

**GAMING POLICY
AND ENFORCEMENT BRANCH
INVESTIGATION DIVISION
FINDINGS:**

**REPORT OF
November 19th, 2012**

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**Money Laundering in BC casinos
2007-Present**

Introduction

Since 2007 GPEB Investigations has notice a marked increase in the number of Section 86, Gaming Control Act (S.86) reports being received from the service providers regarding suspicious cash being brought into the Lower Mainland casinos. As the reports have increased the dollar amount of the suspicious cash entering casinos has increased incrementally as well. It is projected that the number of suspicious cash transaction (SCT) reports received in 2012 will be 1060. The dollar amount of the suspicious cash is estimated to be 85 million dollars. This report will review the statistical data from 2007-2012 and conduct a brief historical overview of suspicious cash transactions during that period, as well as analyzing the current statistics to determine precisely the present state of the suspicious cash transactions/ money laundering problem in British Columbia casinos.

Historical Overview

In 2007 GPEB Investigations adjusted their reporting / scoring to reflect more clearly what was occurring in the area of SCT's. Prior to 2007 money laundering and loan sharking were grouped together for scoring purposes, with a majority of these reports relating to loan sharking, which was seen as a significant threat at that time, with good reason. Chip and cash passing

were openly conducted on the floor of the casinos which created an environment in which the loan sharks could operate freely. BCLC made a concerted effort to eliminate loan sharks from the casinos and began to provincially prohibit any individual observed to be engaging in loan shark activities from all casinos in BC for a determined period of time. This had the desired effect of removing loan sharks from BC casinos, however it did little to eliminate the problem.

Loan sharks began using associates known as "runners" to transport and disseminate cash within the casinos. If they were observed by BCLC the runner would be prohibited, only to have another runner take his position almost immediately. This then evolved to where the loan sharks would meet the patrons in the parking lot of the casinos and exchange cash, or would drive off site to make the exchange. As these incidents were occurring off the casino properties there was no requirement to report. This is common practice today, and as a result reported incidents of loan sharking has dropped dramatically, and a clearer picture of what is occurring with SCT's emerged.

The following is a calendar year by year comparison of the S. 86 SCT files received;

2007-59

2008-213

2009-211

2010-295

2011-676

2012 (year to date)-794

It was evident that the number of SCT reports was increasing at an alarming rate, however it was not until 2010 when the first 12 month file review was conducted did the amounts of actual suspicious cash being brought into the casinos come to light. The following is the results of that file review conducted between August 31st, 2010-September 1st, 2011;

Total files: **543**

Total dollar amount: **\$39,572,313.74**

Top Three Venues

River Rock Casino: 213 files

Total dollar amount: \$21,703,215.00

Starlight Casino: 140 files

Total dollar amount: \$13,540,757.00

Grand Villa Casino: 103 files

Total dollar amount: \$2,815,470.00

80 different patrons bought in for over \$100,000 on at least one occasion.

The top 5 patrons had suspicious cash buy-ins combined totaling: \$10,408,210.00

The top individual patron had suspicious buy-ins totaling: \$5,855,760.00

The vast majority of all the suspicious cash buy-ins was in \$20 dollar denominations.

There also emerged a profile of the patron that was bringing the large amounts of suspicious cash into the casinos. Almost all were Asian males that played baccarat in the high limit rooms. While some/most of these patrons may not themselves be laundering money they were being used by loan sharks and organized crime to facilitate the laundering of the proceeds of crime.

In October 2010, the GPEB investigator at the Starlight Casino compiled a report detailing the amount of suspicious cash being brought into the Starlight Casino during the month of September 2010 by the patron who had been identified in the above noted file review as the top individual with SCT buy-ins. This patron had bought in with a total of; \$3,111,040.00, with \$2,657,940.00 in \$20 dollar denominations. The cash presented was always bundled in bricks of \$10,000, wrapped with an elastic band at either end

and carried in inexpensive plastic bags. The bills were always used, older currency. On several occasions this patron lost his bankroll and left the casino to emerge only a few minutes later with another bag of suspicious cash. He was also observed associating with individuals who had previous histories of engaging in loan sharking activities.

A letter was drafted and forwarded to BCLC Manager of Security, Gordon Friesen, on November 24th, 2010, advising him of this situation and the obvious concerns GPEB had with this being allowed to continue. A written reply was received from Assistant Manager of Security, John Karlovcec, on December 24th, 2010, advising that after reviewing this matter BCLC have concluded that this patrons buy-in patterns, "do not meet the criteria that would indicate he is actively laundering money in British Columbia casinos." A second letter was sent to BCLC on February 28th, 2011, advising GPEB's concern with this conclusion. No reply was received. This was a position BCLC took with most suspicious cash transactions, yet still reported to FINTRAC as the Proceeds of Crime and Terrorist Financing Act required.

It was also during this time that GPEB began sharing SCT information with the RCMP, Integrated Proceeds of Crime Unit (IPOC). s.16
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In 2011, the Minister responsible for gaming commissioned Robert Kroeker to author a review on anti-money laundering measures in BC gaming facilities. Kroeker's report made several recommendations regarding suspicious cash transactions in casinos, including that BCLC accept law enforcements professional opinion that this activity is money laundering. They adopted this recommendation, and constructed an anti-money laundering strategy that was solely based around reporting, not reduction or elimination.

