

INFORMATION NOTE

British Columbia Lottery Corporation

Date: January 11, 2018

Cooper AML Story RE: AML Presentation

KEY FACTS:

On January 8, 2018, Postmedia published another story as part of reporter Sam Cooper's series on allegations of money laundering and related illegal activities in B.C. casinos.

<http://vancouversun.com/news/local-news/chinas-hunt-for-corrupt-officials-could-affect-bclc-whale-gambler-revenue>

In his article, Cooper references a presentation released through a GPEB FOI, prepared by BCLC's former Director of AML for a November 23, 2016 presentation to the Association of Certified Fraud Examiners, titled "Rolling the Dice: Compliance in the BC Gambling Space."

The article reports allegations that VIPs / "whale gamblers" in B.C. casinos were part of a criminal network:

"Information in Alderson's prepared slides provides background context about a network of ultra-wealthy VIP bettors from China. According to allegations in government documents obtained by Postmedia and RCMP's E-Pirate investigation, these VIPs were used by an organized crime group with ties to mainland China to buy chips in B.C. casinos with cash suspected to be from drug traffickers."

BCLC Response:

- BCLC proactively bars suspected members of organized crime and those associated to criminal activity from gaming facilities in B.C., including more than 270 people identified to BCLC by law enforcement through an information-sharing agreement.
- Since these circumstances arose (2015), tens of millions of dollars in cash transactions have been refused under BCLC's program, including refusing unsourced cash from 150 customers who have been placed on specific unsourced cash buy-in restrictions.
- Currently another 150 other customers are on various other types of conditions, including source of funds and/or source of wealth reviews.

The article reports about the overall profile of the top high-roller gamblers in B.C. casinos:

"Alderson's presentation slides show that of the top 100 BCLC high-rollers, in the period of January to September 2016, 97 were Asian. These top 100 high-stakes gamblers accounted for 54 per cent of all large transactions in BCLC casinos, the documents show."

"A breakdown of these top 100 gamblers' occupations is provided. The top declared occupation was real estate, followed by service, "other," import/export, housewife and student."

"These top gamblers accounted for a major portion of BCLC revenue. But Alderson's presentation suggests these VIPs are a volatile source of income, and they could be affected by political and economic forces in China."

BCLC Response:

- In 2012, BCLC increased its customer due diligence efforts and began more in-depth interviews with customers where concerns around source of cash and source of wealth were arising. In 2014, BCLC continued to have concerns regarding a number of cash transactions, and reported the concerns to police and GPEB and made repeated requests that they investigate.

- Where warranted, and based on individual circumstances, customers may be asked for information around the source of the funds they intend to use for gaming.
- In every instance of a cash buy-in payment of \$10,000 or more, or where suspicious circumstances are present, BCLC ascertains detailed information on each customer's identity in accordance with FINTRAC requirements.
- If concerns arise around the origin of funds, restrictions may be placed on the methods an individual customer is permitted to use to buy in. For example, a customer may be restricted to using bank drafts or certified cheques, or a customer may be banned from further play.

The article reports that Chinese government actions and measures to combat flight of capital were affecting high-roller play in B.C. casinos/impacting BCLC revenues:

"In a slide titled 'Recent impact on Asian whales,' the listed impacts include 'alleged Chinese police operations in B.C.' and an increase in Interpol warrants for alleged corruption and bribery involving Chinese officials. Other factors listed include the volatility of China's stock market, and a decrease in gambling revenue in Macau as China cracks down on the flight of capital.

"Another factor is the proposed Canada and China repatriation treaty, in which China hopes to seize and get back some portion of Canadian assets that China alleges have been purchased by fugitives with ill-gotten gains."

BCLC response:

- In 2015, there was a decline in high-limit casino play globally compared to previous years. This is evident in reports from Las Vegas, Macau and across Canada.
- BCLC implemented stricter source of funds and source of wealth controls starting in summer 2015. These controls included BCLC placing buy-in restrictions on players where source of funds inquiries could not be adequately established. These restrictions included not permitting players to buy-in with cash or complete bans on play. Where players were restricted from cash buy-ins, they were still permitted to use bank drafts and other sourced and traceable buy-in options.
- Information on players placed on buy-in restrictions or banned, s.15

The article reports eight individuals from China's financial fugitives list are/have gambled in B.C. casinos:

"Documents obtained by Postmedia in a previous freedom of information disclosure show that B.C.'s gaming policy enforcement branch has conducted an audit to determine if any of the top 100 alleged financial fugitives named by China 'are gambling or have gambled in B.C. gaming facilities.' The audit shows a clipping of eight suspects from China's so-called 'SkyNet List.'

"However, several pages of findings and a conclusion on whether these suspects have gambled in B.C. casinos are completely redacted. A spokeswoman for the Attorney General's ministry said an investigation is continuing, and results of the audit cannot be released."

BCLC Response:

- In May 2015, BCLC AML reviewed the list of the 100 most wanted fugitives from China (aka Skynet 100) s.15
- BCLC subsequently notified and provided the s.15 BCLC also immediately banned all these individuals from all B.C. gambling facilities for a period of 5 years.

The article reports challenges for BCLC in probing for Source of Funds info and relationships with GPEB:

"Competition from illegal casinos in B.C., and probing both the 'source of funds' and the 'source of wealth' of BCLC gamblers are challenges for BCLC, presentation notes say. The presentation also notes that 'politics' and the sharing of information among various agencies are challenges for BCLC."

BCLC Response:

- BCLC has comprehensive source of funds and source of wealth procedures, which include in-depth interviews with players as warranted.
- BCLC's source of funds and source of wealth procedures are informed by, and fully aligned with, the risk-based framework set out in guidance from FINTRAC and the Financial Action Task Force, the international anti-money laundering oversight body.
- Despite a comprehensive AML program, challenges exist in source of wealth and source of funds inquiries ^{s.15}

BCLC is not privy, s.15

s.15

. If this information is shared with BCLC, the player is immediately banned, but where it is not shared, BCLC may be unable to detect the information, given that BCLC is not a police or investigative agency.

The article closes with the following summary of VIP gamblers, LCTs and suspected connections to BC's real estate market:

"Alderson's presentation also highlights connections between VIP gamblers that are responsible for a majority of large and suspicious transactions in B.C. casinos, and B.C.'s real estate industry. While many of the VIPs are involved in real estate, according to Alderson's report, there has been a major disparity between the reporting of suspicious and large transactions in casinos versus B.C.'s real estate sector. From 2010 to 2013 there were 2,045 suspicious transactions filed in BCLC casinos. In the same time period B.C. realtors only reported 13 suspicious transactions. And there were 65,920 large cash transactions reported in B.C. casinos from 2010 to 2013. Only seven were reported in B.C. real estate transactions."

BCLC Response:

- This work shows the comprehensive nature of the source of funds and wealth procedures and analysis that is included in BCLC's anti-money laundering regime.

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