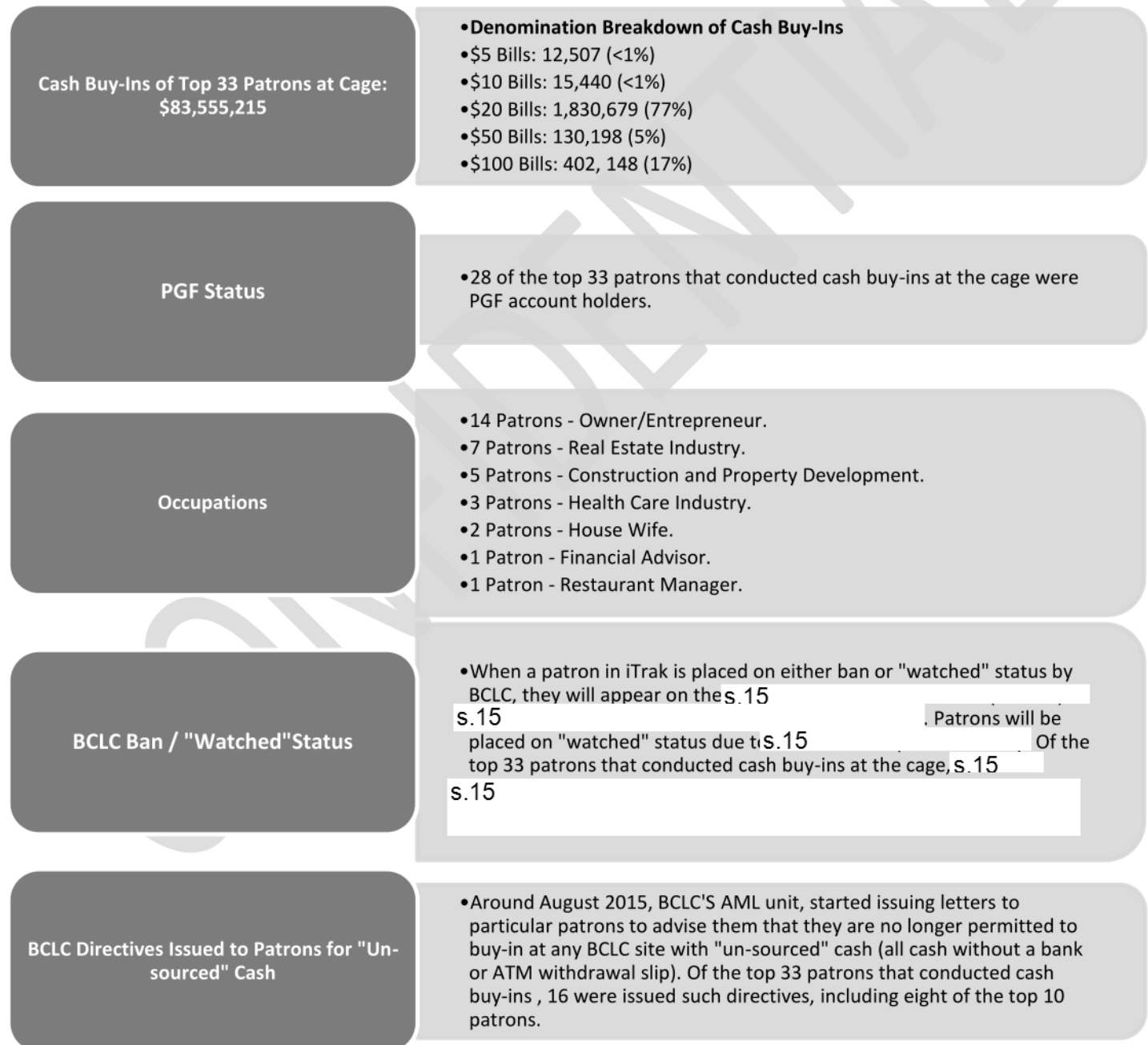
A total of 482 different patrons conducted cash buy-ins at the cage for \$140,997,590, for the period January 1, 2015 – June 30, 2015. The chart below provides a snapshot of the 482 patrons that conducted the cash buy-ins. As shown, 66% of the cash buy-ins was conducted by PGF account holders, which indicates that many account holders are choosing to conduct buy-ins, with cash, outside of their PGF accounts. In addition, of the 482 patrons that conducted cash buy-ins at the cage, 33 conducted buy-ins totaling \$1 million or more.



## **Cash Buy-Ins at the Cage for the Top 33 Patrons**

Of the total \$140,997,590 cash buy-ins conducted at the cage, 33 patrons conducted cash buy-ins totaling \$1 million or more. Together, the total cash buy-ins for these 33 patrons was \$83,555,215, which amounts to 59% of the total cash buy-ins conducted at the cage. The chart below provides a snapshot of the top 33 patrons conducting cash buy-ins at the cage. A detailed listing of patrons that conducted cash buy-ins at the cage of \$250,000 or more is provided in the appendix to this report.