Asian patrons bringing in large sums of suspicious cash over a short period of time continued to occur, and in one instance a group of males bought in with \$1.4 million dollars in small denominations over a one week period at the River Rock Casino in 2010. As well, a single male bought in with \$1,

819,880.00 in a ten day period in 2011, again at the River Rock Casino. In both of these occasions the patrons were visiting businessmen from China.

2012

A SCT review was conducted covering the period January 1st, 2012-September 30th, 2012. The following is the results;

Total Money Laundering/SCT files: **794**

Total dollar amount: **\$63,971,727.00**

Total dollar amount in \$20 dollar denominations: **\$44,168,660.00**

This represents 70% of all suspicious cash entering casinos.

79 patrons had SCT buy-ins at least once with \$100,000

17 patrons had total SCT buy-ins over \$1,000,000

The top 22 patrons had SCT buy-ins totalling: \$45, 12,130.00.

This represents 71% of the total dollar amount of all Suspicious Cash Transactions.

The top ten patrons SCT buy-ins generated 285 separate S.86 reports from the service providers and BCLC.

The top five patrons SCT buy-ins generated 172 separate S.86 reports from the service providers and BCLC.

By comparison; the top 22 patrons who generated 285 SCT reports between them, in a nine month period in 2012, is more that the total number of SCT reports generated in 2007, 2008 and 2009, and is only ten less than 2010.

Using the figures from the first nine months of 2012, it is estimated that the yearly totals will be;

Total Money Laundering /SCT files: **1060**

Total dollar amount: **\$85,295,636.00**

Total dollar amounts in \$20 denominations: **\$58,891,546.00**

It has become routine for patrons to buy- in with suspicious cash totalling \$200,000, \$300,000, \$400,000, and on two occasions where \$500,000 and \$580,000 respectively, were presented at the cash cage of a casino.

During recent discussions with IPOC they advised that they are unable at present to initiate any large scale investigations into money laundering within BC casinos.^{s.16}

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Representatives of IPOC have also shared this information with BCLC and the service providers. At present GPEB Investigations continues to supply IPOC and CISBC with all SCT investigation reports for intelligence purposes.

Conclusions

- The number of S. 86 reports received from the service providers and BCLC have almost doubled every year since 2010.
- The total dollar amounts of suspicious cash entering BC casinos continues to rise exponentially, year over year.
- The \$20 dollar bill is currently used in 70% of all suspicious cash transactions.
- All large SCT buy-ins are in Canadian currency.
- Wealthy Asia males are responsible for a large majority of all SCT reports generated within Lower Mainland casinos. They refuse to use the Player Gaming Fund Account electronically transfer funds into the casinos legitimately.
- Organized crime has identified a weakness within Lower Mainland casinos and is exploiting this weakness to expand the laundering of large amounts of money obtained from the proceeds of crime.

- The police are not currently in a position to initiate investigations into money laundering within Lower Mainland casinos.
- BCLC initiated several enhancements to the Player Gaming Fund Account in April, 2012, to lessen amounts of cash entering casinos however, the results of this review indicate that it has not slowed the flow of suspicious cash into the Lower Mainland casinos.

Prepared by:	Approved by:
Derek Dickson	
<i>Original Signed</i>	

FORWARDED: 2012-11-19 – Executive Director Investigations and Regional Operations

I believe the contents of this report speak for itself and clearly outline how suspicious currency coming into casinos in BC continues to increase at a dramatic rate. There is also absolutely no question that all or at least most of the reported suspicious currency taken into these casinos at least for the most part is the Proceeds of Crime. That is underlined by the RCMP IPOC Section who receives all of the information from GPEB Investigations regarding suspicious currency. Not only are the numbers of reports increasing dramatically but the volume of cash is rising exponentially at a significant rate. It also appears that the clientele bringing in this money, changes and varies with the amount of time and number of times in the year that some of the persons are

visiting or working in Canada vs their regular home locations in Asia.

A final comment is that the reporting of and investigation into the numbers of files now being reported, both from the service provider, BCLC and from GPEB and the regulatory/enforcement standpoint takes a significant amount of time commitment by all stakeholder personnel involved.

I believe all of the conclusions presented within the body of the report are valid and there are serious concerns that must be addressed. The integrity of gaming continues to be brought into question.

Joe Schalk, Sr. Director

Forwarded: 19 November, 2012

I have read this Report of Findings submitted by the Director, Casino Investigations and footnoted by the Senior Director Investigations and Regional Director, LMD and agree that it is self-explanatory.

The Suspicious Currency Transaction (SCT), Section 86 GCA reports continue to rise as does the amount of suspicious cash. Large amounts of cash in any denominations is of concern but the \$44,000,000.00 (SCT) in \$20 dollar bills being reported in a nine (9) month period is of great concern. It is obviously clear to me that the majority of this cash is provided to gamblers through loan sharks whom have likely links to organized crime. It is therefore a simple leap to have reasonable grounds to believe that those funds are the proceeds of crime. That is why the suspicious currency transactions are being diligently reported. I again ask the question and give the answer "who has \$200,000.00 in \$20 dollar bills wrapped in elastic bands in \$10,000.00 bundles"?

Larry Vander Graaf, Executive Director