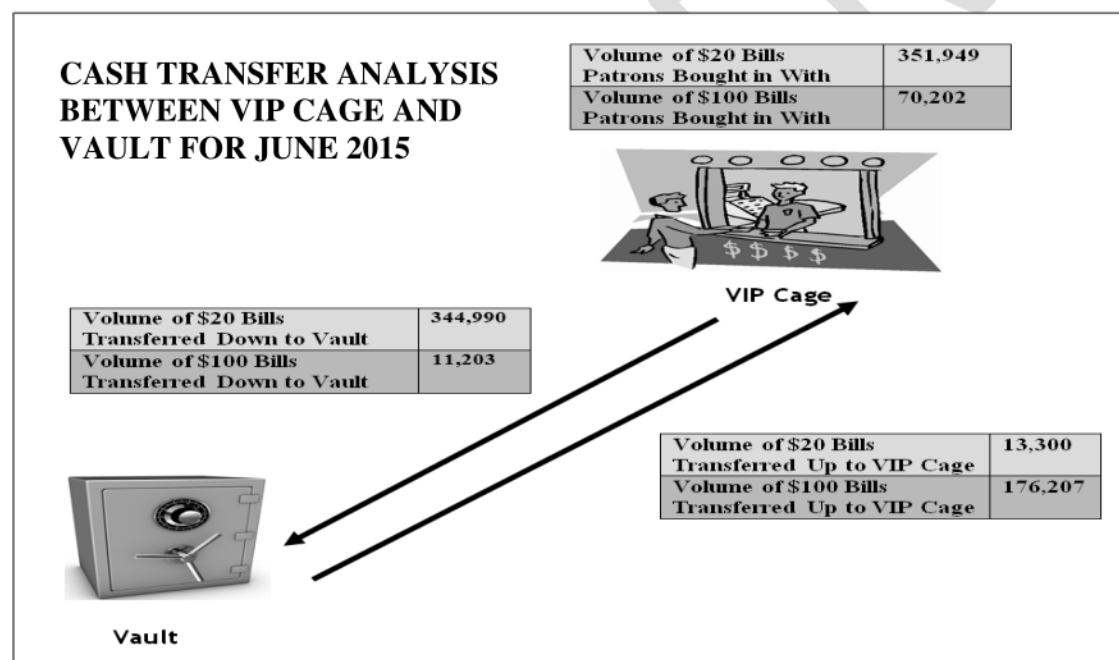
### ***Snapshot of Top 33 Patrons Conducting Cash Buy-Ins at the Cage***



## PART 5: CASH TRANSFERS BETWEEN THE VAULT AND VIP HIGH LIMIT CAGES

As part of our analysis of cash flows, we wanted to gain an understanding of the denomination of cash that patrons are buying in and cashing out with at the cage. This information would assist in evaluating the associated risk of refining (colouring up). With the data that is tracked by River Rock Casino, we were able to analyze the cash buy-ins conducted at the cage by denomination type, as detailed in part three. However, River Rock does not document the denomination of cash pay outs. To work around this restriction, we analyzed the daily transfers of cash between the two VIP high limit room cages (Salon and Phoenix) and the main vault. This analysis would indirectly show, which denomination patrons are likely paid out with.

The graphic below shows the total number of \$20s, and \$100s that patrons bought in with at the Salon and Phoenix VIP cages for the month of June 2015. Only the month of June was analyzed due to changes in the tracking process of cash transfers at River Rock Casino. The analysis for the month of June shows that the majority of \$20s that patrons bought in with were transferred down to the vault; while majority of the \$100s that patrons bought in with were retained by the cage. We then analyzed the volume of \$20s and \$100s that were brought up from the vault to the VIP cages. As can be seen, the high limit cages are primarily requesting \$100s from the vault, as opposed to \$20s. This in part shows that River Rock is likely requesting the \$100s to pay out patrons.



Our analysis of the cash transfers between the VIP cages and the vault is corroborated through discussions with cage management and cashiers working at River Rock. Site personal indicated that the majority of the \$20s that come in from cash buy-ins at the cage are sent to the vault, and \$100s are then requested from the vault to pay out patrons. River Rock will pay-out patrons with large denomination bills, if the site deems that the patron had reasonable play or reasonable net gaming losses.

## PART 6: CLOSING COMMENTS

The denomination of currency used to conduct cash buy-ins at the cage, is of concern. Cash buy-ins were mainly with smaller denomination bills, specifically \$20s, and primarily occurred at the Salon and Phoenix cages, which service patrons playing in the VIP high limit rooms. Many of River Rock's PGF account holders chose to conduct buy-ins with cash, outside of their PGF accounts. This indicates that although the site is encouraging patrons in the high limit rooms to open PGF accounts, getting them to use their accounts more frequently is a challenge. Our analysis, corroborated through discussions with cage personal working at River Rock, showed that the site does not pay out patrons in the same denomination of bills that they bought in with. Their practice is subject to discretion, particularly if the patron had reasonable play or reasonable net gaming losses. Our analysis also shows that BCLC is aware of the patrons that most often conduct cash buy-ins at the cage, as most are on BCLC's "watched" status, and many have been issued directives, which state that the patron is not permitted to buy-in with "un-sourced" cash.

## APPENDIX: DETAILED LIST OF CASH BUY-INS CONDUCTED AT CAGE

*The table below provides the total cash buy-ins of \$250,000 or more, conducted at River Rock Casino cages, by patron, in ascending order (most cash buy-ins to least) for the period January 1, 2015 – June 30, 2015.*

s.15,s.22

Page 83 to/à Page 86

Withheld pursuant to/removed as

s.22;s.15